Labour, Exploitation and Capitalism in Russia
Before and After 1991

Michael J. Haynes
University of Wolverhampton, UK

Abstract
This article explores the relevance of the idea of state capitalism in Russian development. It situates the idea within the framework of capitalist development which it argues is marked by global inequalities, power imbalances and economic and military competition. The Russian Revolution of October 1917 was an attempt to overthrow this system but its failure led to a highly intense form of state capitalism which lasted until 1991. The underlying continuities in the different regimes in Russia are then analysed in terms of the process of working class exploitation.

Keywords
exploitation, Russia, state capitalism, working class

Introduction
How do we make sense of global capitalism? Conventional economics is an ‘axiomatic science’ building its propositions on a seemingly logical analysis of markets. Market ‘imperfections’ appear as deviations from the ideal. Instead of concentration, monopoly, protection, state action etc. being seen as the expression of the direct essence of capitalism they appear as aberrations of the pure market model. At first glance more radical approaches might seem to avoid this. But this is far from true. Often starting with a bowdlerized version of volume one of Marx’s *Capital* they too tend to conceive of capitalism in terms of private property, markets and commodity production. Thus unwittingly mainstream and many critical accounts share the same blind spots and not the least of these is ‘an aversion to serious investigation of the role of the state in economic development’ (Wade, 1992: 284). This has a double consequence. It leads to the state being thought of as outside of the system – the state is necessary to capitalism but it is not of...
capitalism. Beyond a certain point its expansion undermines capitalism and transforms it into something else. It also leads to a failure to take seriously the central role that the state has played both directly and indirectly in the development of global capitalism. This problematic location of the capitalist state is of long standing. But during the Cold War it was re-enforced by the idea that this was a conflict of two systems – capitalism and non-capitalism defined by the relative balance of state and private property, ‘plan’ and ‘market’.

The argument of this article, as of the others here, is that it is wrong to reduce capitalism to competitive markets and private property – it is also about the state, state control, state direction and state competition in the form of state capitalism. And nowhere has this been so important as in the development of modern Russia. This article argues that prior to 1917 Russia had developed as a capitalist economy with strong state elements. For a brief period between 1917 and 1928–29 revolutionary Russia was partly detached from global capitalism by a revolution that sought to overthrow it. From 1928, now as the USSR, it continued to develop as the leading example of a state capitalist economy. The collapse of 1991 was then misinterpreted as a total collapse of what now became Russian state capitalism, as the USSR fragmented. But although the collapse did introduce a much greater role for the market, the pursuit of the abstract market model foundered not only because of its inherent failings but because a degree of state capitalism continues to exist in all states. Inevitably the shift to the market in Russia was less complete than its promoters wanted and it soon came to involve a degree of retreat.

Not all of those who see capitalism in terms of both private and state forms do so in the same way – compare Haynes (2002a, 2002b); Resnick & Wolff (2002). Rather than focus on these differences this article seeks to demonstrate the importance of the argument for state capitalism by reviewing the crucial issue of the role of the working class and exploitation in Russia in the past century. The question of whether or not exploitation existed in Russia throughout the last century might seem to be a trivial one. Any society in which the few use their control of the means of production to live off a surplus produced by the many can be described as exploitative. Since this was self evidently as true of Russia in 1950 as it was in 1900 or 2000 then the problem of exploitation is solved. However this is too simple. Slaves, peasants and workers are all exploited but the form of their exploitation, its determinants, levels and mechanisms vary enormously. Moreover these differences go to the heart of what distinguishes a slave mode of production from feudalism or feudalism from capitalism. To pose the problem of whether there has been a basic continuity in exploitation in Russia throughout the past century similarly raises the question of whether, beneath the changing legal forms of private and state property, there was not, as will be argued here, an underlying continuity in the nature of Russian society or whether these juridical changes reflected more substantive changes or shifts in the mode of production and therefore the nature of exploitation.

This is exactly the position that most radical accounts which argue that Russia was non-capitalist have taken. Commentators could agree that there were class relations before 1917 and since 1991. In the whole intervening period, however, there was something else. This ‘something’ was brutal and oppressive, it was unequal, but it was not
based on systematic class exploitation driven by the logic of competitive accumulation. It was not moulded by capitalist class relationships and it did not reproduce these class relationships. The Soviet system was wholly or partially detached from global capitalism and so operated with a dynamic of its own. Trotsky, for example, insisted that the system in the USSR was highly degenerate but had nevertheless in its underlying property relations transcended capitalism (Bellis, 1979). Control therefore did not lie in the hands of a ruling class which used its control of production to exploit workers and peasants but its control of distribution.

When there are enough goods in a store, the purchasers can come when they want to. When there are few goods, the purchasers are compelled to stand in line. When the lines are very long, it is necessary to appoint a policeman to keep order. Such is the starting point for the Soviet bureaucracy. It ‘knows’ who is to get something and who has to wait. (Trotsky, 1972: 112)

For a long period such arguments dominated the critical analysis of the USSR from the left. Today, however, a different approach is more popular. This rejects the idea that the USSR was any form of socialism, degenerate or otherwise. But it also rejects the idea that it was any form of capitalism. But if this is true then it also follows that the central concepts of capitalism also have no real place in the analysis of the USSR as a *sui generis* system. Indeed, for some more fastidious commentators in this tradition, even the status of the concept of class is inappropriate since the fundamental mechanism creating it was missing (Filtzer, 1986). Russia therefore had workers, but no working class. For some too it had rulers but no ruling class. (Clarke et al., 1993) Others declared Russia before 1991 to be ‘classless’ because they argued that the working class was the dominant class even as they recognized that the mass of the population had no meaningful role in determining their own fate. Somehow the state both stood over the workers but also represented them (Lane, 1978). In these accounts normalcy, in terms of global development, was restored in 1991. But this class restoration then becomes problematic itself for where do the new classes come from and especially the new ruling class? For us, by contrast, both the past history of Russia and its present condition have to be understood in terms of the idea of state capitalism.

**State and Capital**

The restrictive vision of capitalism as a system based on private property and markets creates a serious problem for the analysis of capitalism in general. Firstly, it reduces the analysis of an economic system to its legal relations. Ownership and control are analysed in terms of a crude association with shareholding, inheritance and the like. This not only implies that the state cannot be ‘owned’ but it also creates a problem for what appears as
‘private’ capital, reflected in the ongoing debate on the so-called separation of ‘ownership’ and ‘control’. Secondly, it creates a fundamental confusion over the role of the state. Most accounts accept that to exist capitalism needs ‘support’ structures that can only be provided by ‘states’ – legal systems, currencies, armies etc. Poulantzas and others went further and tried to develop a more systematic understanding of how the state is also central to class through the development of ideological state apparatuses (Clarke, 1991). But such approaches remain insufficient because in all of them the state supports and stands alongside the productive structures of capitalism. What these discussions do not confront is the direct role of the state as a producer, as state capital, and how this has changed over time. This is all the more puzzling since state competition has been present in capitalism since its birth and it can be argued that the state has always been the single biggest ‘productive’ capital in most, if not all, national economies. When, however, we view the process of capitalist development historically we can see that, although capitalism grew out of the development of commodity production, markets and private property, it contained within it the seeds for a far more central role for the state.

Capitalism develops through competitive expansion and it is and always has been a globalizing force. But capitalism’s development is also uneven. It developed first in Western Europe as both a market and [nation] state based system, gradually drawing in the rest of the world. With industrialization and the take-off of the leading capitalist states like Britain, France and Germany, development came to be moulded by major power differentials. The development of this advanced core was market based but even here the state was important not simply in creating the structures of market development but also through interventions that stretched from subsidy and protection to examples of ownership and control. By the late 19th century, however, the role of the state would become even more apparent in the follower countries. The reason was that the countries that were left behind as development took off tended to succumb to conquest. The development of the advanced core therefore not only provided a positive demonstration effect of the benefits of development, it also created pressures to respond to avoid loss of power and possibly independence. To maintain a degree of independence, it was necessary to push development along. Population size, the ability to put men into uniform, would no longer guarantee self-determination as it had done when Russia had fought Napoleon. And when, at the start of the 20th century, the world had become divided, inter-state political and military competition then became a more central force in global relations.

‘What a country calls its vital economic interests are not the things which enable its citizens to live, but the things which enable it to make war,’ Simone Weil would later write (Auden, 1971).

From this most cursory of sketches several things follow that are not properly treated in most accounts. The first is that the state and state competition are not a secondary or detached part of capitalism – they are a normal feature of its development. The second is that military competition is not a secondary or detached feature of capitalism either – it too is part of its normal functioning. The third is then that the state as a centralized, organizing force in capitalism has also to be taken seriously. If it makes no sense to ignore the state then it equally makes no sense, as some do, to dissolve it into separate elements.
The organization of any state might be tighter or looser but it remains a force which depends upon a degree of unity and direction and this is why the idea of state capitalism makes sense. The importance of the analysis of the state capitalism in Russia flows directly from these considerations.

The Russian Working Class and the Beginnings of State Capitalism

At the start of the 20th century Russia was the world’s largest state with 15 percent of the world’s land surface, some 8.7 percent of the world’s population, 7.6 percent of its industrial output and 7.4 percent of world income (Gregory, 2003). Russia’s rulers presided over a great power, potentially perhaps even the world’s greatest power. ‘The Lord God has given us vast forests, immense fields, wide horizons; surely we ought to be giants living in a country like this,’ says a character in Chekhov’s *The Cherry Orchard* (1916). But they were not. The international weakness of the Russian state had been brought home to its leaders in the Crimean War; the lesson had been learned again when gains in the Balkans in the 1870s had been taken away under the pressure of the other Great Powers in 1878 and they had had to be learned again in 1904–1905 when Japan inflicted a humiliating defeat on Tsarism. On the eve of 1914 Peter Struve, once a Marxist, now a national liberal, argued ‘the higher the economic development of a country, the higher – other things being equal – its military preparedness; and the greater the force which it is able to put forward in a military conflict … no idea is more perverse, and practically more dangerous, than the one which holds that Russia’s economic backwardness can yield some sort of military advantage’ (Pipes, 1980: 185–6).

As the late 19th century progressed therefore a section of Russia’s leaders, led most notably by the Finance Minister of the 1890s, Sergei Von Witte, took the view that Russia could no longer wait for capitalism to ‘organically’ develop Russia. The market and Russian business was developing. Joint stock capital rose from 42 million rubles in 1860 to 3426 million by 1914 with perhaps 38 percent foreign owned (Gregory, 2003). Russia was beginning to be integrated into the global economy (as, for example, an agricultural producer). But neither the pace nor direction of development was sufficient to maintain Russia’s great power status. Russia was not alone in this but in European terms it experienced the problem in its sharpest form (Gerschenkron, 1965). Successful state directed development could, however, be as difficult to achieve as successful market development (Haynes and Husan, 1998). Those whose power depended on the old order opposed state action; state action was not always coherent and it was not always effective. But none of this stopped the attempt at state directed development being made. In Russia before 1914 therefore we find that the development of capitalism is a product of both market and state forces. Most crucially the state tried to manage the integration of the Russian economy into the global economy through the adoption of the Gold Standard in 1897 and the encouragement of foreign investment but also through high levels of tariff protection. Within Russia state support for industry came through defence orders and, especially in the 1890s, massive support for railway development. By the end of the 1890s some 60
percent of iron and steel output was going into railway development much of which directly depended on the state. By 1914 Russia had the second longest system in the world with 70,000 km of rails, three quarters state owned (Davies, 1998: 8).

The development of the working class in Russia was a product of these different forces and their interaction – the protracted development of craft industry feeding predominantly on local markets, the rise of an industry like cotton textiles – reflecting development along the lines of global comparative advantage (using cheap labour, and materials imported from outside or Central Asia) and the more forced development of heavy industry and engineering. By 1914 there were some 17 million or so wage workers in Russia of whom around 2 million worked in the factories, many of them in large units (Haynes, 2002a: 22).

Writing of the British industrial revolution the historian Sidney Pollard summarized the experiences of workers in a way which seems to us to apply directly to Russian workers before 1917 with the substitution of the word Russia for England. These, he said, were people like ourselves, subjected to the most momentous transformation of their work environment, from domestic or agrarian, family based labour, to large factory, shipyard or mine. Their well-known landmarks are being swept away, their skills decried, their rhythms of work altered, their social position lowered as the new wealth begins to benefit all the classes except their own. This takes place as one by one their traditional defences are broken or outlawed, a political corruption becomes more glaring than ever, as wars and crises remove what stability was left of the laws of ‘old England’. (Renton, 2004: 118)

These elements combined in Russia to help form what became the most militant working class in the world between 1900 and 1917. In 1900 many workers still had illusions about the autocracy but conflicts within the workplace over wages, hours, conditions and even control as well as wider political struggles produced surges of radicalism whose scale and intensity outdid those evident elsewhere. Haynes (2005) The 1905 revolution was an extraordinary high point followed by sharp decline and repression only for the movement to rise again after workers in the Lena goldfields were massacred in 1912. The early period of the war saw another sharp decline followed by a further rise, which culminated first in revolution in February 1917 and then in a second revolution in October 1917 (Murphy, 2005).

An Alternative to Capitalism?

The revolution in October 1917 was intended to be not just a political act in Russia but the prelude to a wider revolution as Lenin continually insisted. If capitalism is an international system then a ‘revolution’ restricted to one country makes no sense at all. And this is all the more so if that country is backward. Internationalism was therefore central to the ideas of 1917 and this is why in the 1920s the different ideas of ‘socialism in one country’ proved so controversial.
Far from being a coup, the seizure of political power represented the results of a mass swing to the left that filled the ranks of both the Bolsheviks and the Left Socialist Revolutionary Party (Rabinowitch, 1976; Smith, 2002; Wade, 2004). But a political act did not immediately bring about a socio-economic transformation. This was expected to be the future outcome as the revolution deepened internally and spread externally. Unfortunately, within months, the revolution became swept up in brutal civil war as Western support gave counter-revolution both hope and resources. By 1921 this civil war was won but the result was quite paradoxical. Externally, the revolution remained isolated as the revolutionary wave in the West now declined. Internally, the revolutionary state had been forced to centralize power as society collapsed and the structures and social forces, and not least the working class, which had given rise to 1917, disintegrated.

What then was the nature of this new ‘system’? We would suggest that the best description of Russia in the 1920s is that it was ‘a degenerate workers’ state’ or as Lenin put it, a workers’ state subject to two peculiarities – that it was struggling to survive in a largely peasant country; and against the pressure of bureaucratic degeneration. Russia was no longer simply a part of global capitalism as it had been in 1917 but was now partially detached from it but subject to internal and external pressures pulling it in different directions. Until the end of the 1920s when this shift was finally consolidated the regime reflected the attempt to balance the interests of the different groups it drew on, including crucially the working class.

Initially economic growth was largely driven by the internal recovery process and a sense that this should not be allowed to reproduce the type of exploitation apparent under Tsarism. During the 1920s, the direct tie to the global economy remained less strong than before 1914. Nor did the regime respond to great power competition in the same way that the Tsarist regime had done. The legacy of the Civil War and the continuing sabre rattling from the west about the possibility of military intervention meant that defence could not be abandoned, but there was a genuine attempt at demilitarization. For all its problems NEP Russia remained significantly different both from Tsarist Russia and from Stalin’s later regime and those which followed his. This difference can be measured both in the situation of the peasants and, in terms of our main argument, the situation of the workers.

The essential point, as Kevin Murphy has recently argued, was that in the early 1920s there was some rebuilding of links with the working class as this class itself began to be reformed socially by the process of recovery (Murphy, 2005). The regime did not, as was later to be the case, simply evoke the working class as a rhetorical object – it accommodated workers’ interests and to a degree institutionalized them through trade unions and their role in the factories and the state. Worker interests also found some expression through the party to the extent that it too remained a real force. Problems and tensions were real but both Western and now more recent Russian accounts which focus on an inevitable decline to dictatorship, minimize the significance of the break that was to come in 1928–29. They depend, Murphy argues, on ‘grossly inflated estimates of early state repression, concentration camps and coercion’ that can be sustained neither by the quantitative nor the archival data. The material situation of workers in a country recovering from such a devastating war
was not enviable but in comparative terms, for all the problems of NEP, ‘the early Soviet participatory institutions differed markedly from those of both the Tsarist and Stalinist eras. It was workers’ trust and involvement in workplace institutions that gave the factory regime an essential degree of legitimacy’ (Murphy, 2005: 4, 226).

But this situation could not last indefinitely. By 1927–28 agricultural and industrial production were beginning to exceed 1913 levels though on a per capita basis they were still slightly below them. Investment in the economy as a whole was now around 90 per cent of its 1913 level. This helped to pose the question of how the Soviet system could develop in the longer run. Two positions emerged. One, associated with Trotsky and the left, argued for as much to be done as possible to speed up the process of growth internally while focusing primarily on spreading the revolution internationally. The revolution could still break out of its isolation and draw on the advanced West to assist in development to minimize the internal strains. But in the mid-1920s Bukharin and Stalin began to develop a different doctrine – that of ‘socialism in one country’. International revolution would be welcome but the regime could still develop itself – it did not have to wait. This development too would be limited by the need not to break ‘the worker-peasant alliance’ but it was possible to think in more national terms. These ideas appealed to many in the party and state bureaucracy looking to secure their positions. The arguments of the left – essentially the politics that had made the revolution in 1917, the civil war and early years of NEP now began to be portrayed as romantic aberrations and an attempt began to be made to restructure politics within more of a national framework.

But the Bukharin-Stalin position, with its focus on slower growth in one country, posed serious risks. These became apparent in 1927–28. There was the underlying dissatisfaction with the continuing problems and uncertainties of NEP itself, the concessions to the market, unemployment and so on. The regime continued to be dangerously dependent on the peasantry and this was brought home when a grain crisis seemed to emerge (its true scale and character is disputed) in 1927–28. It also appeared weak internationally and this too was brought home in 1927 when a war scare (manipulated to an extent but based upon real problems) developed (Haynes, 1985).

The result was that Stalin began to marshal his supporters for a dash for rapid growth and industrialization ‘in one country’. But to do this the final remnants of what was left of the revolution had to be stripped away. Soviet state capitalism was born of this ‘revolution from above’ from 1928 onwards. In normal circumstances the tendency of any state to substitute for private capital within its boundaries is constrained by the role of private capitalists’ interests. The peculiarity of Russia at this time was that these interests and constraints had been destroyed by the revolution and civil war. Now the bureaucracy, hitherto a layer, became a class as it rose above society to remould it in its interests. Overcoming the existing internal opposition within the party and from workers, it now had the potential to develop the type of structured state control hitherto seen only temporarily in the First World War. Driven by both economic and military competition, the leaders of the Soviet state would now attempt to direct resources centrally (planning as such was an illusion) to challenge and overcome their adversaries in the world at large by catching up and overtaking them, seeking to outdo global capitalism at its own game. This would lead to
a degree of isolation from the global division of labour in order to better build up a core military-industrial base but this was a logic that remained no less a part of global economic-military competition within the modern world economy. ‘We are 50 to 100 years behind the advanced countries. We must close this gap in 10 years. Either we achieve this, or they will do us in,’ said Stalin in February 1931 (Davies, 1998: 58).

**Stalinism as State Capitalism**

Between 1929 and 1991 the Soviet regime claimed both continuity with 1917 and that the USSR existed as a socialist state. The 1936 Constitution said that the USSR was ‘a Socialist state of the workers and peasants’ and the 1977 Constitution that it was ‘a Socialist state of the whole people’. This was an imaginary evocation of workers’ power made in the name of no less imaginary workers. Take, for example, this lyrical picture, ostensibly the words of Leonid Brezhnev. The Soviet worker

> is a great toiler, has inexhaustible patience, knows his business and is used to doing it well. Even under Tsarism, in conditions of exploitation, bad work was anathema to him, for he always valued craftsmanship and esteemed his work. Almost all the riches accumulated by mankind were created by his muscular hands, but he himself was never attached to possessions, his soul was not destroyed by mercenary considerations, but there lives in him a breadth, a boldness and a constant craving for justice. He is resourceful, keen-witted and endowed with a lively mind and humour. He is decisive, daring, true in friendship and ready, at any moment, to come to the aid of another. The factory hooter called everyone to work together, he joined the other workers and from this there arose a strong feeling of unity, of community of interests, of the sort of proletarian solidarity which millions of people, of varying ages, experience, customs and nationality, made into a powerful, monolithic and truly revolutionary class. (Brezhnev, 1982: 10)

So far from reality were such pictures that under Stalin there was a more or less complete suppression of information about the real condition of workers. After 1953 information became more widely available but discussion was still obscured by official myth. Outsiders could see more clearly but they too remained confused by the apparent contradictions of the USSR. ‘The major structural class features of capitalist societies have been abolished but in which forms of government and social relations anticipated by Marx and Lenin in a socialist society have not been achieved,’ said one. In this seeming limbo land ‘Soviet society is not characterized by class conflict relations, as understood in traditional Marxist analysis’ (Lane, 1978: 179, 182).

The apparent paradox of Stalinism was that it extended state property and emasculated the working class at the same time. But this paradox disappears if it is recognized that state control and state property can be just as much infused by the dynamic of capitalism as private property and the market. What might then distinguish the USSR is less a difference of kind after 1928 than a difference of degree.
From the 1930s through to the 1960s the growth of the USSR, especially allowing for the destruction of the Second World War, was then historically unprecedented. Only Japan had a comparable success. Elsewhere development blockages seemed to dominate the experiences of follower countries trying to industrialize (Allen, 2003). Conventional measures of this have been challenged but not overturned. In the 1930s (all figures in the next paragraphs are measured in 1937 prices) output grew at some 5–6 percent per annum and in the 1950s at some 5–7.5 percent. This was Soviet state capitalism at its peak. This growth was only possible because of a huge ratcheting up in the rate of accumulation in the early 1930s. Gross investment rose from 12.5 percent of GNP in 1928 to 25.9 percent in 1937. Part of this was poured directly into defence industries, which acted as a Rostovian leading sector in the Soviet take-off. Between 1930 and 1940 there was a 28-fold increase in production in the defence sector. The share of defence in output rose from 1.3 percent in 1928 to 7.9 percent in 1937 and then increased again as war came closer in the years 1937–1941. But to support the defence sector the heavy industrial base had also to be built creating a military industrial complex at the heart of the Soviet economy. Industrial growth rates and heavy industrial growth rates in particular were even more impressive than the growth for the economy as a whole because these were held down by the catastrophic situation of the large agricultural sector at whose expense much of the growth was taking place. Agricultural production increased by less than 10 percent between 1928 and 1937 and fell on a per capita basis while industrial production nearly tripled (Davies, 1998: 43–57).

The result of these changes was that workers in the USSR now found themselves in a new position. The Soviet industrial revolution produced a large working urban class in a previously peasant society. In 1926, 16 percent of the population had been urban. By 1939 the figure was 33 percent, an increase from 26 to 56 million. By 1959 it was 48 percent and the USSR became 50 percent urban in 1961. The numbers employed in industry, construction, transport and the like grew equally fast. The speed of this advance meant that until quite late on migration played a key role in the growth of the working class. This allowed the expansion of old industrial areas but also the development of new ones including the symbolic new sites of the Dneiper Dam, the Urals-Kuznetsk Combine and Magnitogorsk. New peasants were both pulled into the towns and pushed there by the impact of rural collectivization. The rural repression and poverty associated with the creation of 250,000 collective farms from the 25 million peasant households remained an inducement to seek a degree of salvation in the towns and factories because conditions, however bad they were, were nevertheless better than conditions on the farm (Haynes, 2002a).

These Soviet workers now experienced a basic alienation from the system that was no less intense than workers experienced elsewhere in the world. The capital accumulated in their name by the state now confronted them as an alien force whose direct control was embodied in a rebuilt class hierarchy. ‘The foreman is the authoritative leader of the shop, the factory director is the authoritative leader of the factory, and each has all the rights, duties and responsibilities that accompany these positions’, said L.M. Kaganovich (Cliff, 1974: 13). At best, workers had the negative sanction, as workers the world over
have, of working less than enthusiastically; ‘They pretend to pay us and we pretend to work’ was a favorite saying. In his Labor and Monopoly Capital, Harry Braverman observed that ‘Soviet industrialization imitated the capitalist model; and as industrialization advanced the structure lost its provisional character and the Soviet Union settled down to an organization of labour differing only in details from that of the capitalist countries, so that the Soviet working population bears all the stigmata of the Western working classes’ (1974: 12). At one level this seems obvious but Braverman, in the plaudits that greeted his work, got few thanks for this particular observation even from radical critics of the USSR. By suggesting an essential similarity in the labour process, the comment threatened to undermine a simple dichotomy built around state-private, centralized control-market distinctions.

Alienation and exploitation went hand in hand. Soviet workers were now subject to systematic exploitation driven by the competitive accumulation drive. Even a brief survey of the situation in the 1930s shows the extent to which workers were not simply oppressed but subject to systematic exploitation. As accumulation and defence expenditure rose household consumption fell from 79.5 percent to 52.5 percent of output. This fall was partly mitigated by an increase in the collective consumption share from 4.6 to 10.5 percent but consumption overall still fell from 84.1 percent to 63.0 percent, a decline perhaps without precedent in a peacetime situation. Real wages collapsed, especially in the face of inflation. According to Davies, ‘the real income of wage earners outside agriculture may have fallen by nearly 50 percent between 1928 and 1940’ (1998: 46). The decline in wages was sharpest between 1929 and 1933 and shortages of basic foods meant rationing from 1929 to 1935. Over the long run, as the Soviet economy grew, resources would be produced to allow an increase in the standard of living of the mass of the population but in the short to medium run growth depended on an attack on it and even when the standard of living did begin to rise it remained continually restricted by the way that the pressure of competition forced resources into defence, the military industrial complex and accumulation (Haynes and Husan, 2003).

Class is a two-sided process. The same logic that refuses to recognize an alienated and exploited working class also often refuses to recognize that the USSR had an exploiting ruling class. This is somewhat ironic as it is a commonplace of Marxism that the state is both an instrument of class rule and an expression of a basic class contradiction. Since the workers could not control the state or articulate their interests through it who then did it represent? To answer this we have to directly map the contours of the effective disposition of the means of production. Much has continually been made of the fact that state ownership precluded the direct inheritance of position. But this was little different from managerial control of state enterprises in the west or from what happens with the management of much ‘private’ industry. Here, as in the USSR, the inheritance issue is a diversion – it is the day to day control over machines and men, the means of production and the direct producers that should be the key. (Though we should note that in the USSR, as in the West, the wealth, power and privilege that goes with managerial control did create widespread opportunities to generate mechanisms for the secondary and more indirect transfer of position, see Haynes, 2002a). This class mechanism of control of the
means of production was articulated in the USSR through the political system, which gave a central role not simply to the direct control of (state) capital and the usual apparatuses of class rule but also the party-secret police nexus. For a long period individual roles were also articulated through the so-called nomenklatura listings of appropriate candidates for appropriate jobs. But it is important not to mistake these elements for the phenomenon of class itself. These were parts of the mechanisms of political rule, built upon a more basic control of the economic processes and the state. It was this that would allow a fundamental continuity in the social composition of the ruling class after 1991, even as the formal party-secret police-nomenklatura system withered.

Finally, we must note that during the whole period workers in the USSR were subject to systematic repression. Those accounts which stress the integration of the working class and its identification with the regime fail to address the continuing way in which repression produced political atomization. The role of the Gulag is now well known and its scale mapped out in the statistics from the archives (Haynes and Husan, 2003). But the debate on numbers has served to distract attention from the way in which repression was used not simply to suppress opposition but to mould the labour process to meet the objectives of rapid accumulation. No less than elsewhere, Soviet workers lived personal lives that combined hope and despair, satisfaction and discontent. This is how most humans survive even in the worst of circumstances. We work, socialize, drink, laugh, joke, have sex, build families. And deprived of other choices we make pragmatic accommodations with the systems in which we live. But the constraints that mould these are real enough even in a democratic capitalist society. In a dictatorial society like the USSR, with a history of state terror, the constraints are worse because the terror (or its memory) remains ever present – even as the power of the state is used to suppress discussion of repression in favor of a more lyrical view of daily life. When the use of overt repression declined after 1953, workers in the USSR continued to lack the most basic rights. Their real lives therefore told a very different story from the images of workers as poster heroes. When Soviet miners went on strike in 1989 they protested not simply about low pay but a system that, for all its rhetoric, had maintained harsh working conditions not seen in the advanced West for decades (Friedgut and Siegelbaum, 1990).

The Peculiar Problem of Soviet Collapse and Transition

For some half a century this system looked to be a threat to the West and, in its own terms, stable. But in 1989–91 the Soviet system crumbled. The USSR’s rulers lost control of the Soviet bloc and then the USSR itself disintegrated into 15 parts with Russia the largest fragment. ‘The fall of the Communist empire is an event of the same scale of historical importance as the fall of the Roman empire,’ said Vaclav Havel and this idea of epochal change found wide echoes (Sakwa, 1999: 1). Yet this revolution did not seem to fit the normal categories. There was no obvious overturn of the rule of an existing class prompting a still ongoing discussion as to how the change should be described (Outhwaite and Ray, 2005; Sakwa, 1999). Not the least reason for this is that the tran-
sition seems to have involved a substantial conversion of power. There was a political change and a re-ordering of elements of the old regime but so far as control of the means of production is concerned the ‘transition’ bears more resemblance to an insider management buy-out than a usurpation by a new and hitherto suppressed group. Moreover, in the short run the overwhelming impression was one of the privatization of what had hitherto been collective control. The forms that this produced often seemed paradoxical and within a decade attempts were being made to reconstitute some of the collapsed links of the old system.

How then did this peculiar transition occur and leave workers in the new Russia (and other successor states) as much at the bottom of the pile as they had been under the old regime? The last decade and a half of the Soviet regime presented something of a paradox. Progress was slowing but there were still real achievements. The USSR appeared now to have a good nuclear capacity, a blue water navy, formidable armed forces and a space capacity but it was still much less developed than the USA or Western Europe. Sustaining its military might mean an inability to develop other areas. Whereas the USA had a military budget of some 7 percent of output in 1984, in Russia it was at least 15 percent and possibly higher. In 1985 the Soviet consumption share was still only 73.7 percent of output compared to 86.4 percent in the USA. 75.3 percent of industrial output came from Group A industries, largely producer goods, and only 24.7 percent from Group B – the main (but not exclusive) consumer goods group. Over time a greater degree of integration with the world market had developed but the USSR also could not hold its own. Total hard currency exports outside the Comecon bloc of its satellites were less than those of Belgium with 70 percent of export earnings coming from natural resource exports. Nor did this look likely to change unless the system changed. In 1987 the number of telephones per head in the USSR was still at the 1920 USA level. Computerization ‘can only be described as a tragedy’, wrote one young economist at the time, with the USSR having perhaps 1 percent of the US capacity. Agriculture too continued to be a heavy drag (Illarionov, 1990: 307).

Perestroika was an attempt to deal with this and avoid what Illarionov called ‘the distinct possibility of [the USSR] finding itself on quite a different plane of social progress from the developed countries’ (Illarionov, 1990). The reforming group, led by Mikhail Gorbachev, tried to circumvent resistance to reform at the top by loosening political controls and generating controlled support from below. This trick had been attempted before by reform minded sections of the local ruling classes of Soviet satellites like Hungary and Czechoslovakia. But genies had been unleashed and control had threatened to slip from the hands of those who wanted reform from above. Then the Red Army had been deployed to halt the process. Now the same thing happened in the Soviet Union itself under the flag of glasnost. It was given a huge push in 1989 when hundreds of thousands of miners went on strike, threatening the re-emergence of an independent labour movement and a serious challenge from below.

Yet the challenge was successfully negotiated by a major section of the old ruling class. After 1985 two different types of movement were going on. One was at the top. Its principal political aspect was a more or less radical debate over reform and the balance of state...
and market; its principal social aspect was a more or less sharp jockeying for position to take advantage of any shift in the way the system was organized. The second movement came from below with the partial awakening not only of a wider civil society but also, within it, the Soviet working class. Here the emerging demand was for democratization and social justice and an attack on the gross inequalities of Soviet life. These movements were potentially contradictory and at the top the more insightful reformers saw this. Gavril Popov acquired some notoriety in the perestroika and early transition years for saying openly what others thought: ‘Now we must create a society with a variety of forms of ownership, including private property, and this will be a society of economic inequality … The masses long for fairness and economic equality. And the further the process of transformation goes the more acute and the more glaring will be the gap between these aspirations and economic realities.’ (Lukin, 2000: 240)

These shifts took place amidst a confusion of ideas. Since the regime claimed an inheritance from 1917 most workers were suspicious of ideas of ‘workers power’ even as they began to express it in their own actions and strikes. Since the regime claimed to be ‘socialist’ most workers naturally associated ‘socialism’ with the day-to-day exploitation and privations that had marked their lives. Since the regime attacked ‘capitalism’ most workers assumed that this was what they did not have and if they had it their lives would be improved. This confusion played into the hands of those at the top. It enabled them to fight their battles for position and power within the ruling class and to avoid the risk of this leading to loss of control to the forces below, even when, as in 1991, the turmoil led to one section of the USSR’s political leaders attempting a coup against the other.

The political beneficiary of this conflict was Boris Yeltsin who had established himself with radical reform credentials on the basis of his appeals to democratization. But Yeltsin was also clear, as were his influential supporters, that reform, even if it was radical, had to be a top down process – it needed the support of a wider social movement but could not be carried out by that movement. This helps to explain the form of the break up of the USSR, which led to Russia emerging as its biggest fragment. The components of the old Soviet ruling class effectively agreed to an amicable divorce in order to be better able to defend and re-order their own local positions.

With hindsight this was a startlingly successful move. The modified state structures of the old regime would remain in place and this would help the ruling classes to stay in place too. The shift allowed some space for new entrants to the ruling class but these newcomers usually had some prior position. Overall what is striking is the broad continuity of power at the top producing the high level of social continuity. This was not so much a shift in the mode of production but a reordering within it (Callinicos, 1991).

We want to insist on the importance of this argument not only because we think that the state capitalist analysis makes better sense in itself but also because it helps us to understand another issue – the role of Western influence. A number of critical commentators have explained the transition in terms of Western manipulation of ideas, aid and institutional links. Some even suggest that it was the West that acted as a midwife of a new ruling class whose prior existence in the former USSR they deny (Lane, 2005). Western influence was real but it did not act on a docile ruling class or an as yet unborn
one. Rather sections of that ruling class proved adept at using their Western connections
not only to feather their own nests but also to strengthen their positions and influence.
They were not simply pawns but active players to such an extent that the question of who
was using whom becomes an intriguing one. Leading figures in the Russian reform move-
ment in the early 1990s appeared craven before the West but this was perhaps more
because it suited them to be so at the time.

In any capitalist society there is a potential conflict between the immediate interests
of individual capitalists and their collective 'national' interest. In Russia in the early
1990s the former came to predominate over the latter. The reforms introduced more
market processes in a totally chaotic way. The collective control mechanisms of the old
society collapsed. The result, Glatter has suggested, was rather like an army where the
officer corps remains in charge but the command and supply structure disintegrates.
Each officer or group of officers therefore sought to use their position and power over
others and the immediate resources around them to plunder and pocket as much as they
could (Glatter, 2003).

At first glance this was a disaster. Everywhere it has involved massive output collapses
and a diminution of 'national' power and status and not least for Russia itself. But seen
in class terms the story becomes more complicated. Even as output collapsed there was a
huge swing of both wealth and income towards the top and its de facto and then its de
jure privatization. Collective control and appropriation gave way to a more (but not
exclusively) individualized form of control and appropriation. This partly involved the
take-over of state forms but it also involved using access to resources to develop economic
activity in the shadows. On one estimate by the mid-1990s some 40 percent of output
was being generated in the shadow economy compared to 12 percent in 1989. Table 1
sets out one measure of how the distribution of income changed. As the data for 1991
suggest, the USSR was itself characterized by significant income inequality, comparable
to a number of western societies, but in the 1990s there developed what Milanovic has
called 'an explosion of inequality' (Milanovic, 2003).

Table 1 Income Distribution in Russia, 1991–1997

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<tbody>
<tr>
<td>Poorest 20 percent</td>
<td>6.0</td>
<td>5.8</td>
<td>5.3</td>
<td>5.5</td>
<td>6.2</td>
<td>6.2</td>
<td>6.2</td>
<td>6.2</td>
<td>5.9</td>
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<tr>
<td>Next 20 percent</td>
<td>11.6</td>
<td>11.1</td>
<td>10.2</td>
<td>10.2</td>
<td>10.7</td>
<td>10.6</td>
<td>10.5</td>
<td>10.6</td>
<td>10.1</td>
</tr>
<tr>
<td>Next 20 percent</td>
<td>17.6</td>
<td>16.7</td>
<td>15.2</td>
<td>15.0</td>
<td>15.2</td>
<td>15.1</td>
<td>14.9</td>
<td>14.9</td>
<td>14.5</td>
</tr>
<tr>
<td>Next 20 percent</td>
<td>26.5</td>
<td>24.8</td>
<td>23.0</td>
<td>22.4</td>
<td>21.5</td>
<td>21.4</td>
<td>21.0</td>
<td>21.0</td>
<td>20.9</td>
</tr>
<tr>
<td>Richest 20 percent</td>
<td>38.3</td>
<td>41.6</td>
<td>46.3</td>
<td>49.9</td>
<td>46.7</td>
<td>47.4</td>
<td>47.3</td>
<td>47.3</td>
<td>48.6</td>
</tr>
<tr>
<td>Gini Coefficient</td>
<td>0.289</td>
<td>0.398</td>
<td>0.409</td>
<td>0.381</td>
<td>0.375</td>
<td>0.375</td>
<td>0.379</td>
<td>0.394</td>
<td>0.401</td>
</tr>
<tr>
<td>Decile ratio</td>
<td>8.0</td>
<td>11.2</td>
<td>15.1</td>
<td>13.5</td>
<td>13.0</td>
<td>13.5</td>
<td>13.4</td>
<td>13.9</td>
<td>na</td>
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The biggest redistribution was away from the bottom 40 percent. Initially there was some relative gain by the top 40 percent but soon even the 4th quintile struggled to hold its relative share and within this group, as can be seen from the decile ratio which peaked in 1994, the biggest gain went to the top 10 percent. One way of thinking about this shift therefore is in terms of a movement from a system of ordered exploitation to an intensive period of disordered exploitation.

Under Putin an attempt has been made to assert a more collective vision again. The problem is that though the state remains central to life in Russia, state integrity continues to be weak. How weak is obscured to some extent by the good fortune of rising oil revenues at the start of the new century. It is therefore easier for Russia’s rulers to solve problems with words rather than deeds, as Putin continues to find. But aspiration is significant. If the day of old style Soviet state capitalism is past, so too is the day of the idea that Russia could achieve some neo-liberal nirvana.

The trouble is that an enormous price has been paid for these changes by the mass of Russian workers. A vision of a different future briefly opened up in 1988–89 only to be lost as the whirlwind of crisis swept across Russia in the 1990s. The economic collapse led to huge privation and crisis. In the first period of the transition hyper-inflation wiped out the savings of those who could not put their money into dollars or some other Western currency. It also slashed the real value of wages. As inter-enterprise relations became more difficult for employers and the state’s tax base weakened, a huge backlog of wage payments developed. By the autumn of 1998 wage arrears affected 70 percent of the Russian workforce. Wages were being paid months late at reduced cash levels (because of inflation) or even in kind.

Unemployment and disguised unemployment became widespread. The birth rate was pushed sharply below its normal trend line of decline as material need and spiritual despair led people to delay or abandon hopes for children. But even more dramatically the death rate rose and especially so for adult working class males who were one of the groups hardest hit. Russian men developed the highest death rate for their group in Europe. The suicide rate rose from 14 per 100,000 in 1990 to 40 per 100,000 in 2000, the murder rate more than doubled from 14 to 31 per 100,000 in 1990–95. No other modern society has ever experienced such a demographic crisis outside of the impact of war, famine or some other catastrophe or disaster (Haynes and Husan, 2003). Workers were therefore thrown back on their own resources and even enterprises, and the chances of building on an emergent solidarity evident in 1989 were seriously diminished. (On the situation of the miners see, for example, Ferguson, 1998). As Javeline puts it, ‘The most generous estimates of strikers and protestors in Russia in the 1990s still represented only 1 or 2 percent of all Russian workers’ (Javeline, 2004: 2).

Against this background it is difficult to be positive and easy to be nostalgic, especially for the more settled situation of the late USSR. But as we have tried to show, it is a myth that Russian workers were in some sense privileged before 1989. And however bad their situation since 1989 they have made one important gain. In however attenuated a form, the opening up of the political system did create a space for independent activity and organization. This was and is important given the past history of repression. If the
turmoil of the transition has prevented workers being able to take advantage of this, the opening still remains. To exploit it requires not only a movement in Russia built from the bottom up but one which has illusions neither in the old society or the new. Not the least contribution that commentators in the West can make to this is to clarify the nature of capitalism and state capitalism and its relationship to Russia’s past and present.

References


For correspondence: Michael J. Haynes, University of Wolverhampton Business School, Telford Campus, Priorslee, Telford, TF2 9NT, UK. Email: M.J.Haynes2@wlv.ac.uk