

The failed quest for economic democracy in the Russian 1917 Revolution

By Dr. Anna Klimina

Associate Professor

**Department of Economics, St. Thomas More College/University of Saskatchewan
1437 College Drive Saskatoon SK S7N 0W6**

Fax: 306 – 966-8904

Phone: 306 – 966-8934

**Email Address: anna.klimina@usask.ca
aklimina@stmcollege.ca**

Introduction

The paper discusses the lost promise of democratic socialism in 20th century Russia. It explains that contrary to what might be assumed, given subsequent historical developments, socialist thought in late imperial Russia was anything but homogenous. While all left-wing opponents of feudal autocracy believed that Russia's future should essentially be a non-capitalist order, they differed considerably in their understanding of a desirable economic foundation for socialism. Russian Marxists¹ advocated first a dictatorship of a proletariat as the new form of post-revolutionary state, and then a centralized state control of the economy on behalf of the proletariat as the future economic model. In contrast, non-Marxist socialists, wary of replacing the tsarist autocracy with an equally authoritarian proletarian state, believed that economic democracy had to be the foundation of a new socialist order. These scholars imagined socialism almost exclusively in conjunction with workplace democracy, worker ownership, local governance and economic decentralization. The paper presents views of Russian Radical Populists of the 1880s and 1890s and their successors, the neo-Populists, who founded the Socialist Revolutionary Party, the party of the Russian peasantry. It demonstrates that at the time of February 1917 Russian Revolution, which dismantled the Tsarist autocracy, the Socialist-Revolutionaries' program of land socialization had garnered much support among Russia's peasantry, who made up 80 percent of Russia's population. The study also discusses the distribution of syndicalist ideas among Russian workers, who after the October 1917 Bolshevik Revolution actually put these ideas into practice through establishing worker-run factories.

¹ In 1898 Russian Marxists established the Russian Social Democratic Labour Party (RSDLP), which in 1903 split into Bolshevik and Menshevik factions. Although Bolshevik and Menshevik views on political tactics and the Party's organizational principles differed, "the economic and political program [up to early 1920s] was identical for both groups" (Tyrkova 1919, 45).

However, both nascent efforts at instituting democracy (peasants and workers) were destroyed, first by the Bolshevik policies of 1918-1919 that eliminated worker control over enterprises in favour of their centralized regulation, and then by Stalin's 1929 turn to a tyrannical command economy. The study explains how the failure to establish economic democracy in the USSR made possible the emergence of vested interests in the form of a second (underground) economy rife with theft of public resources by enterprise directors and corrupt state bureaucrats, and, then, with the start of transition, the restoration of capitalism in its most neoliberal form in all countries of former USSR.

Economic democracy in pre-1929 Russian socialist thought and practice

Since at the end of the 19th century Russia's economy still remained largely agrarian, many early non-Marxist socialists discussed economic democracy in terms of self-governance in smallholder agriculture. Thus, Russian Radical Populists of the 1880s and 1890s argued that, in a predominantly peasant country, decentralized small-scale farming, situated in the context of village governance, known for its "connectedness, selflessness and cooperation" (Zasulich 1884, 5), would be a viable democratic alternative to the Russian Marxist's vision of industrial socialism, based on large-scale and centrally directed production. Despite their evident economic Romanticism, Radical Populists were the first Russian socialist thinkers who had intuitively sensed that there is an inverse correlation between the coercive power of a centralized socialist state and the status of respect for personal freedoms and democratic self-governance. As Isaiah Berlin rightly observes, "the majority of Radical Populists were deeply democratic; they believed that all power tended to be corrupt, that all concentration of authority tended to perpetuate itself, that all centralization was coercive and evil" (1978, 221-222).

In 1902, the successors of Radical Populists, the neo-Populists, founded the Socialist Revolutionary Party (known as Essers, from the initial letters), the party of the Russian peasantry². Essers' theoretical ideas were most eloquently articulated in works of party-members Victor Chernov (1873 -1952), Vladimir Kosinskii (1866-1938), and Nikolai Kondratiev (1892 – 1938), and in publications of non-party socialist Alexander Chayanov (1888 – 1937).

Essers also linked the democratic potential of socialism to small-scale agriculture but without the utopian denial of the need for state authority or argument for non-industrial socialism. Essers were not against industrialization, but they wanted to avoid alienating working people through large-scale production. For this reason, “they were in no hurry to nationalize [socialize] industry” (Radkey 1955, 73). Instead, they supported socialization of land, most of which still belonged to landlords, by democratically elected state authorities. The subsequent transfer of land to peasantry should occur under the condition that “no one was to buy land, or sell it, or rent it, or lease it; it was to belong to all people and was to be used equally by all who wished to cultivate it with their own labour, and only for as long as they worked it themselves” (Chernov, cited in Radkey 1955, 69). Essers argued that in this way the income differentiation among peasantry would be avoided and small-scale peasant farming would be preserved, precisely Chayanov's views on peasant households as an important organisational form that should prevail in Russian non-capitalist agriculture (1917, 27 - 28). Like Chayanov, Essers believed that further development of peasant family economy on the base of land socialization (not nationalization as Bolsheviks proposed) would guarantee that conditions for decentralization and growth of regional democracies in Russia would be created (Chernov 1919, 45). Socialist-Revolutionaries were convinced that “the death” of “self-governed peasant communities” would

² At the time of 1917 Russian Revolution peasants made up 80 percent of Russia's population (Pipes 1994, 217).

mean “death, or at any rate, a vast setback to freedom and equality in Russia” (Berlin 1978, 237).³

Most non-Marxist socialists, and not just Essers, acknowledged a strong connection between the existence of thriving peasant family farming and the voluntary development of a peasant cooperative movement. Chayanov explained that “peasant cooperation...is a part of peasant economy” and projected that under democratic socialism, small independent cultivators would constitute the basis of the agrarian system, while their various, freely formed cooperative associations would sustain its successful existence (1919, 21, 301). Defending the importance of preserving peasant family farming for democratic socialist development of Russia’s countryside, Chayanov strongly objected to Bolshevik land nationalisation and full-scale “communization of [agricultural] production” (1919, 42, 301), the processes epitomized in the forced creation of large-scale collective and state farms. Michail Tugan-Baranovsky (1865-1919), another well-known non-party socialist, also argued against productive cooperatives in agriculture and compulsory “tilling of the land by large social groups,” “even within the framework of the socialist state” (1916, 364-365). To reconcile the requirements of technical progress for scale economies with small-scale “peasant ownership,” Chayanov proposed the system of vertical cooperation, under which peasants retain “independent proprietorship over their holdings,” while benefiting from “joint utilization of equipment, processing plants, [credit] and product selling,” thus achieving “a scale and potential which is actually greater than those of the very largest [private] farms” (1917, 24, 25). Organized that way, family-based agriculture, Chayanov contended, would provide funds for a country-wide socialist industrialization, while avoiding compulsory collectivization of agriculture and destruction of peasant ownership.

³Obviously, most Socialist-Revolutionaries did not support the October 1917 Bolshevik Revolution. By the mid-1920s, many Socialist-Revolutionaries were either in prison (Jancen 1982) or already abroad, while the Soviet government stopped publishing their views.

At the time of February 1917 Russian Revolution, which dismantled the Tsarist autocracy, the Socialist-Revolutionaries' program of land socialization had garnered much support among Russia's peasantry, who favoured the development of family-based small-scale agriculture. Unfortunately, when Bolsheviks came to power in October 1917, they did not transfer land to peasants, but opted for its nationalization and, in 1929, began expropriation of the peasant farms and their forced collectivization, a process that "annihilated" (Jasny 1949, 76) independent Russia's peasantry, despite their desperate and futile resistance. With them the potential of Russian agriculture disappeared.

In contrast to small-scale farmers, Russian industrial workers were predominantly employed in the large-scale industries that emerged between late 1880s and 1917, as a result of Russian state-led industrialization.⁴ With a similar goal to democratize existing relations of production, Russian workers supported the establishment of worker control of large-scale productive property through conversion of existing enterprises to cooperatives, collectively run by elected worker representatives (Goodey 1974, 29-31). After the October 1917 Bolshevik Revolution, syndicalist ideas of workers' collegial governance of enterprise and collective ownership of capital assets—ideas viewed by the majority of workers as the foundation of a new workers' state—were actually put into practice through establishing, in 1917 - 1918, worker-run factories (Avrich 1963, 49-52). However, by the end of 1918, that collegial worker control over enterprises was eliminated because Bolsheviks thought it was "sectarian," "chaotic, shattering, primitive, incomplete" (Lenin, [1918] 1974, 140), and not congruent with the state's plans to

⁴ Since Russia was a backward country, and thus a late developer, most capital for industrialization came from foreign investors and tended, given the Russian state's interest in the development of its own heavy industry, to "favour heavy industrial branches" and "production of producers' goods" (Gerschenkron 1963, 152 -153). This process led to the creation, in pre-revolutionary Russia, of highly concentrated industrial production, based on advanced foreign technology, and to increasing numbers of industrial workers, employed in large-scale capital goods industries.

establish a strict industrial hierarchical order. Under Bolshevik plans, a growing centralized regulation of productive property was dictatorially conducted through to be one-man management, a state-appointed enterprise director. The etatization of industrial control marked, in the words of William Rosenberg, “the end of proletarian independence, the atrophying of real self-management, the monopolization of institutional and economic structures, and the proliferation of bureaucracy” (1985, 238). That end, however, did not come without strenuous objection; workers tried to oppose the interference and formed what is known as Workers’ Opposition, which was subsequently crushed by 1920 and its leaders killed (Allen 2005).

Once Bolshevik plans for comprehensive centralized planning had materialized, many representatives of non-Marxist socialism, who still remained in the country, voiced concerns. Scholars argued that in order to establish economic foundations for a democratic socialist order, it was necessary to move from constructing the hierarchical state socialism to creating conditions for coexistence of many various forms of productive property (Brutskus 1922, 50-52; Bazarov 1924, 32-33). Michail Tugan-Baranovsky was the first Russian scholar who acknowledged that in democratic society, in order to avoid both dictatorship and disorder, public control of ownership must co-exist with its decentralization. In his last major work “Socialism as a Positive Doctrine” (1918), Tugan-Baranovsky explained that to “remain democratic,” state control over industrial property should operate at many levels. He stated that “in a truly collectivist economy means of production [everything except land] should be concurrently owned by the state, municipals, cooperatives and trade-unions [workers]” and emphasized that “as long as all individual economic interests are not in direct contradiction to the interests of the national economy,” syndicalist elements in production safeguard “greater worker freedom” and lead to “workers’ conversion into masters of production process” (1918, 84-85).

It is telling that during the years of NEP⁵ (The New Economic Policy of 1921 – 1928) some multiplicity of economic forms, including free enterprise, was briefly permitted but never worker ownership of industrial property. Overall the period of NEP was viewed by many Soviet leaders, especially after Lenin's death in 1924, as only a temporary retreat from the envisioned model of centralized state socialism, and, as such, it was eliminated by the end of 1920s, after Stalin crushed political opposition and consolidated his power.

Stalin's 1928 turn to rapid industrialization and forced collectivization in order to accelerate implementation of his vision for socialism—supremacy of state ownership of productive property, and dictatorial central planning—not only effectively stopped, for several decades, all theoretical discussions about economic democracy among Soviet scholars, but also made possible the emergence of vested interests unique to the statist command economy.

Vested Interests in Soviet-Style Socialism and their long-lasting consequences

Vested interests in command economy reappeared in the form of a second economy that produced massive increasing returns to the corrupt practices of its key participants—enterprise directors and state bureaucrats. Due to these increasing returns, vested interests became self-reinforcing and eventually obstructed all later attempts to democratize relations of production in the USSR, most notably the timid 1965 economic reform and Gorbachev's ill-fated 1985-1991 Perestroika.

⁵ The period of NEP is well-known for its somewhat freely conducted intellectual debate among Bolshevik leaders on the nature of central planning and path to industrial socialism. However these discussions did not add much to the analysis of labour ownership and participation. Even Lenin's 1923 article on cooperation mostly advocated speeding up socialist development of the countryside through the destruction of peasant ownership and creation of large-scale cooperative farming (so-called horizontal cooperation) "on the land that belongs... to the state" ([1923] 1973, 468), the very things against which Chayanov, Tugan - Baranovsky and other non-Marxist socialists warned.

When we examine the mechanism by which these vested interests came to control the economy, it becomes clear that it is the monopolization of economic power by the state bureaucracy and the establishment of a teleological approach to command planning that essentially paved the way for vested interests.

The “Teleological school” became the official doctrine of Soviet planners after the debates of 1925 - 1929 (“genetic-teleological dispute”) were ended by Stalin who directly supported teleologists (Lange 1945, 130-131). Stanislav Strumilin (1877-1974), the main ideologist of the school, argued that the Soviet economy should be guided by “freely chosen political goals,” and not by “objective forces of economic development” rooted “in economic laws” (1927, 20-21). Thus, ultimate economic plans should be made by the political leadership first, and obstacles such as lack of resources should not change those plans (Strumilin 1958, 394-395). In the attempt to maximize growth, most politically driven plans were inflated and overstretched because they were not linked to available resources and past economic results.

Moreover, to make the hierarchical control over the plan fulfillment easier, the principle of strict individual responsibility, or *edinonachalye*, was fully implemented by the end of 1920s. Thus, the directors of enterprises were alone responsible for the fulfillment of plans that were technically infeasible yet conveyed as laws, enforced with draconian measures. Consequently, directors did whatever was necessary to fulfill plans, often falsifying results to overstate actual level of production (Bergson 1953, 16; Grossman 1957, 358-362). Gregory Grossman, in his study of the realities of Soviet planning explains that since further planning was based on reported results, even more unrealistic plans were inevitable as were persistent shortages, first and foremost, of raw materials (1962, 203-205). Therefore, each enterprise secretly accumulated piles of raw material, essentially “stealing from the state,” bartering first unneeded inventories to

other enterprises, and then moving predictably to illegal manufacture of goods, thus establishing a parallel economy based on private underground manufacturing (Hewett 1988, 179). What began as a struggle to meet impossible plans and eliminate supply shortages became a thriving second economy, aimed at enrichment of enterprise top managers at the expense of the state. Grossman argues that, by the end of 1970s, “a significant volume of economic activity in the Soviet economy was carried out in the illegal unplanned sector” (1982, 249).

Many Sovietologists agreed that “without patronage by state officials such wasting and stealing of public resources by enterprise directors would not be possible” (Hewett 1988, 199). They emphasized that “officials at all levels of the hierarchy, other than the topmost level, accepted this procedure of planning” because it enabled them—through bribery and other corrupt practices—“to obtain personal benefits” (Katsenelinboigen 1977, 74) and substantially “increase standards of living” (Lavigne 1995, 42). Overall, as Marie Lavigne explains, it was the dictatorial Soviet state that made the second economy necessary through enforcing unrealistic plans and creating unreasonable shortages, and it was also the state that allowed the second economy to function securely because corrupt state officials shielded it from prosecution (1995, 43). By the time the Soviet Union had reached its last decades, given the amount of resources involved, the second economy, as Grossman deftly summarizes it, “signified the profound institutionalization . . . of a whole structure of bribery and graft, from the bottom to the top of the pyramid of power” (1977, 32-33). In other words, vested interests had firmly captured the Soviet system.

During neoliberal transition, vested interests substantially increased their economic and political power through corrupt privatization of former state assets. In the words of Sergei Braguinsky and Gregory Yavlinsky, “the abolition of Communist Party rule and the dismantling

of the Soviet Union just gave formal powers where real power already was” (2000, 117). Most enterprise directors and political bureaucrats became business tycoons who captured almost all non-Baltic states of former USSR and took advantage of neoliberal globalization’s enormous potential for profiteering through tax evasion and money-laundering. Small wonder vested interests have blocked all attempts to construct a social-democratic market in post-Soviet space. The failed promise of Russia’s state capitalism (Klimina 2013) serves as case in point.

And so we come full circle back to Russian revolutionaries’ recognition that only fostering economic democracy could lead to a new and better social system. To divest vested interests of economic power and establish adequate citizen control over business, there is only one route: namely, to begin a progressive reorganization of the now-established neoliberal market order in post-Soviet Russia by instituting and nurturing democratic and participatory processes throughout the economy. To that effect, educating and organizing the public to demand effective economic democracy must become the top priority.

References

- Allen, Barbara “Alexander Shliapnikov and the Origins of the Workers’ Opposition, March 1919-April 1920” *Jahrbücher für Geschichte Osteuropas* 53, 1 (2005): 1-24
- Avrich, Paul “The Bolshevik Revolution and Workers’ Control in Russian Industry”, *Slavic Review*, 22, 1 (1963): 47-63
- Bazarov, Vladimir “Rates of Accumulation and “Commanding Heights” (in Russian) *Planovoe khoziastvo* (Planned Economy) 2, 9-10 (1924): 30-54
- Bergson, Abram “Reliability and Usability of Soviet Statistics: A Summary Appraisal”, *The American Statistician*, 7, 3 (1953): 13-16
- Berlin, Isaiah *Russian Thinkers*, London: The Hogarth Press, 1978
- Braguinsky Sergei and Yavlinsky Grigori *Incentives and Institutions: The Transition to a Market Economy in Russia*, Princeton: Princeton University Press, 2000
- Brutskus, Boris “Problems of National Economy under Socialism” (in Russian) *Economist*, 1, 1 (1922): 48-65
- Bulgakov, Sergei. “On economic ideal” (in Russian) *Nauchnoe Slovo*, 1, 5 (1903): 102 - 125
- Chayanov, Alexander *What is the Agrarian Question?* (In Russian), Moscow: Universal Library, 1917
- . *The Basic Ideas and Organizational Forms of Peasant Cooperation* (In Russian), Moscow: Universal Library, 1919
- Chernov, Victor *Land and Law: collection of articles* (In Russian), Petrograd: n. p., 1919
- Gerschenkron Alexander, “The Early Phases of Industrialization in Russia: Afterthoughts and Counterthoughts”, In *The Economics of Take-off into Sustained Growth*, edited by Walter Rostow, pp. 151-169, New York: Palgrave Macmillan , 1963
- Goodey, Chris “Factory committees and the dictatorship of the proletariat” *Critique: Journal of Socialist Theory* 3, 1(1974): 27 - 47
- Grossman, Gregory “A Note on the Fulfilment of the Fifth Five-Year Plan in Industry”, *Soviet Studies*, 8, 4 (1957): 358-368
- . “The Structure and Organization of the Soviet Economy”, *Slavic Review*, 21, 2 (1962): 203-222
- . “The Second Economy in the USSR”, *Problems of Communism*, 26, 5 (1977): 25-40

———. “The Second Economy in the USSR”, in *The Underground Economy in the United States and Abroad*, edited by Vito Tanzi, pp. 245-270, Lexington, Massachusetts: D.C. Heath, 1982

Hewett, Edward *Reforming the Soviet Economy: Equality Versus Efficiency* Washington DC: The Brookings Institution, 1988

Jancen, Mark A *Show Trial under Lenin: The Trial of the Socialist Revolutionaries, Moscow 1922* The Hague: Martinus Nijhoff Publishers, 1982

Jasny, Naum *The Socialized Agriculture of the USSR*. Stanford: Stanford University Press, 1949

Katsenelinboigen, Aaron “Coloured Markets in the Soviet Union” *Soviet Studies*, 29, 1 (1977): 62-85

Klimina, Anna “Placing the analysis of contemporary state capitalism within evolutionary discourse” *Journal of Economic Issues*, 47, 2, (2013): 545-553

Lange, Oscar “Marxian Economics in the Soviet Union” *The American Economic Review*, 35, 1 (1945): 127-133

Lavigne, Marie *The Economics of Transition*, New York: St. Martin’s Press, 1995

Lenin, Vladimir “The State and Revolution” In *Lenin’s Collected Works*, Volume 25, pp. 387-497, Moscow: Progress Publishers, 1974 [1917]

———. “Speech at the Extraordinary Sixth All-Russia Congress of Soviets of Workers’, Peasants’, Cossacks ‘and Red Army Deputies on November 6, 1918” In *Lenin’s Collected Works*, Volume 28, pp. 135-164, Moscow: Progress Publishers, 1974 [1918]

———. “On Cooperation” In *Lenin’s Collected Works* Volume 33, pp. 467-475, Moscow: Progress Publishers, 1973 [1923]

Radkey, Oliver “Chernov and Agrarian Socialism” In *Continuity and Change in Russian and Soviet Thought*, edited by Ernest Simmons, pp. 63-80, Cambridge, MA: Harvard University Press, 1955

Pipes, Richard “Did the Russian Revolution Have to Happen?” *The American Scholar*, 63, 2 (1994): 215-238

Polianski, Nikolai *Narodnik Socialism* (in Russian): Moscow: n. p., 1918

Rosenberg, William “Russian Labor and Bolshevik Power after October” *Slavic Review*, 44, 2, (1985): 213–238

Strumilin, Stanislav “On the future five-year Plan of 1926/1927 - 1930/1931” (in Russian)
Planovoe khoziastvo (Planned Economy) 5, 3 (1927): 17-54

———. *On the Planning Front*, (in Russian), Moscow: Gospolitizdat, 1958

Tugan-Baranovsky, Michail “Foreword” in Karl Vorländer “*Kant and Marx: Essays on Ethical Socialism*” (in Russian), pp. 3 - 8, St. Petersburg: Slovo, 1909

———. *The Social Foundations of Cooperation* (in Russian), Moscow: Kushnerev, 1916

———. *Socialism as a Positive Doctrine* (in Russian), Petrograd: Cooperation, 1918

Tyrkova, Ariadna, *From Liberty to Brest-Litovsk. The First Year of the Russian Revolution*, London: McMillan and Co Ltd, 1919

Zasulich, Vera, “Foreword” in Fredrick Engels “*Socialism: Utopian and Scientific* (in Russian), pp. 2 - 7, Geneva: n. p., 1884