
PORTRAIT

Evgeny Preobrazhensky

Donald Filtzer, *Challenge* n°22, March-April 1979



I remember a conversation some years ago with a Soviet visitor to Glasgow, who asked what I was working on. "Preobrazhensky," I replied. "Ah, yes," he said with a tone of familiarity that surprised me, "the Trotskyist." "That's right, you know of him?" "Yes, well, we sometimes hear of these people through the dissertation network." A non-person in his own country, Evgeny Preobrazhensky has equally found few champions among theoretical economists in the West. Here, as in the USSR, Preobrazhensky is someone more likely to be read about than read.

Whereas figures like Bukharin, or even the Party and non-Party economists who worked within the Soviet state apparatus during the 1920s (Bazarov, Groman, Kondratiev) elicit the sympathies of Western scholars as "moderate" people with "reasonable" views, Preobrazhensky was a collaborator and ally of Leon Trotsky, a figure less popular in Western academic circles. A thinker of remarkable

depth and scope, Preobrazhensky never for a moment separated his theoretical ideas from the political struggles in which he took an active part (at least until 1929, the year when, under the pressures of political defeat and exile, he broke with Trotsky and made his peace with Stalin). If Preobrazhensky's *The New Economics* has earned him belated intellectual respect as one of the earliest contributors to the theory of economic development and as the author of a still unequalled attempt at a theoretical political economy of the pre-1930s USSR, this is not true of the vision of socialism which he saw that book as serving. Preobrazhensky was an opponent of bureaucracy in all its forms and yet a firm believer in the logic of economic and social planning; he would never have accepted these as *contradictory* positions, as they are so often seen today. He believed passionately in the idea of revolution "from below," and in the ability of the working class to take control over

society and to manage it democratically on a world scale. In the socialist society of the future, the hierarchy of functions bequeathed by modern technology would no longer give rise to a hierarchy of people; everyone would be able to master the most complex tasks and would be obliged to fulfill them "turn and turn about." He saw the individualistic, remunerative labor incentives of capitalism dying away and being replaced by the worker's sense of responsibility to his or her collective production unit, and eventually to society at large. As late as 1933, after Preobrazhensky had been twice expelled from the Party and readmitted, we find Soviet articles attacking his "egalitarian" theories of wages and work incentives, which clashed head on with the policy of extreme individualization of incentives (piece rates, "shock work," and the like) then being put in place.

Yes, it was all dangerous stuff, and might be dangerous still—if it could only be read. How ironic it is, then, that Preobrazhensky once occupied the post of Secretary to the Party's Central Committee, and that his successor was . . . Josef Stalin!

* * *

One of the interesting facts about Preobrazhensky as a theoretical economist is that he was entirely self-educated, having left school at fifteen to become a full-time political militant. Yet the volume of his writing was enormous. He was an expert on monetary matters, and wrote a number of texts on the theory of money and inflation under capitalism and in the Soviet system. His theoretical grasp of money and finance allowed him to be one of the first to understand that rapid inflation, by lowering the real price of labor power and accelerating the amortization of fixed capital, allowed Germany, and to a lesser extent France, to use a falling currency as a vehicle for the massive re-equipment of fixed capital stock. (Another

who understood this process was F. D. Graham, whose *Exchange, Prices and Production in Hyper-inflation in Germany 1920-23* appeared in 1930, the same year as Preobrazhensky's *Theory of Depreciating Currency*.) Preobrazhensky also published major studies on capitalist crises, including a provocative theory of the investment cycle (*The Decline of Capitalism*, 1931), and wrote extensively on problems of culture and ideology. However, the theory for which he is most famous, and justly so, is his theory of economic development in the USSR, his so-called theory of primitive socialist accumulation.

Contrary to the standard assumptions of the Marxist movement, which had always held that socialism could only exist if established on a world scale and if based on large-scale industry, the Bolsheviks had come to power in an isolated and predominantly peasant country. For Preobrazhensky this posed two problems: first, how theoretically to analyze the Soviet economy under the New Economic Policy, where nationalized, state industry coexisted with private trade and private, small-scale peasant agriculture; and second, what policies the Soviet regime would have to adopt if it was to take the country out of its historical impasse and set about laying the foundations of socialism, in anticipation of the proletarian revolution in the more advanced capitalist countries.

Being no slave to orthodoxy, Preobrazhensky argued that with the overthrow of capitalism certain modifications had to be made in Marx's method of political economy before applying it to a study of the Soviet Union. Unlike capitalism, there existed in the Soviet Union not one, but two systems of economy, each with its own inherent laws (the law of value for the private economy, the planning principle for the state sector), and neither having yet established domination over the other. These two forms of economy were historically incom-

patible, both in terms of technique and in terms of the social organization to which they gave rise. Yet each depended on the other for the production of vital elements of its productive capital: peasant agriculture produced means of subsistence and industrial raw materials for the state sector; the latter produced fertilizers, agricultural equipment and machinery, and, to an increasing extent, the means of consumption needed by the peasants. Hence, long-term growth of either sector had as its precondition sustained development of the other.

One complicating factor was that the two sectors produced with different techniques; thus even if all other problems of market exchange could be smoothed over, at a certain point the growth of industry would outstrip the ability of agriculture to supply it with produce that it could either use directly or export for hard currency with which to purchase foreign-made means of production.

Second, socialist industry and private agriculture had not-necessarily-compatible aims of production and distribution of their productive forces. There was no guarantee that agriculture would produce what industry needed, and in the right quantities, or that it would market its produce at the time demanded. From a political point of view, the social relations generated by small-scale private production were incompatible with the need to create a large, well-educated industrial working class that could manage society democratically in its own interests.

Third, there was the inherent weakness of state industry itself. Not only was the state economy small when compared to the industrial sector of the large capitalist economies, but its fixed capital base had been largely decimated during World War I and the Civil War, and was in need of massive replacements. The most immediate consequence of this industrial weakness was the so-called "goods famine" that plagued the Soviet economy throughout the 1920s:

the state economy could not produce enough products to meet peasant demand. This failure threatened to disrupt all market relations between industry and agriculture. Unless the peasantry could purchase industrial goods, it had no incentive to increase output or to market what it grew. The peasantry did indeed engage in "procurements strikes" on more than one occasion in these years, that of 1928 being the one which finally launched Stalin on his course of breakneck industrialization and collectivization.

Preobrazhensky argued that all of these difficulties threatened the long-term viability of the Soviet regime. All, in the long run, were reducible to a crisis of capital accumulation. He identified a temporal sequence of expanded reproduction in the Soviet system: the peasantry demanded increased supplies of industrial consumer goods; light industry in the state sector required increased supplies of raw materials; increased production of technical crops demanded, in the end, a total revolution in agricultural technique, which relied in turn on accelerated accumulation in heavy industry. Yet, in the short run, accumulation on the scale required was impossible: since the normal balance between fixed capital retirements and fixed capital production had been totally disrupted, massive accumulation would withdraw resources from circulation without putting new values back into circulation for several years. The crisis of industrial supply would actually worsen, with a concomitant exacerbation of social tensions between town and countryside. The only way out, Preobrazhensky concluded, lay in material assistance from the victorious proletariat in other countries.

* * *

Preobrazhensky recognized that in an industrializing country, accumulation from the internally generated resources of the small industrial sector could not possibly reach the levels

necessary for sustained growth. Values would have to be alienated from the private economy until such time as state industry was strong enough to stand on its own feet. This was his period of "primitive socialist accumulation" ("primitive" here in the sense of "primary"). Preobrazhensky was careful to stress the differences between socialist primitive accumulation and the primitive accumulation carried out by capitalism: the socialist state could not use coercion and could have no colonies; nor could it exploit its own working class. That the needs of accumulation would hinder the rise of working class living standards—one of the preconditions to overcoming the hierarchical division of labor inherited from capitalism—was but a further contradiction of the Soviet system that led Preobrazhensky to reject the notion of "socialism in one country."

In working out his theory, Preobrazhensky broke new ground in several areas of economic theory. By integrating both a value and an *in natura* analysis of production and exchange in the state and peasant sectors, he anticipated much of modern input-output theory. He also was one of the first to pose the *in natura* and temporal problems of fixed capital accumulation, when he incorporated into his theory the protracted gestation period of fixed capital investment, fixed capital's uneven and gradual depreciation and renewal, and the need for reserves and idle capacity as the premise of any expansion of the fixed capital stock. Finally, he can be said to be one of the pioneers of the economics of development, for he disaggregated the economy into two sectors with different techniques of production and divisions of their productive forces, and then analyzed the patterns of their interdependence.

Although in 1929, Preobrazhensky broke with Trotsky and re-entered the Party fold, his acceptance of Stalin's variant of industrial accumulation was extremely brief. By 1931, he was already critical of the bottlenecks and

disproportions caused by Stalin's policy and of the drastic cuts in mass consumption that were financing industrialization. He called for a massive shift back towards consumption and away from industrial expansion. Once again he became the object of attack for his theory of "production for consumption's sake," as opposed to the official theory of developing heavy industry at all costs.

After his second expulsion from the party in 1931, and subsequent re-entry in 1932, Preobrazhensky fell out of political and intellectual life, reappearing briefly in 1934 and 1936 to denounce his former comrades and to recant his own past errors. Unlike many of the old Bolsheviks, however, he managed to summon up enough courage for one last display of moral strength. Scheduled for trial, he refused to confess and could not, therefore, be allowed to appear in public. He was shot in secret, presumably in 1937. With his liquidation and that of the other old Bolshevik economists, there was snuffed out an entire chapter in the history of economic thought that our own generation is only now laboriously rediscovering.

DONALD FILTZER
Honorary Research Fellow,
Centre for Russian & East European Studies,
University of Birmingham

CORRECTION

Leslie Ellen Nulty's article "How Inflation Hits the Majority" in the January/February issue contained incorrect figures for the bottom row of Table 1 on p. 33. The row should read: 5.2; 22.7; 19.1; 13.5; 9.5; 6.1; 4.7; 4.3; 3.6; 3.1; 3.2.