

On State Capitalism During the Transition to Socialism - VI Lenin
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How is it that they cannot see that it is the petty proprietor, small capital, that is our enemy?
p23

... state capitalism is something centralised, calculated, controlled and socialised, and that is exactly what we lack. p24

... petty-bourgeois mass which sympathies with the abolition of the big bourgeoisie in all countries, but does not sympathise with accounting, socialisation and control. p25

... anyone who is the organiser of state-capitalist enterprises can be made one's helper. p25

Only the development of state capitalism, only the painstaking establishment of accounting and control, only the strictest organisation and labour discipline, will lead us to socialism.
p27

We have to expropriate them. p27

... is faced now by the more difficult Socialist task of organising nation-wide accounting and control. p28

... it is time to cry out when people have gone so far as to say that the introduction of labour discipline will be a step back. p29

... the chief difficulty for socialism lies in ensuring labour discipline. p29

... our Dictatorship of the Proletariat is the establishment of order, discipline, labour productivity, accounting and control by the proletarian soviet power. p29

Capitalists as leaders ... are being brought in because in the matter of practical organisation they have knowledge that we do not possess. p30

... the road to socialism, the sole road - that of teaching the workers the principal business of managing gigantic enterprises, of organising big industry and large-scale distribution. p31

Capitalism leaves us as a heritage, especially in a backward country, a host of customs through which all state property, all public property, is regarded as something that may be maliciously spoilt. p33

... the term ... implies the determination of soviet power to achieve the transition to socialism, and not that the new economic system is recognised as a Socialist order. p38

... given a really revolutionary-democratic state, state monopoly capitalism inevitably and unavoidably implies a step, and more than one step, towards socialism! ... 'For socialism is merely the next step forward from state-capitalist monopoly'.

... 'state-monopoly capitalism is a complete material preparation for socialism, the threshold of socialism'. p44/5

Well, and what about Soviet Russia? Is it not clear that after the seizure of power by the proletariat and after the crushing of the exploiters' armed resistance and sabotage, certain conditions prevail which correspond to those which might have existed in Britain half a century ago had a peaceful transition to socialism begun there? The subordination of the capitalists to the workers in Britain would have been assured at the time owing to the circumstances: 1. The absolute preponderance of workers, of proletarians, in the population owing to the absence of a peasantry (in Britain in the seventies there was hope of an extremely rapid spread of socialism among agricultural labourers); 2. The excellent organisation of the proletariat in trade unions (Britain was at that time the leading country in the world in this respect); 3. The comparatively high level of culture of the proletariat, which had been trained by centuries of development of political liberty; 4. The old habit of the well-organised British capitalists of settling political and economic questions by compromise - at the time the British capitalists were better organised than the capitalists of any country in the world (this superiority has now passed to Germany). These were the circumstances which at that time gave rise to the idea that the peaceful subjugation of the British capitalists by the workers was possible.

In our country, at the present time, this subjugation is assured by certain premises of fundamental significance (the victory in October and the suppression, from October to February, of the capitalists' armed resistance and sabotage). But instead of the absolute preponderance of workers, of proletarians, in the population, and instead of a high degree of organisation among them, the important factor of victory in Russia was the support the proletarians received from the poor peasants and those who had experienced sudden ruin. finally, we have neither a high degree of culture nor the habit of compromise. If these concrete conditions are carefully considered, it will become clear that we can and ought to employ two methods simultaneously. On the one hand we must ruthlessly suppress the uncultured capitalists who refuse to have anything to do with 'state capitalism' or to consider any form of compromise, and who continue by means of profiteering, by bribing the poor peasants, etc., to hinder the realisation of the measures taken by the Soviets. On the other hand, we must use the method of compromise, or of buying off the cultured capitalists who agree to 'state capitalism', who are capable of putting it into practice and who are useful to the proletariat as intelligent and experienced organisers of the largest types of enterprises, which actually supply products to tens of millions of people.

Bukharin is an extremely well-read Marxist economist. He therefore remembered that Marx was profoundly right when he taught the workers the importance of preserving the organisation of large-scale production, precisely for the purpose of facilitating the transition to socialism. Marx taught that (as an exception, and Britain was then the exception) the idea was conceivable of paying the capitalists well, of buying them off, if the circumstances were such to compel the capitalists to submit peacefully and to come over to socialism in a cultured and organised fashion, provided they were paid. p46/8

Instead of sentencing people who take bribes to be shot, they sentence them to six months' imprisonment. These two defects have the same social root: the influence of the petty-bourgeois element, its flabbiness. p47 notes

Only those are worthy of the name of communists who understand that it is impossible to create or introduce socialism without learning from the organisers of the trusts. For socialism is not a figment of the imagination, but the assimilation and application by the proletarian vanguard, which has seized power, of what has been created by the trusts. We, the Party of the proletariat, have no other way of acquiring the ability to organise large-scale production on trust lines, as trusts are organised, except by acquiring it from first-class capitalist experts. p52/3

World economy has got to be restored. p67

When we carry through electrification we shall be a hundred times stronger economically. p70

Even if we give away three quarters of the wheat crop raised there, we shall receive one quarter. p70

... two premises: first, that any war is merely the continuation of peacetime politics by other means, and second, that the concessions which we are giving, which we are forced to give, are a continuation of war in another form, using other means. p72

It is obvious that a capitalist who retains private property and exploitation relations cannot be anything but a foreign body in a Socialist Republic. p84

He will get surplus profit - well, let him have that surplus profit; we shall obtain the fundamentals that will help strengthen us; we shall stand firmly on our own feet, and shall win in the economic field. p84

... we shall get an opportunity to derive advantage from up-to-date enterprises, an opportunity to learn, by stipulating that our technicians take part in the work. p85

Capitalist enterprises in a Socialist state are in the economic sense a war for freedom of trade, against the policy of compulsory deliveries, a war for private property against a Republic that has abolished that property. p88

Concessions constitute a certain risk; they are a loss; they are the continuation of war. There is no doubt of this, but it is a war that is more to our advantage. p89

There is nothing to fear in concessions so long as we retain possession of all the state enterprises and weigh up exactly and strictly the concessions we grant, and the terms and scale on which we grant them. p108

We cannot seriously entertain the idea of an immediate improvement of the economic situation, unless we operate a policy of concessions, unless we discard our prejudices, our local patriotism, discard to some extent our craft patriotism, and to some extent the idea that we can do our own 'exploring'. We must be prepared for inconveniences, hardships and sacrifices; we must be ready to break our habits and possibly our addictions as well, for the sole purpose of working a marked change and improvement in the economic state of the key

industries. This must be done at all costs. p109

1. The concessionaire shall improve the condition of the workers employed at the concession enterprises ... up to the average standard abroad.
2. Account shall be taken of the lower productivity of the Russian worker and provision made for the possibility of a revision of the Russian worker's rate of labour productivity, depending on the improvement of his living conditions ... we must consider the fact that labour productivity will not rise until the workers' condition improves.
3. ... supply the workers employed at the concession enterprise with the necessary means of subsistence abroad, selling them to the workers at no higher than cost price plus a certain percentage for overhead expenses.
4. ... in the event of a request on the part of the RSFSR government to import another 50-100 per cent over and above the supplies he brings in for workers employed at concession enterprises, handing it over to the RSFSR government in return for a payment of similar size.
5. It shall be the duty of the concessionaires to abide by the laws of the RSFSR, in particular, those relating to working conditions, terms of payments, etc.; and enter into agreements with the trade unions.
6. ... strictly to observe the scientific and technical regulations in conformity with Russian and foreign legislation. ... We must take capitalist relationships as a basis to show that the capitalists will find these terms acceptable and profitable, but we, for our part, must turn them to good advantage.
7. A rule similar to that set forth in point four shall also apply to equipment imported by the concessionaire from abroad. ... If the capitalist should import improved typed of bores and tools for himself, we shall be entitled to demand that he import, say, an extra 25% for us. ... We must manage ... to derive all the benefits that would help us to consolidate our economic positions among the capitalists.
8. A special clause in each agreement shall regulate the question of payment to the workers employed at the concession enterprises of wages in foreign currency, special coupons, Soviet currency, etc. ... We shall not grudge him even 150% in profits, provided the condition of our workers is improved. ... Every clause of the agreement will contain an element of struggle between capitalists and Socialists.
9. The concessionaire shall be free to make his own terms of employment, living conditions and remuneration with foreign skilled workers and employees. ... The proportion of foreign workers ... shall be agreed upon by the parties ... separately. ... Where Russian workers are available we stipulate a proportion to give our workers a chance, a) to learn, and b) to improve their conditions.
10. The concessionaire may ... be granted the right to invite highly skilled specialists from among Russian citizens. ... The workers ... must supervise the performance of the terms of the agreement. ... Our goal is: in the capitalist encirclement to make use of the greed of the capitalists for profit and the rivalry between the trusts, so as to create conditions for the existence of the Socialist Republic, which cannot exist without having ties with the rest of the world, and must, in the present circumstances, adjust its existence to capitalist relations.

p110/21

Why can't it be arranged for people to take turns in working for the capitalist? p130

Concessions are a continuation of the war among classes. p131

It is a new business. So far no Socialist Republic has ever granted concessions to capitalists. But we want the trade unionists to help us. There is a vast scope here for interpretations and pressure, including strikes, which remain in our hands. p132

The Dictatorship of the Proletariat is the direction of policy by the proletariat. The proletariat, as the leading and ruling class, must be able to direct policy in such a way as to solve first the most urgent and 'vexed' problem. p134

Co-operative trade is most advantageous and useful than private trade not only for the above-mentioned reasons, but also because it facilitates the association and organisation of millions of people, and eventually of the entire population, and this in turn is an enormous gain from the standpoint of the subsequent transition from state capitalism to Socialism. p140

The transition from concessions to socialism is a transition from one form of large-scale production to another. The transition from small proprietor co-operatives to Socialism is a transition from small to large scale production, i.e., it is more complicated, but, if successful, is capable of embracing wider masses of the population, and pulling up the deeper and more tendacious roots of the old, pre-Socialist and even pre-capitalist relations, which most stubbornly resist all 'innovations'. The concessions policy, if successful, will give us a few model - compared with our own - large enterprises built on the level of modern advanced capitalism. After a few decades these enterprises will revert to us in their entirety. The co-operative policy, if successful, will result in raising the small economy and in facilitating its transition, within an indefinite period, to large scale production on the basis of voluntary association. p141

We must revise and redraft all the laws on profiteering, and declare all pilfering and every direct or indirect, open or concealed evasion of state control, supervision and accounting to be a punishable offence (and in fact prosecuted with redoubled severity). p147

And we shall ruthlessly fight the political vacillations. ... The waverers are many, we are few. The waverers are disunited, we are united. The waverers are not economically independent, the proletariat is. The waverers don't know their own minds: they want to do something very badly, but Milyukov won't let them. We know what we want and that is why we shall win. p150

... Seeing that the workers' revolution in other countries is delayed, we have to make some sacrifices in order to achieve a rapid and even immediate improvement in the condition of the workers and peasants. p153

Freedom to trade means freedom for capitalism, but it also means a new form of capitalism. It means that, to a certain extent, we are re-creating capitalism. p157

The creation of a military and state machine capable of successfully withstanding the trials of 1917-21 was a great effort, which engaged, absorbed and exhausted real 'forces of the working class'. One must understand this and reckon with the necessary, or rather, inevitable slackening of the rate of growth of new forces of the working class. p162

Get down to business like, practical work that will take into account the specific features of the present situation and its tasks! We need not phrases but deeds.

The period of unprecedented proletarian achievements in the military, administrative and political fields has given way to a period in which the growth of new forces will be much slower; and that period did not set in by accident, it was inevitable; it was due to the operation not of persons or parties, but of objective causes. In the economic field, development is inevitably more difficult, slower, and more gradual; that arises from the very nature of the activities in this field compared with military, administrative and political activities. It follows from the specific difficulties of this work, from its being more deep-rooted, if one may so express it. p163

Not for nothing do our enemies call us 'stone hard' and exponents of a 'firm line policy'. But we have also learned, at least to some extent, another art that is essential in revolution, namely, flexibility, the ability to effect swift and sudden changes of tactics if changes in objective conditions demand them, and to choose another path for the achievement of our goal if the former path proves to be inexpedient or impossible at the given moment. p165

Personal incentive will step up production; we must increase production first and foremost and at all costs. p166

... An industrial proletariat, ... owing to ... desperate poverty and ruin, has become declassed, i.e., dislodged from its class groove, and has ceased to exist as a proletariat. p171

The restoration of capitalism would mean the restoration of a proletarian class engaged in the production of socially useful material values in big factories employing machinery, and not in profiteering, not in making cigarette lighters for sale, and in other 'work' which is not very useful, but which is inevitable when our industry is in a state of ruin.

The whole question is who will take the lead. We must face this issue squarely - who will come out on top? Either the capitalists succeed in organising first - in which case they will drive out the communists and that will be the end of it. Or the proletarian state power, with the support of the peasantry, will prove capable of keeping a proper rein on those gentlemen, the capitalists, so as to direct capitalism along state channels and to create a capitalism that will be subordinate to the state and serve the state. The question must be put soberly. p172

... Our organisation of accounting and control lagged considerably behind our work and activities in connection with the expropriation of the expropriators. That meant we had expropriated more than we could take account of, control, manage, etc., and thus the question was raised of transferring our activities from the task of expropriating, of smashing the power of the exploiters and expropriators, so that of organising accounting and control, to the, so to speak, prosaic tasks of actual economic development. p174

War itself is always dangerous. There is not a moment in time of war when you are not surrounded by danger. And what is the dictatorship of the proletariat? It is war, much more cruel, much more prolonged and much more stubborn than any other war has ever been. Here danger threatens us at every step. p184

There are more contradictions in our economic situation now than there were before the new economic policy was adopted; there is partial, slight improvement in the economic position of some sections of the population, of the few; there is an extreme disproportion between economic resources and the essential needs of other sections, of the majority. Contradictions have increased. And it goes without saying that in making this very sharp change we cannot escape from these contradictions at one bound. p186

State capitalism in the proletarian state and the trade unions.

The proletarian state may, without changing its own nature, permit freedom to trade and the development of capitalism only within certain bounds, and only on the condition that the state regulates (supervises, controls, determines, the forms and methods of, etc. private trade and private capitalism). The success of such regulations will depend not only on the state authorities but also, and to a larger extent, on the degree of maturity of the proletariat and of the masses of the working people generally, on their cultural level, etc. But even if this regulation is completely successful, the antagonism of class interests between labour and capital will entirely remain. Consequently, one of the main tasks that will henceforth confront the trade unions is to protect in every way the class interests of the proletariat in its struggle against capital. This task should be openly put in the forefront, and the machinery of the trade unions must be reorganised, changed or supplemented accordingly (conflict commissions, strike funds, mutual aid funds, etc., should be formed, or rather, built up). p189

It is impossible to launch on a world revolution without a programme and without promise. p194

During the past year we showed quite clearly that we cannot run the economy. That is a fundamental lesson. Either we prove the opposite in the coming year, or Soviet power will not be able to exist. And the greatest danger is that not everybody realises this. If all of us communists, the responsible officials, clearly realise that we lack the ability to run the economy, that we must learn from the very beginning, that we shall win ... today you must prove that you can give practical economic assistance to the workers and to the peasants under the present difficult conditions, and thus demonstrate to them that you have stood the test of competition. p196

We refuse to understand that when we say 'state' we mean ourselves, the proletariat, the vanguard of the working class. State capitalism is capitalism which we shall be able to restrain, and the limits of which we shall be able to fix. This state capitalism is connected with the state, and the state is the workers, the advanced section of the workers, the vanguard. we are the state.

State capitalism is capitalism that we must confine within certain bounds; but we have not yet learned to confine it within those bounds. p200

When an army is in retreat a hundred times more discipline is required than when it is advancing, because during an advance everybody presses forward. If everybody started rushing back now, it would spell immediate and inevitable disaster. p204

... Even if the pace is a hundred times slower, it will be a million times more certain and more sure. p207

The enemy is speaking the class truth and is pointing to the danger that confronts us, and which the enemy is striving to make inevitable. p208

State capitalism is the most unexpected and absolutely unforeseen form of capitalism - for nobody could foresee that the proletariat would achieve power in one of the least developed countries and would first try to organise large scale production and distribution for the peasantry and then, finding that it could not cope with the task owing to the low standard of culture, would enlist the service of capitalism. Nobody ever foresaw this; but it is an inconvertible fact. p212

... The United American Company, the first stock company to obtain from us a concession, namely for the asbestos mines in the Urals. p217

Our state capitalism differs from state capitalism in the literal sense of the term in that our proletariat state not only owns the land, but also all the vital branches of industry. p229

Notes:

Subsequently, however, it turned out that the financial possibilities of the concession initiators were inadequate for the practical realisation of the project, and no contract for this railway was concluded. p55

The decree stressed that, in spite of the fact that for three years the Soviet Republic had achieved certain results in restoring national economy on its own, while continuing the armed struggle against the enemies, the process of restoring the productive forces of Russia could be accelerated many times over by enlisting the co-operation of foreign states, municipal institutions, private enterprises, joint stock companies and co-operative societies in the extraction and processing of Russia's natural resources. It was pointed out in the decree that concessions could be granted only to reliable, trustworthy foreign industrial companies and organisations. p58

By agreeing to grant a concession, the Soviet Government strived not only for establishing mutually advantageous co-operation with business circles of the USA but also for normalising the US-Soviet relations. This condition though was not fulfilled because of a strong influence of the anti-Soviet imperialist circles on the US government policy. p58