



PREOBRAZHENSKY AND THE THEORY OF THE TRANSITION PERIOD

By RICHARD B. DAY

IN recent years Western scholars have undertaken an extensive re-examination of the political and economic debates which occurred within the Bolshevik party following the introduction of the New Economic Policy (NEP) in the spring of 1921. NEP replaced the policies of War Communism, which by the end of 1920 had brought the revolution to the brink of disaster. To many participants in the ensuing discussions, however, the retreat to market forms implied the abandonment of orthodox Marxism. This essay will examine such apprehensions from the standpoint of Evgeny Preobrazhensky. The result, it is hoped, will be a better understanding of the development of Preobrazhensky's Marxism throughout the 1920s, and of his quality as a theoretical writer on the subject of the transition to socialism and ultimately to communism.

The uncertainty surrounding Bolshevik policy in the early years of the revolution had two sources: one in the historical circumstances of the time, and the other in Marxist methodology. With minor exceptions Marx had forsworn any attempt to give a detailed description either of the communist society of the future or of the transitional stage which must precede it. As a dialectician he believed that the essential outlines of the new society might be perceived through careful study of the crucial contradictions of the present. But since revolutionary transformations involved qualitative change, or the emergence of qualitatively unique solutions, the details of the future would remain unforeseeable. In addition each society, during its transition to communism, would manifest certain historically conditioned peculiarities arising from the 'infinite variations and gradations in appearance'¹ distinguishing the preceding stage of capitalism. Only in communism would these differences finally be transcended through the universalization of a new mode of social being, which Marx described as 'the realm of freedom'.

In the third volume of *Capital* Marx gave a brief explanation of this

¹ Karl Marx, *Capital* (3 vols., M., 1957-62), vol. III, p. 772.

ambiguous terminology when he observed that the final blossoming of freedom presupposed the virtual transcendence of the economic problem, making possible 'that development of human energy which is an end in itself'.² Industrialization was expected to reach such intensity that men would be all but displaced by machines, 'reducing the necessary labour of society to a minimum. The counterpart of this reduction', Marx added in the *Grundrisse*, 'is that all members of society can develop their education in the arts, sciences, etc., thanks to the free time and means available to all'.³ Economic life, in short, would be transformed into 'a technological application of science',⁴ and the immediate production process would impose no more than the most marginal constraint on the inherent creativity of the communal individual.

The contrast between Marx's ultimate expectations and the immediate outcome of the Bolshevik revolution needs little elaboration. The economic atmosphere of War Communism is best characterized by Trotsky's demand in 1920 for the 'mobilization' and 'militarization' of labour, including 'a planned, systematic, steady and stern struggle with labour desertion, . . . the creation of a penal work command out of deserters, and their internment in concentration camps'.⁵ To relieve starvation in the cities the Bolsheviks relied upon an inflationary expansion of the money supply and the outright requisitioning of foodstuffs through use of committees of poor peasants and armed detachments sent out from the urban centres. The continuing inflation soon created the need for rationing, and eventually for a system of wage payments in kind. Unprecedented scarcities caused acute problems in the allocation of goods and resources, reinforcing the government's authoritarianism in a way no socialist had previously anticipated. Even so, three full years after the end of War Communism, Kritsman, the economic historian of the revolution, was still harshly critical of those who dismissed these measures as temporary aberrations imposed by necessity upon a besieged proletarian fortress. 'In reality,' he argued, 'so-called "War Communism" constituted the first great experience of a proletarian-natural economy, an experience of the first steps in the transition to socialism.'⁶ In this reference to the 'natural' (or non-monetary) economy of War Communism we have a major key for understanding the mystique of these years.

When speaking of the final stage of communism Marx had indicated

² *Ibid.*, p. 800.

³ Marx, *The Grundrisse*, trans. & ed. David McLellan (New York, 1972), p. 142.

⁴ *Ibid.*, p. 148.

⁵ L. Trotsky, 'Ocherednye zadachi khozyaistvennogo stroitel'stva', in *Sochineniya* (M., 1925-27), vol. XV, p. 126.

⁶ L. Kritsman, *Geroicheskiĭ period Velikoi Russkoi Revoliutsii* (M., n.d.), p. 75.

that economic abundance would cause the market, money and the commodity to become superfluous. All goods were to be as common as salt, and each would draw upon the communal stocks to an extent corresponding to his needs, without recourse to monetary transactions. The difficulty was that Marx gave only the briefest outline of how society would achieve the transition to this condition of abundance. Believing that the revolution would occur first in several of the most advanced capitalist countries, he saw the role of the state as one of planning the economy, freeing the productive apparatus from wasteful capitalist crises, and thereby accelerating growth. So long as scarcity remained there would be a division of labour, but in socialist society exchange would increasingly be mediated by a plan rather than by the market. The critical precondition of effective planning was that capitalism should already have matured sufficiently to create an effectively unified economic society, eliminating vestiges of rural self-sufficiency in the form of petty-bourgeois producers working up commodities for highly localized markets. Given these prerequisites, Marx indicated in Volume I of *Capital* the manner in which economic activity might be structured during the first stage of social reconstruction:

We will assume . . . that the share of each individual producer in the means of subsistence is determined by his labour time. Labour time would, in that case, play a double role. Its apportionment in accordance with a definite social plan (the allocation of workers) maintains the proper proportion between the different kinds of work to be done and the various wants of the community. On the other hand, it also serves as a measure of the portion of the common labour borne by each individual, and of his share in the part of the total product destined for individual consumption. The social relations of the individual producers, with regard both to their labour and its products, are in this case perfectly clear and intelligible . . .⁷

'In the case of socialized production', Marx wrote in Volume II of *Capital*, 'the money-capital is eliminated. Society distributes labour power and means of production to the different branches of production. The producers may, for all it matters, receive paper vouchers entitling them to withdraw from the social supplies of consumer goods a quantity corresponding to their labour time. *These vouchers are not money. They do not circulate.*'⁸ Finally, in the *Critique of the Gotha Programme* Marx commented that in the transitional socialist society

the individual producer receives back from society—after the deductions [for depreciation, investments, insurance, administration

⁷ Marx, *Capital*, vol. I, pp. 78–79.

⁸ *Ibid.*, vol. II, p. 358.

and benefits for those unable to work] are made—exactly what he gives to it. What he has given to it is his individual quantum of labour. . . . He receives a certificate from society that he has furnished such and such an amount of labour . . . , and with this certificate he draws from the social stock of means of consumption as much as costs the same amount of labour. The same amount of labour which he has given to society in one form he receives back in another. . . . The right of the producers is *proportional* to the labour they supply; the equality consists in the fact that measurement is made with an *equal standard*, labour.⁹

Of all the theorists in the Bolshevik party, none adhered more faithfully to Marx's prescriptions than Preobrazhensky. Whereas Marx had de-mystified the market in theory, showing that commodities are objectified human labour and economic relations are in fact human relations, Preobrazhensky believed that the revolution must achieve a similar de-mystification in practice. He dedicated his first major book, *Bumazhnye den'gi v epokhu proletarskoi diktatury* (Paper Money in the Epoch of Proletarian Dictatorship), to the printing press of the People's Commissariat of Finance. By inundating the country with paper currency the Finance Commissariat had destroyed the monetary system and thereby 'shot up the bourgeois order in its rear'.¹⁰ Communist society, he argued, had no need for money, for human relations would henceforth be direct and natural, not requiring capitalist forms of market mediation. The health and stability of capitalist society had been measured by the increase of commodities available for sale; but 'for the transitional epoch . . . the thermometer that determines the success of the new society is the increase . . . in the quantity of *products* (not commodities) that are handled by the distributive organs of the proletarian state'.¹¹ The collapse of the monetary wage system, and its replacement by rationing, seemed to provide full confirmation of the thesis that the Soviet Republic was progressing towards a planned, moneyless economy.

Developing his argument, Preobrazhensky indicated the way in which the distribution of products should be organized. First, the state, together with the trade unions, would determine the norms of pay in kind and the range of wage differentiation; then they would distribute consumer goods in accordance with the number of labour hours recorded in each worker's labour book. These wages in kind might account for something in the order of 80% of the total sum due to the

⁹ Marx, 'Critique of the Gotha Programme' in Lewis S. Feuer (ed.), *Marx & Engels: Basic Writings* (Garden City, 1959), pp. 117-18.

¹⁰ E. Preobrazhensky, *Bumazhnye den'gi v epokhu proletarskoi diktatury* (Tiflis, 1921), p. 4.

¹¹ *Ibid.*, pp. 34-35.

worker, and would include such universal services as the provision of housing, food in the form of canteen meals, education for workers' children, health services, transport, heating, lighting and so forth. The balance of the worker's income would be distributed through a system of coupons, some of which would purchase only specific products, while others would be designated as having a specific labour value. Some sort of coupon system would be necessary in order to provide for individual consumer tastes until such time as society could readily satisfy all the requirements of each worker.¹² The major difficulty, of course, in designing and operating a moneyless economy would be that of determining the proper value ratios to prevail between different types of product. Preobrazhensky and Trotsky both believed, along with Marx, that eventually the value of each good would have to be reckoned in terms of its 'labour content', although the Soviet state might, for immediate purposes, take over the structure of relative prices that had earlier prevailed on the market.

Although Preobrazhensky attempted to follow Marx's analysis down to the last organizational detail, one critical difference remained. Marx had expected economic planning to emerge as an historical alternative to the generalized crises of a fully developed capitalist market, whereas in Russia, by 1917, such a market did not yet exist. On the theoretical level, therefore, there were substantial grounds for the contention of the revolution's Marxist critics to the effect that the Bolshevik seizure of power was premature. Lenin and Trotsky refuted these criticisms by reference to Russia's inclusion in the world imperialist economy, which had fully matured for revolution. But this argument was difficult to reconcile with the fact that thus far Russia alone was embarking upon a socialist reorganization. The practical consequence of this unexpected isolation was that even during War Communism Bolshevik theorists were compelled to temper their principles in a compromise with the country's backwardness. For Preobrazhensky's part the compromise involved recognition of the fact that for a time at least, so long as small commodity producers worked for the village market, money would continue to play a limited role. New issues of silver and paper currency were therefore to continue being distributed to factory workers, enabling them to supplement state rations with goods of secondary importance purchased from the private sector.¹³

This continuing reliance upon the monetary system was justified by Preobrazhensky as representing a policy of 'primitive socialist accumulation', which was held to be fully consistent with the transition to a new order. Each issue of currency, in other words, constituted an

¹² *Ibid.*, pp. 83-84.

¹³ *Ibid.*, p. 79.

unequal exchange in that economic values were purchased while no corresponding values were sold.¹⁴ However, whatever volume of resources was indirectly taxed from the non-socialist, mainly agricultural sector, the problem remained that the revolution had occurred in conditions of industrial backwardness and horrifying scarcity such as Marx had never anticipated. Accordingly, economic planning threatened to degenerate into military dictatorship, and it became apparent that the escape from the realm of necessity would be a rather more protracted affair than Preobrazhensky supposed.

By comparison with Preobrazhensky, Lenin always tended to view Russia's prospects with a good deal of scepticism. In 1917-18 he had normally argued that capitalism could not be replaced at once by a planned economy, but instead would give way to a system of 'state capitalism'. The transition period itself was thus seen as a unity of opposites rather than as the final resolution of dialectical contradictions. Plan and market elements were expected to co-exist and interact for a long time, thereby providing the historical dynamic needed to carry the revolution towards its final objectives. Lenin's view appeared to be that the immediate universalization of state planning was both impossible in practice and incorrect in theory. Indeed, if the plan were immediately universalized there would be no transition at all—only a leap into communism. In the heady atmosphere of War Communism Lenin subsequently shared some of the aspirations of his more impetuous colleagues, but by the spring of 1921 he returned to the view that the dialectics of the transition period had been widely misconceived. In doing so he grasped for a compromise that would mitigate the threat of civil war with the peasantry; and in effect he repudiated all the premises upon which party policy and Preobrazhensky's reasoning had thus far been based.

Denouncing War Communism as 'a mistake', and demanding a 'strategic retreat', Lenin now accepted the idea of substituting a tax in kind for requisitions in the effort to establish a viable integration between town and country. Peasants were given the right to trade post-tax surpluses in exchange for manufactured goods. And to assist in the restoration of industrial production the government decided to denationalize and lease the majority of small enterprises either to local entrepreneurs or to cooperatives. The institution of Gosplan was created in the hope of providing general supervision of the part of the economy remaining in state hands, but this was more of a promise of the future than an immediate reality. Internationally, Lenin embraced an equally enthusiastic policy of reconciliation. By this time the civil war had ended in a decisive Bolshevik victory, encouraging the hope

¹⁴ *Ibid.*, pp. 48-49ff.

that in one manner or another leasing arrangements might be concluded, allowing foreign capital to resume investments in Russia. From Lenin's standpoint there was no difficulty in justifying this volte-face: NEP merely represented a return to the 'state capitalist' policies he had advocated previously.

By Bolshevik standards the theory of 'state capitalism', as one of the necessary stages in the transition to communism, now assumed an aura of respectable antiquity. The problem with War Communism, Lenin maintained, was that the Soviet government had attempted to 'go over directly to communist production and distribution', and consequently had failed 'in approaching even the lower stage of communism'.¹⁵ The current objective was 'to find the correct methods of directing the development of capitalism (which is to some extent and for some time inevitable) into the channels of state capitalism, and to determine how to hedge it with conditions to ensure its transformation into socialism in the near future'.¹⁶ Late in 1921 Lenin announced a further retreat 'from state capitalism to . . . the money system'.¹⁷ The original attempt to restrict internal trade to barter was abandoned, as Lenin warned the party to adapt itself to capitalist methods or be 'overwhelmed by the spontaneous wave of buying and selling, by the money system'.¹⁸

Together with Bukharin and a handful of other critics Preobrazhensky considered Lenin's choice of the term 'state capitalism' to be dangerously misleading. In particular, he was fearful that Lenin's ideas might lead to a recovery of commercial markets at the expense of large-scale industry. References to planning were sparse in Lenin's speeches, and it seemed that the only enterprises likely to thrive in the changed environment were 'those who are able to throw something quickly onto the market'.¹⁹ Even in the developed capitalist countries, where the market was the prevailing economic form, there were institutions at hand to ensure that 'the distribution of productive forces takes place in such a way as to guarantee . . . that the most important branches of industry receive productive forces and means'. Yet in Russia, where the transition to socialism was still theoretically under way, systematic planning was being forgotten. The party appeared to overlook the fact that state capitalism implied a regulated market, subject to state intervention and control.

Although Preobrazhensky was critical of Lenin, this should not be taken to imply refusal to accept the need for a change of policy. In the autumn of 1921, for instance, he welcomed the decision to replace the

¹⁵ V. I. Lenin, 'The New Economic Policy and the Tasks of the Political Education Departments', in *Collected Works* (London, 1966), vol. XXXIII, p. 62.

¹⁶ Lenin, 'The Tax in Kind', in *Collected Works* (London, 1965), vol. XXXII, p. 345.

¹⁷ *Ibid.*, vol. XXXIII, p. 96.

¹⁸ *Vserossiiskaya konferentsiya RKP (bol'shevikov)*, Byulleten' No. 2, p. 23.

¹⁹ *Ibid.*

Soviet ruble with a new issue at the rate of 10,000 old rubles to one new one. By slowing the flight from money it would be possible to continue a more moderate use of the printing press and thus to compensate, in part, for an unexpectedly low yield from the tax in kind. Pointing out that a moderate rate of inflation was by far the most useful form of taxation, at this stage Preobrazhensky even hinted at self-criticism by admitting that under War Communism certain Soviet economists had suffered from the illness of wanting to abolish money too quickly.²⁰ Now that the market had been partially restored it was necessary to adjust one's time perspectives.²¹ Clearly, the money system would have to adjust 'to the needs of socialist accumulation at the expense of small-scale production'.²² But this could be done by obliging the non-socialist sector to pay for state services and by imposing 'merciless' taxes on all private undertakings.²³

Within a year of the New Economic Policy's introduction the extent of the return to a market economy was dramatically apparent. Not only were NEP-men, or private traders, displacing the cooperatives in the distribution of manufactured goods, but even the state trading organs were dealing on the market for supplies. The change in industry was marked by a decree of September 1921 which characterized the monetary wage system as 'a fundamental factor in the development of industry'.²⁴ Despite worker resistance the 'free' distribution of food and social services was curtailed at the same time as the trade unions began to re-enter into contractual relations with the new market-oriented trusts. As early as June 1921 deposit banking was resumed; by August the idea of an official state budget was rehabilitated; and in November a new state bank, Gosbank, was created amid rumours of restoring the gold standard. The Finance Commissariat and Gosbank were rapidly becoming, in E. H. Carr's words, 'the most sensitive nerve-centres of NEP'.²⁵ In March 1922 the XI Party Congress resolved to broaden 'the sphere of monetary circulation at the cost of a contraction of the natural part of the state economy'.²⁶

The most persuasive spokesman of this movement away from the natural economy of War Communism was Grigory Sokol'nikov, the Commissar of Finance. Unlike Preobrazhensky, Sokol'nikov professed little confidence in economic planning and preferred to manage the Soviet economy indirectly through a system of predominantly monetary controls. In a short booklet entitled *Gosudarstvennyi kapitalizm i novaya finansovaya politika* (State Capitalism and the New Financial Policy) he

²⁰ Preobrazhensky, *Finansy v epokhu diktatury proletariata* (M., 1921), p. 44.

²¹ *Ibid.*

²² *Ibid.*, p. 45.

²³ Preobrazhensky, *Voprosy finansovoi politiki* (M., 1921), p. 28.

²⁴ E. H. Carr, *The Bolshevik Revolution, 1917-1923* (3 vols., Harmondsworth, 1966), vol. II, p. 319.

²⁵ *Ibid.*, p. 349.

²⁶ *Ibid.*, p. 352.

treated NEP exclusively as a financial reform conceived in order to administer state capitalism. In his post as Finance Commissar he saw himself controlling vast sections of the economy at nominal cost through the manipulative techniques of trusts and institutional finance. Compared with this elaborate and sophisticated apparatus, outright nationalization was portrayed as crude and self-defeating.²⁷ With a consistently liberal outlook that reflected his classical economic training, the Finance Commissar dismissed the 'ideological superstructure' of War Communism as a mere reaction to civil war conditions, sought to replace the tax in kind with monetary levies, and embraced NEP as a return to sanity. The only feature of War Communism that he saw as 'natural' was the natural proliferation of thievery that took place when the state attempted to keep accounts in kind. "There must be no doubt", he warned, "that this theory [of a naturalized economy] was "a child of necessity", a mistaken attempt to convert "need" into "communist virtue"'.²⁸ Like Lazarus rising from the dead, the State Bank was now expected to follow the responsible long-run policy of creating a stable currency with a metallic backing. War Communism had been an 'epoch of terror', which Sokol'nikov promised to replace with a market-oriented rule of law.²⁹

Most distressing of all for the party's Left wing was Sokol'nikov's one-sided adherence to the principle of a balanced budget. In the absence of state subsidies numerous enterprises were being forced to curtail or cease operations. The Finance Commissar was little concerned with the fate of industry, concentrating his attention on the more direct means of satisfying the peasants by importing foreign consumer goods. By the spring of 1922 he had even persuaded the party to consider transforming many Soviet enterprises into joint-stock companies with foreign capitalists participating. In this way he hoped to resolve the problems created by earlier nationalizations of foreign assets, and thus to clear the way for a substantial international loan to Russia's now responsible government. For Sokol'nikov the new policy of reconciliation with capitalism was a question both of principle and survival. If the capitalist countries did not come to Russia's assistance, he told the party conference in December 1921, 'that would mean we are beaten'.³⁰

The moment of truth for Sokol'nikov's policies came in the spring of 1922. At the Genoa Conference, summoned by Lloyd George and the Entente leaders to plot the economic reconstruction of Europe, Russia was refused foreign credits unless nationalized property was returned to its former owners and unless a settlement could be reached on the

²⁷ G. Ya. Sokol'nikov, *Gosudarstvennyi kapitalizm i novaya finansovaya politika* (M., 1922), p. 4.

²⁸ *Ibid.*, p. 13.

²⁹ *Ibid.*, p. 20.

³⁰ *Vserossiiskaya konferentsiya . . .*, Byulleten' No. 5, p. 37.

question of repaying the tsarist debts. Shortly before the conference Lenin had already proclaimed that the time had arrived for the 'retreat' to stop. Anticipating the rebuff to Russia, Preobrazhensky appealed in *Pravda* for revision of the party's programme and a full-scale review of economic policy. Three weeks later, at the XI Party Congress, he sought to dilute Sokol'nikov's authority by proposing the creation of an Ekonomburo to parallel the party's political leadership in the Politburo. At this juncture, however, Lenin castigated Preobrazhensky's ideas as 'ultra- and super-academic . . . they smack of the intelligentsia, the study circle and the littérateur, and not of practical state and economic activity'.³¹ In reply Preobrazhensky produced a full-length study of the economic problems of the transition period, with the title *Ot NEPa k sotsializmu* (From NEP to Socialism). In Preobrazhensky's own intellectual development this book was a remarkable transitional document; it became a crucial link in the chain of thought leading from War Communism to the emergence of the Left (Trotskyist) Opposition.

Before reviewing the domestic policy proposals contained in the book and their relation to the earlier monetary writings, it is necessary to clarify Preobrazhensky's expectations with regard to Europe. We have seen that Sokol'nikov's disregard of domestic industry sprang from an optimistic dependence on foreign assistance. That dependence, in turn, resulted from an image of the Soviet state as financial intermediary between Russian agriculture and European capital. Foreign investors were to export capital, and in return Russia was to provide raw materials and markets for Europe's finished products. Whereas the fiasco at Genoa only encouraged Gosbank officials to redouble their efforts to stabilize the currency and prove Russia's credit-worthiness, Preobrazhensky's understanding of the Russo-European relationship was considerably more realistic.

In the first place, like Trotsky at this time, Preobrazhensky did not expect economic intercourse with Europe to be of any great quantitative significance until at least a decade had elapsed. And, secondly, he believed that the rationalization of international trade could not take place while the world remained politically divided. In other words, the protectionism and economic rivalries of postwar Europe could not be overcome in advance of the international revolution. In the meantime, capitalism was expected to stagnate for up to a decade, after which time a great economic crash would ensue and the final chapter of the proletarian revolution would be written. In his timetable for world revolution Preobrazhensky fell wide of the mark; in his anticipation of the Great Depression he showed uncanny foresight.

Following Marx, he understood the fundamental economic difficulties

³¹ Lenin, *Collected Works*, vol. XXXIII, p. 238.

of capitalist Europe in terms of a relative excess of industrial productive capacity over social consuming power, and a chronic backwardness in the agricultural sector resulting from the phenomenon of absolute rent. Looking first at the question of industrial capacity, Marx had seen vigorous foreign trade as essential to capitalism not only because of the buoyant effect on the profit rate, but also because the capitalist mode of production had an 'innate necessity . . . for an ever-expanding market'.³² Marx had predicted that the progress of technology would cause an ever-increasing percentage of workers to become unemployed over the long run; and although temporary changes in the state of the market might raise wages and expand employment (as at the height of the business cycle), wages would 'never rise *proportionally* to the productive power of labour'.³³ The rate of increase in productivity would exceed the rate of growth of total wages, with the consequence that the *share* of total income going to labour would decline regardless of what happened to the level of real wages. Because the working class constituted the major domestic market for manufactured consumer goods, it followed that capitalism would become increasingly dependent upon foreign markets in which to sell 'surplus' production. As Marx observed, the capitalists 'develop the productive forces as though only the absolute consuming power of society constituted their limit';³⁴ in reality the replacement of men by machines—or the rising organic composition of capital—imposed a much narrower constraint. In the absence of foreign markets the accumulation of capital, or investments, would simultaneously become the destruction of the capitalist system.

In agriculture European capitalism faced difficulties no less compelling than those in industry. Rural over-population, agricultural protectionism and technologically backward farming enhanced the scarcity of land to the extent where landlords were now in a position to extort abnormally high rents. A portion of the social surplus was accordingly being diverted from industry into the hands of the idle rural gentry. 'The rent then', according to Marx, 'forms a portion of the . . . [social] surplus value . . . and instead of falling into the lap of the capitalists, who have extracted it from their labourers, it falls to the landlords, who extract it from the capitalists'.³⁵ In these circumstances Preobrazhensky saw a weakening of the incentive to improve agricultural technology and summarized the dilemma as follows:

Even before the war European industry was based on a slowly developing agricultural sector, a fact which caused food products to become increasingly expensive. The production of grain became

³² Marx, *Capital*, vol. III, p. 232.

³³ *Ibid.*, vol. I, p. 604.

³⁴ *Ibid.*, vol. III, p. 472.

³⁵ *Ibid.*, p. 753.

relatively more costly at a time when industrial products were falling in price due to the rapid development of industrial technology. The lagging rate of technical progress in agriculture in turn impeded the fall in prices of industrial products by raising the price of grain [thereby necessitating a corresponding rise in money wages and industrial costs]. Thus from this perspective European industry was on the brink of a crisis [even] before the war began.³⁶

In postwar Europe the regressive effects of absolute rent would be greatly accentuated. The continent was already over-populated when America placed new restrictions on immigration in 1921. As the new nation-states of central and eastern Europe began to attract some of their former émigrés back to their original homes, land scarcity would become even more critical.³⁷ Before the war

. . . the surplus population . . . flowed outwards to America through the canals of emigration. Inasmuch as this emigration was aimed at the new lands of America, what we had here was a spontaneous redistribution of productive forces in the world economy, signifying a broadening of world capitalism's base. Before the war Europe sent out from 800,000 to 1,000,000 emigrants each year. The result was to bring new areas of land under cultivation, to produce new bounties of grain and materials and to create a new grouping of well-financed buyers for the products of industry. But during and after the war emigration halted. Instead, some countries, such as Poland and Czechoslovakia, experienced a reverse movement of people. For those who returned, however, Europe could provide neither work, grain, nor land. Land was even more scarce than it had been previously.³⁸

The centralization and concentration of agricultural capital was impeded because peasants were willing to work small plots in return for a subsistence income. A surfeit of hands in the countryside ensured a continuing supply of cheap labour and thus further weakened any incentive for agricultural mechanization. Europe was suffering from an 'agricultural thrombosis'.³⁹

In theory it might have been possible to alleviate the crisis through recourse to foreign trade, importing substantial amounts of food and materials from overseas. But in this connection Preobrazhensky emphasized that the war had provided a powerful stimulus to American industry, which was now intruding upon Europe's former sources of material supply and raising insurmountable barriers to European exports. Conversely, submarine warfare and the naval blockade of the continent had forced the colonies to initiate their own efforts for

³⁶ Preobrazhensky, *Ot NEPa k sotsializmu* (M., 1922), pp. 9-10.

³⁷ *Ibid.*, p. 124-5.

³⁸ *Ibid.*, p. 122.

³⁹ *Ibid.*, p. 123.

industrialization. Thus 'the volume of materials which could be sent to Europe . . . declined, . . . a significant portion of these materials began to be processed in America and the colonies'.⁴⁰ 'Russia's departure from the world economic system made the situation even more critical, for it entailed the loss of an enormous market and one of the richest sources of materials.'⁴¹ Hence European industry was condemned to rely increasingly upon its own resources, undergoing stagnation on a shrinking 'productive basis'.

Even if there had been no 'agricultural thrombosis', Preobrazhensky was convinced that Europe's prospects would remain dismal. In the purely hypothetical event that industrial production were to expand in one manner or another, the problem of inadequate export outlets would still not be solved:

Capitalism would create within itself a market for a part of this new production, but the remaining part would require that a further market be found with all haste, for otherwise the value of the goods being produced could not be realized. Since neither the materials nor the market could fall from the skies—in fact, both could only result from a gradual unfolding, step by step, of economic processes both within Europe and beyond its frontiers—it is clear that a rapid leap forward by European industry, basing itself only on its own productive potential and existing markets, was impossible.⁴²

Russia alone, with its transitional economy, possessed the capacity for limitless expansion of the domestic ability to produce and consume. 'In a country like Russia', Preobrazhensky wrote, ' . . . industrial development did not depend upon external markets, for as more was produced, more could be distributed by socialist means.'⁴³ In this sense, and particularly in view of Russia's vast resources, that country alone 'possessed all that was needed to develop into a self-sufficient economic organism'.⁴⁴ Emphasizing the latter point in the wake of the Genoa Conference, Preobrazhensky added that 'capitalist Europe was in far greater need of Soviet Russia than the bourgeois diplomats indicated or even realized at the time. In that sort of situation the one who can wait the longer has the greatest strength. Russia was able to wait longer; and Russia thereby turned out to be stronger than Europe'.⁴⁵

Given Russia's potential for self-contained growth, Preobrazhensky was reluctant to join Sokol'nikov in making major concessions to foreign capital. The European bourgeoisie seemed to have been frightened away from long-term investments by the prospect of proletarian revolution. Postwar capitalism, for all its monopolistic tendencies, was characterized

⁴⁰ *Ibid.*, p. 9.

⁴³ *Ibid.*, p. 12.

⁴¹ *Ibid.*

⁴⁴ *Ibid.*, p. 11.

⁴² *Ibid.*, pp. 14-15.

⁴⁵ *Ibid.*

more by its thirst for speculative gain than by rational calculation and foresight. The sole exception, Preobrazhensky suspected, might be found in German capital. Sharing Trotsky's view that Russia and Germany were natural economic partners, Preobrazhensky was hopeful that the Germans might become involved in the large-scale mechanized cultivation of empty lands in the south of Russia, the south-east, and western Siberia.⁴⁶ Although cooperation with Russia might ease Germany's balance of payments problems, there was no solution to the dilemma confronting European capitalism as a whole. For as long as the proletarian revolution was delayed in the West, capitalism would languish in its state of semi-exhaustion until the paths of the European and Russian proletariat finally converged in international revolution and civil war. In the meantime, Russia, all but cut off from European technology, would slowly move in the direction of communism by the circuitous route of NEP.

In terms of his analysis of domestic policy, at this stage Preobrazhensky adopted a major methodological innovation. Whereas the monetary writings had tended to view the transition period essentially as a non-dialectical leap into communism, *Ot NEPa k sotsializmu* incorporated Lenin's view that NEP represented a dialectical unity of opposites. Like the economies of Europe, with their fatal antagonism between industrial and landed capital, the reforms introduced in the spring of 1921 were seen to contain their own developmental imperative in their contradictory combination of the socialist mode of production (in state industry) and the bourgeois market form of distribution. Here was an economic formation which would ensure the quantitative restoration of the national economy, but which simultaneously contained the inevitability of qualitative change. Between the NEP-men and the kulaks on the one hand, and socialist planners on the other, there existed an irreconcilable contradiction which Preobrazhensky thought must ultimately provoke open hostilities.⁴⁷ Within this dialectical opposition, however, there was also a unity which had been missing in the previous writings. There Preobrazhensky had seen only the hostility existing between planners and peasants, as manifested in the policy of forced requisitions. Now he acknowledged that, for a time at least, NEP provided the opportunity to cooperate with a broad sector of the peasantry within the context of an emerging economic plan. Indicating the manner in which state capitalism should move in the direction of socialism, he proposed to control the petty-bourgeois spontaneity of the market through a deliberate, planned manipulation of agricultural prices:

⁴⁶ *Ibid.*, p. 87.

⁴⁷ *Ibid.*, pp. 89-94; cf. Preobrazhensky, 'Perspektivy novoi ekonomicheskoi politiki', *Krasnaya nov'*, 1921, no. 3 (September-October), pp. 209-11.

It was not enough for the state to know what quantities of different products might be acquired from the peasantry. The state was also vitally interested in coordinating agricultural production with the plan for industrial expansion and with foreign market demands. The peasantry, in other words, had to produce a given volume of the particular types of materials and food products that the state required. . . . First, the state planning organs would calculate what was needed: in the North to increase flax cultivation at the expense of grain; in the central provinces to expand hemp and reduce potato production, etc. etc. The instructions would be drafted in such a way that in all the affected areas transactions would take place with the peasantry so as to produce the desired effect. . . . all that was needed was a knowledgeable manipulation of the price lever. *Market prices, having once been the spontaneous regulator of the economy, were now converted by the state into a subordinate instrument of a planned economy.* Those capitalist forms which were most flexible and suitable for a transitional economy were in this way transformed, adjusted, and made to serve socialism.⁴⁸

At the same time as planned incentives were replacing force in agriculture, equally important steps towards planning were to be taken in industry. In addition to drawing up financial estimates, enterprises were to prepare non-monetary accounts in kind.⁴⁹ Orders and purchases were to be distributed in accordance with a definite plan, so that price phenomena would eventually cease to operate as an independent regulator of economic activity. The sphere of cash transactions would steadily contract when it was made obligatory for state, cooperative and even private enterprises to maintain current accounts with Gosbank and other financial institutions. Serving as a centralized accounting department, Gosbank would enable inter-enterprise balances to be settled merely by the transfer of accounting units, without recourse to money as such. The bilateral extension of quantitative planning into both industry and agriculture would have the contradictory result of universalizing the accounting function of money on the one hand, and of preparing for its later transcendence on the other.

Since industry and agriculture would both come under the increasing control of the plan, at last a genuine basis would exist for the thorough economic integration of the two sectors. In a *Pravda* article on 2 March 1922 Preobrazhensky examined the possibilities for rural-urban integration by comparing the inter-sectoral flow of values under War Communism with the pattern which should prevail during NEP. War Communism had been a system wherein requisitions signified the

⁴⁸ Preobrazhensky, *Ot NEPa k sotsializmu*, pp. 103-4.

⁴⁹ *Ibid.*, pp. 98-99.

enforced extension of credits from agriculture to industry. The intention had been that industry would recover and then help to promote agricultural expansion in return. This sequential plan had failed; and the reverse approach, with industry initially providing credits to agriculture, was impossible. Therefore, a middle way had to be found in which industry and agriculture would credit each other at the same time. Industrial profits and other forms of primitive socialist accumulation in this case would have to be used partly to finance long-term loans to the most deserving peasants. These loans were to become a 'basic form of the link between the proletariat and the peasantry'.

Ot NEPa k sotsializmu took up this theme where the *Pravda* article left off. Loans were to be given to the peasants mainly in kind, being repaid by deliveries of agricultural products. As the volume of peasant indebtedness expanded, the private middle-man's sphere of operations would narrow. 'The most important point', however, 'was that the state, as the recipient of these loan repayments, gradually found itself in a position to control the quality of the product. At the same time, the state became the customer and the peasant economy had to adjust to state requests and state demand.'⁵⁰ The importance which Preobrazhensky attached to this scheme is worth stressing. According to Soviet historians the theorists of the Left Opposition invariably stood for a policy of exploiting the villages. In reality a decisive pro-industrial shift in Preobrazhensky's writings did not occur before the end of 1922. Until the prospects for the 1922 harvest were clear, he viewed loans in kind to the peasantry as an essential prerequisite of economic growth.

Having completed his domestic projections for NEP, Preobrazhensky took the closing chapter of *Ot NEPa k sotsializmu* to bring together the Russian and international aspects of the transition period in the final phase of the socialist revolution. Step by step he led his readers to understand that neither Russia nor Europe could evade a rapidly approaching international economic crisis. It was true that in Russia there were numerous minor changes in agricultural organization which would enhance productivity at relatively little cost. In the long run, however, these were cosmetics and must eventually give way to a massive transfusion of capital. Tractors and other types of mechanized equipment would have to replace agricultural labour not merely in order to meet Russia's own growing requirements resulting from industrialization, but also to achieve the long-anticipated union between European industry and Soviet agriculture. Thus the economic crisis in Europe would mature and transform itself into a revolutionary situation at exactly the time when the Soviet economy would begin to falter. The international revolution would restore rationality to the dismembered

⁵⁰ *Ibid.*, p. 30.

world economy, making it possible to cultivate the best land first, to settle Russia's virgin territories, and to open up the wealth of Siberia with an electrified railway stretching from London to Vladivostok.⁵¹ The revolutionary finale would be heralded by a cataclysmic increase of unemployment in Europe, proving that capitalist industry was over-extended relative to its agricultural base and that history required 'the centre of gravity . . . to be shifted towards reforms in the world's most important agricultural areas'.⁵² The hopes of 1917-21 would at last be vindicated when the working class of Europe came to participate in opening up a new 'America in Siberia'.⁵³ If the revolution were for any reason further delayed in the West, Preobrazhensky was of the opinion that 'things might well have ended in an aggressive socialist war, launched by Russia against the capitalist West with the support of the European proletariat'.⁵⁴

In the immediate aftermath of War Communism, at a time when NEP was being hailed as a solution to rural-urban antagonisms, Preobrazhensky could not possibly have foreseen compulsory collectivization and the return within a matter of years to civil war conditions in Russia itself. In 1934, 12 years after his book appeared, he confessed that he had not anticipated collectivization and therefore did not possess the same 'remarkable foresight' and 'great courage' as Stalin.⁵⁵ Nor did he possess a similarly unbalanced mind or Stalin's disposition towards brutality. The principal point is, however, that *Ot NEPa k sotsializmu* did, after a fashion, anticipate the theory of socialism in a separate country. Exploring the likely consequence of Russia's continued isolation from Europe, the book inextricably linked the country's future with that of the international proletariat. Why then, in view of its unique insight, did it have such a limited historical impact?

The major reason is that this was an exploratory work, and as such it did not possess the degree of theoretical rigour that is found in the same author's later writings, principally *Novaya ekonomika* (The New Economics). The concept of primitive socialist accumulation was still treated in rudimentary terms, although new forms of accumulation were now added to those mentioned in the earlier writings. These new forms included interest from bank loans for commercial purposes, and the collection of small, peasant savings in state banking institutions, neither of which would have been conceivable before the introduction of NEP. Even in these new circumstances Preobrazhensky expected

⁵¹ Preobrazhensky, *Itogi genuezhskoi konferentsii i khozyaistvennye perspektivy Evropy* (M., 1922), pp. 43, 48-50.

⁵² Preobrazhensky, *Ot NEPa k sotsializmu*, p. 125.

⁵³ Preobrazhensky, *Itogi* . . . , p. 47.

⁵⁴ Preobrazhensky, *Ot NEPa k sotsializmu*, p. 120.

⁵⁵ Cited in Alec Nove's introduction to E. Preobrazhensky, *The New Economics*, trans. Brian Pearce (London, 1965), p. xv.

manipulation of the money supply to serve as a source of state revenues, although he now took care to argue that the currency must be kept stable by adjusting the issue to meet the seasonal needs of an agrarian country.⁵⁶ Perhaps most notable—for its absence—was a comprehensive discussion of industrial pricing policy, especially in relation to the state's monopoly of foreign trade. Preobrazhensky was certainly aware of the monopoly's importance in protecting Soviet industry against outside competition;⁵⁷ yet this particular book did not discuss its usefulness as a means for deliberately shaping the terms of domestic trade between town and country. A relatively less important work, published in 1921 with the title *Voprosy finansovoi politiki* (Questions of Financial Policy), had in this respect been considerably more suggestive. There Preobrazhensky explicitly noted the profits which would accrue to the state when foreign goods could be bought cheaply and resold at higher prices in the home market.⁵⁸ This failure to explore either the specific implications of the monopoly or the more general problem of industrial price formation was one of the book's most serious shortcomings. The omission doubtless reflected a continuing faith that the monetary economy would be short-lived, followed as quickly as possible by a return to 'natural' prices based on labour values. While this was an understandable assumption given the previous pattern of Preobrazhensky's reasoning, its consequence was that *Ot NEPa k sotsializmu* failed to provide any real guidelines that would assist in the creation of a genuine market form of socialism. In short, while grasping for an understanding of the future, *Ot NEPa k sotsializmu* remained much too deeply rooted in the War Communist past to have any substantive impact on Gosbank and the Finance Commissariat, where real economic authority lay until 1925.

An equally important reason for the book's modest historical influence was its lack of logical consistency with regard to the use of long-term credits for agriculture. The proposal that industry and agriculture should be peacefully reconstructed through mutual aid was unquestionably an advance over the War Communist attitude that the rural economy existed for purposes of state exploitation. By stressing the mutuality of this relationship, however, Preobrazhensky unintentionally cast doubt upon the continuing significance of primitive socialist accumulation. A balanced and mutually beneficial system of exchange between the two sectors seemed to imply a balanced exchange of values and credits—with no significant *net* transfer of values in either direction. Hence the unavoidable conclusion, drawn by Preobrazhensky himself, that the forthcoming technological revolution in the Soviet countryside

⁵⁶ Preobrazhensky, *Ot NEPa k sotsializmu*, pp. 69–70.

⁵⁷ See articles in *Pravda*, 2 March, 16 March 1922.

⁵⁸ Preobrazhensky, *Voprosy finansovoi politiki*, pp. 47–48.

would have to be financed from *external* sources. Viewed in this light, *Ot NEPa k sotsializmu* failed to resolve a crucial problem which was rapidly assuming overriding political importance.

Those party and government leaders who, like Sokol'nikov, were prepared to deplete industrial capital in order to guarantee low prices on manufactured goods, were in fact tacitly advocating a policy whereby industry would subsidize agriculture and a net transfer of values would flow from town to country. The opposite of this quasi-populist policy would have to be a programme which insisted on the priority of industry. This conclusion became more apparent to Preobrazhensky after the successful 1922 harvest and especially during the months leading up to a new economic crisis in the summer and autumn of 1923. In a brief article entitled 'Ekonomicheskaya politika proletariata v krest'yanskoi strane' (The Economic Policy of the Proletariat in a Peasant Country), at the end of 1922 Preobrazhensky examined the statistical data which underlay the country's continuing economic imbalance. The ratio of industrial incomes to those in agriculture had fallen significantly in comparison with the prewar years, so that there now appeared a clear need to create more satisfactory proportions by diverting 'a growing volume of water from the canals of primitive . . . NEP accumulation [or private savings] into the mill of socialist accumulation'.⁵⁹

Superimposed upon this long-run need for industrial investments, however, was a no less serious problem of a more immediate nature. Late in 1922 the industrial trusts had responded to previous capital losses by forming syndicates in order to exert monopoly power and raise prices. The harvest increased the relative scarcity of industrial goods and encouraged further price rises to the point where demand began to decline severely, resulting in a 'sales crisis'. While Preobrazhensky was perfectly correct in maintaining that the long-run problem of industrial shortages could be resolved only through new investments, Sokol'nikov and his associates sought a short-run solution to the 'sales crisis' by restricting credits to industry, in that way forcing inventory reductions and driving down prices. The Trotskyist Opposition, including Preobrazhensky, was defeated in January 1924, and shortly afterwards Sokol'nikov at last succeeded in introducing a new gold-backed currency, returning Russia to a modified gold standard even before Great Britain. Henceforth, the government's economic policy, first under Sokol'nikov, and after the spring of 1925 under the brief influence of Bukharin, was consistently directed towards the maintenance of 'minimal' profits and low industrial prices. A reasonable short-run policy was thus converted into a long-run programme which

⁵⁹ Preobrazhensky, 'Ekonomicheskaya politika proletariata v krest'yanskoi strane', *Kommunisticheskii internatsional*, 1922, no. 23, pp. 6289-90.

systematically under-estimated the need first for realistic industrial depletion allowances, and subsequently for new expansion once existing capacity was fully employed. By 1925-26 there was no longer any productive slack in the Soviet consumer goods industries, yet peasant demand remained insatiable. The menace of a 'grain strike'—or a refusal by the peasants to sell their grain to the state—was imminent when Preobrazhensky published his best-known work, *Novaya ekonomika*.

Methodologically, *Novaya ekonomika* represented an elaboration, in more sophisticated terms, of the approach taken in *Ot NEPa k sotsializmu*. The Soviet economy was portrayed as a dialectical unity of plan and market elements. The law of value, represented by the spontaneous forces of the market, was said to be in a state of constant strife with the law of primitive socialist accumulation, which regulated the first stage of the transition period. It would be a mistake, therefore, to believe that economic decisions could result from the whimsical inclinations of financial officials and political leaders. On the contrary, arbitrary judgements would lead to crises—just as the irrationality of the capitalist market periodically led to the eruptions of the business cycle. Only if Soviet decision-makers understood the interaction of the two laws would they be able to foresee, and thus to avoid, major difficulties. By framing his argument in this manner Preobrazhensky suggested that society was controlled by historical imperatives and yet was already moving beyond the most rigid necessities of capitalism in the direction of the realm of freedom.

If *Novaya ekonomika* took over the methodology of *Ot NEPa k sotsializmu*, the same cannot be said of the central theme. Now it was argued most emphatically that the transition period could not be completed unless the existing imbalance between industry and agriculture were negated through a system of *unequal exchange* between the two sectors. A *significant net transfer of values* would have to flow from agriculture into industry in compliance with the law of primitive socialist accumulation. This part of his analysis Preobrazhensky presented in a way closely resembling Marx's exposition of foreign trade between industrialized and backward countries. Marx, it will be remembered, had maintained that a backward country sells labour-intensive commodities in exchange for industrial goods. Because labour content is the measure of value, international trade effects a net transfer of values into the more developed economy. Quoting Marx's conclusion that 'the favoured country recovers more labour in exchange for less labour', Preobrazhensky declared that the Soviet foreign trade monopoly should be used in order deliberately to preserve a similar inequality between industry and agriculture. A brief numerical example indicated how this might be done.

The hypothetical initial relation between industry and agriculture, or between cotton textiles in this illustration and grain, was as follows:

<i>industry</i>	<i>agriculture</i>
100 hours	150 hours
100 units	100 units
100 rubles	100 rubles. ⁶⁰

These figures show 100 units of textiles exchanging for 100 units of grain. The inequality lies in the fact that 150 hours of agricultural labour have exchanged for only 100 hours of industrial labour. In the world economy it might be expected that 150 hours of agricultural labour would purchase a substantially larger volume of textiles, but the trade monopoly would provide insulation against the disruptive effects of world-market prices. In these circumstances the original inequality would gradually be reduced in consequence of high industrial profits, permitting re-equipment and expansion. Lower production costs would in part be passed on to peasant consumers, so that the second stage of the inequality might be:

<i>industry</i>	<i>agriculture</i>
100 hours	150 hours
120 units	100 units
100 rubles	100 rubles

Although the unequal exchange of values remains, the well-being of the peasant visibly improves owing to the rise in industrial productivity. With the growth of cooperative socialist farming, society would move one step further, undertaking the industrialization of agriculture and experiencing a corresponding increase in rural productivity. Then, on the assumption of equal average labour productivity in both sectors, we might suppose that the figures would eventually be:

<i>industry</i>	<i>agriculture</i>
100 hours	100 hours
120 units	120 units

That is to say, one hour of industrial labour might now exchange for one and one-fifth units of grain; and, conversely, one hour of agricultural labour would exchange for one and one-fifth units of cotton textiles. Money would no longer be required to mediate the act of exchange, since 'relations between large-scale socialist and cooperative farming on the one hand and state industry on the other will be organized as relations within a single composite entity, with general abolition of the market ties between them'.⁶¹ Equal exchange would therefore constitute the final unity of industry and agriculture, or their synthesis on the basis of universalized socialist economic forms.

As the foregoing numerical example indicates, by the mid-1920s

⁶⁰ Preobrazhensky, *The New Economics*, p. 271.

⁶¹ *Ibid.*, p. 272.

Preobrazhensky conceived of the transition to communism in terms of rather clearly defined stages. The first stage, or *primitive* socialist accumulation, referred to the transfer of values into the state economy from sources alien and external to it: primarily from small-scale private industry, from merchant capital, and from petty-bourgeois—and especially kulak—farming. ‘By socialist accumulation’, in contrast, ‘we mean the addition to the functioning means of production of a surplus product which has been created *within the constituted socialist economy* and which does not find its way into supplementary distribution among the agents of socialist production and the socialist state, but serves for expanded reproduction.’⁶² Thus socialist accumulation would gradually supersede primitive socialist accumulation and become the ‘surplus product’ of which Marx spoke in *Capital* and *Critique of the Gotha Programme*.

Parallel with the replacement of surplus value (or profit) by surplus product, Preobrazhensky expected, as in the monetary writings, that social mechanisms of distribution would replace the individualistic wage payments characteristic of capitalism. *Novaya ekonomika* foresaw ‘a transition in the future to payment of the “collective worker” [through the proliferation of] workers’ clubs, creches, children’s homes, factory canteens and so on, the development of which is essentially a partial transformation of the old system of wages into another form of collective supply’.⁶³ With the diffusion of education the division between science and labour would be overcome and ‘the hard-set division by occupations’ would be eliminated. The ‘enslaving subordination of the individual to the division of labour’, condemned so vigorously by Marx, would finally recede into history.⁶⁴ The masses would be brought closer to society’s leading cadres ‘with a transformation of occupations from being fixed groupings of the same persons in particular jobs into the fulfilment of functions by the entire masses, turn and turn about. The necessary functions will remain, but the people who carry them out will change’.⁶⁵ As for the role of money, Preobrazhensky promised to study this question more extensively in a projected second volume of *Novaya ekonomika*, noting only that the People’s Commissar of Finance was ‘inclined to revive [money] fetishism in a rather peculiar, not to say degenerate form’.⁶⁶

Had it not been for Preobrazhensky’s political commitment to the Left Opposition, the second volume of *Novaya ekonomika* might have gone to press, dealing from a more practical perspective with the theoretical questions raised in the first volume. In the journal of the Communist Academy three excerpts from the second volume did appear, but these were too incomplete to permit any definitive judgement

⁶² *Ibid.*, p. 94. ⁶³ *Ibid.*, p. 194. ⁶⁴ *Ibid.*, p. 188. ⁶⁵ *Ibid.*, p. 189. ⁶⁶ *Ibid.*, p. 216.

concerning the directions in which Preobrazhensky's thinking was ultimately heading. The first volume must stand, therefore, as a last definitive comment on the problems with which we have been concerned. The overall contribution of the book can perhaps best be judged by comparing it with Marx's study, in *Capital*, of the origins of capitalism. As with his earliest publications, it was from this source that Preobrazhensky drew his inspiration.

According to Marx, primitive *capitalist* accumulation had depended upon the expropriation of the peasant and the creation of 'free' labour: 'free' in the sense of being turned away from the soil and transformed into an exploitable commodity on the labour market. Only then could merchant capital grow and emerge as industrial capital. Reasoning analogically, Preobrazhensky saw the nationalized Soviet enterprise in a position roughly comparable to Marx's merchant capitalist. The merchant had been surrounded by feudal elements, just as the nationalized enterprises had been cut adrift in a sea of capitalist relations under the New Economic Policy. The merchant had accumulated the social surplus, transforming it into industrial capital and universalizing the new mode of production to the extent permitted by the inherent contradictions of the capitalist system. In like manner the socialist enterprise would accumulate the social surplus by means of monopoly prices—only with the critical difference that the socialist mode of production would achieve true universality by overcoming the contradiction between town and country. It would appear that the analogy was without flaw.

It must be left to the reader, however, to judge whether Marx himself thought of the transition through socialism to communism in equally rigorous analogical terms. Of one point, at least, we can be certain: that Marx did not expect a repetition of the stage of *primitive* accumulation. The *Critique of the Gotha Programme* spoke of two stages of communist society, not three. Preobrazhensky's inclusion of primitive accumulation must be seen as an exclusive reflection of the fact that the revolution occurred in an isolated, technologically backward country. *Ot NEPa k sotsializmu* boldly confronted this dilemma in the belief that within a decade the revolution in Europe would come to Russia's assistance with fresh capital for the expansion of socialist agriculture. *Novaya ekonomika* more timidly evaded the explosive political question raised by Stalin's slogan of 'Socialism in One Country'. Indeed, the only satisfactory Marxist answer to Stalin was that given by Trotsky, when he contended that socialist Russia and the capitalist West themselves represented a unity of opposites—in the same way as state industry and private agriculture did under NEP. From this perspective Stalin's attempt to isolate the Soviet economy was both unhistorical and contrary to

dialectics. Whereas Trotsky sought to accelerate Russia's development by drawing upon the resources of the world economy, Preobrazhensky was apprehensive that too great a reliance on imports would jeopardize Soviet industrialization.⁶⁷

Finally, if Preobrazhensky had adhered consistently to his analogy he should have seen that the likely alternative to Trotsky's proposals would be forced collectivization. Marx had described the 'primitive' stage of capitalist development in terms of the dramatic and often violent transformation of the countryside: '... great masses of men are suddenly and forcibly torn from their means of subsistence and hurled as free and "unattached" proletarians on the labour market. The expropriation of the agricultural producer, of the peasant, from the soil, is the basis of the whole process.'⁶⁸ By 1929, with his attack on the kulak, Stalin presented his critics with a *fait accompli* and relieved Preobrazhensky of the moral and intellectual responsibility for acknowledging the implications of his logic. Deserting Trotsky and the remnants of the Left Opposition, Preobrazhensky rejoined the Stalinist bureaucracy in its leap backwards to the methods of War Communism.

University of Toronto

⁶⁷ Richard B. Day, *Leon Trotsky and the Politics of Economic Isolation* (London, 1973), pp. 145-8, 180-1 *et passim*.

⁶⁸ Marx, *Capital*, vol. I, p. 716.