

# What about the Workers?

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## Chapter 1

# Introduction: Class Struggle and the Development of Capitalism in Russia

Simon Clarke

There has been a remarkable degree of unanimity, on both the left and the right, in interpretations of the dramatic events in the Soviet bloc over the past few years. The collapse of state socialism under the weight of its own contradictions unleashed political and entrepreneurial forces which had been repressed for decades. Following the overwhelming popular demand for freedom and democracy, the dismantling of the 'administrative-command' system of state economic management led to the rapid development of a market economy and capitalist enterprise, which provided the basis for a transition to capitalism which would be completed by privatising the bulk of the productive sector of the economy.

According to this interpretation the primary political division underlying these changes was between those who wanted merely to reform the administrative-command system and those who sought to overthrow it. As successive waves of more or less radical reform were absorbed by the system without overcoming its fundamental contradictions, the balance of political forces moved inexorably in favour of those who sought its overthrow, and saw the only future in a more or less rapid transition to capitalism. As the centre began to collapse there was a remarkably rapid political polarisation throughout the Russian Empire, with the political pendulum swinging rapidly and overwhelmingly in favour of the liberal democratic political forces, which, outside Russia, were able to mobilise nationalist sentiment in their support.

This polarisation was most dramatic and most rapid in the Soviet satellites

of Eastern Europe, but the changes in Eastern Europe were only possible because a parallel polarisation of forces was occurring in Russia itself. On the one hand were the 'new democrats', who came onto the political scene with the 1989 elections to the Supreme Soviet of the USSR, and who triumphed in the Republican and municipal elections in 1990, finding their figurehead in Boris Yeltsin. On the other hand was the old apparatus of the Party, the administrative structures of the state, and the military-industrial complex, desperately trying to hold on to the levers of bureaucratic power. Gorbachev sought indecisively to maintain the centre ground, but the rapid polarisation of political forces in the face of the disintegration of the Union and the strike wave of the spring of 1991 left Gorbachev isolated as the centre ground disappeared from under his feet. The attempted coup of August 1991 marked the bankruptcy of Gorbachev's centrism as much as it did the desperation of the old guard. With the failure of the coup the political basis for the rapid transition to capitalism was secured.

Yeltsin had unchallenged political authority, which enabled him to concentrate administrative power in his own hands. He used this power to introduce a radical programme of an accelerated transition to capitalism, based on the 'monetarist' programme of shock therapy agreed with the IMF and the World Bank and implemented by the Gaidar team and its Western advisers who, long discredited in their home countries, poured in to speed the transition to capitalism. This programme proposed the immediate freeing of prices and the rapid removal of subsidies, in order to purge the pent-up inflation, eliminate the budget deficit, and prepare the ground for a crash programme of privatisation. The government promised six months of pain and two years of hardship, to be followed by steady recovery led by the new forces of capitalist enterprise.

Through 1992 the press in Russia and the West slavishly followed Yeltsin's government's line that Russia was locked in a political struggle to the death, between the neo-liberals struggling for reform and the conservative forces which sought to reverse all the reforms and return to the old order, culminating in the dramatic struggle between Yeltsin and the Congress of People's Deputies from December 1992.

The democratic left, in Russia and abroad, viewed developments with mounting alarm. While few were willing to defend the 'achievements' of state socialism, many were horrified at the extent to which the Yeltsin government was riding roughshod over the interests of workers, to say nothing of the more vulnerable groups, and particularly women, the sick and disabled, and pensioners. Faced with the choice between neo-liberals and conservatives, the majority of the left found themselves, perhaps with some reservations, sympathising with the latter.

The underlying theme of this book is that this is a false choice. The political and ideological struggles within the ruling stratum are important, but the future of Russia is not being determined in the corridors of the Kremlin, not least because the collapse of the administrative-command system also led to the disintegration of state power. Political struggles reflect the fragmentation of the ruling stratum, but do not express a struggle for power between two classes. To understand what is happening in Russia we have to look beneath

these political struggles to the foundations of class power in the social relations of the production and appropriation of a surplus on which class power is based. The fundamental struggle over the direction of change is not being fought out in Moscow, but in enterprises and organisations the length and breadth of the country, in which the mass of the population live through, and struggle against, their exploitation and their subordination. In short, this book is about the subversive undercurrent of social life, the class struggle.

The aim of this book is not to provide an account of the twists and turns of perestroika, which is already well covered by a large literature. The aim is to provide the elements for an analysis of the development of class relations in Russia, with a focus on the class struggle in the sphere of production, which has barely been touched in current debate. There is an established literature discussing the character of the Soviet Union, and a fairly large literature on labour and work organisation, based on the Soviet press and Soviet sociological research. But the opening up of the Soviet Union since 1989 has at last made it possible for Western researchers to supplement these sources with fieldwork of their own, and to communicate and collaborate with Russian researchers on a free and equal basis. While the established literature provides us with the background for our own research, this book is primarily the product of our own extensive fieldwork and discussions with Russian collaborators since 1990. Michael Burawoy has worked extensively in Moscow and in the Komi Republic with Pavel Krotov. Simon Clarke and Peter Fairbrother have between them spent about forty-five weeks carrying out fieldwork in Moscow, St. Petersburg, Kuzbass, Komi, Ekaterinburg, Chelyabinsk and Samara, working particularly with Petr Biziukov, Pavel Krotov, Volodja Ilyin, Irina Kozina, Pavel Romanov and, above all, with Vadim Borisov, who has proved a constant adviser, friend and collaborator. They are also grateful to David Mandel and Don Filtzer for their collaboration, advice and encouragement. We are particularly grateful to these and all our collaborators who have given so generously of their time, knowledge and understanding, and to our partners, children and colleagues who have suffered, or enjoyed, our long absences.

The book is a collaborative rather than a collective work, so that each chapter is individually authored. In particular we differ in the detail of our interpretations of the character and development of Soviet society (we use the term Soviet as an adjective to describe the specific type of society which continues to exist despite the demise of the Soviet Union). In the first two chapters Simon Clarke outlines an analysis of the contradictions and crisis of the Soviet system as a specific form of class society. In the third chapter Michael Burawoy and Pavel Krotov offer a rather different analysis, which is based primarily on a comparison of detailed case studies of two contrasting enterprises, one of which forms the core of their chapter. In the following chapter Simon Clarke and Peter Fairbrother develop an account of the role of trade unions in the Soviet system, which provides the background to the next three chapters, in which they develop an analysis of the development and dilemmas of the independent workers' movement in Russia, based on research in which Vadim Borisov became an equal partner. In the final chapter Simon Clarke returns to the question

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raised by Michael Burawoy and Pasha Krotov of whether Russia is in transition to capitalism, focusing the discussion around the issue of privatisation and the struggle for control of the enterprise. If there is a conclusion to the book, it is that the course of history is not pre-ordained, but is the outcome of struggle. In Russia that struggle is not lost — it has hardly begun.

Michael Burawoy and Pavel Krotov's chapter was first published in the *American Sociological Review*, 57, February 1992, pp. 16–38. A shorter version of chapter 10 was first published in *New Left Review*, 196, 1992. Michael Burawoy's research was partly financed by grants from the MacArthur Foundation and the Social Science Research Council. Simon Clarke and Peter Fairbrother's research on the enterprise was financed by the University of Warwick Research and Innovations Fund, and by the Economic and Social Research Council East-West Initiative (grant Y309253049). Simon Clarke's research on the new workers' movement was financed by a grant from the Nuffield Foundation. We are very grateful to these bodies for their support (and would welcome offers of further support to continue our research!).

## Chapter 2

# The Contradictions of 'State Socialism'

Simon Clarke

The general assumption underlying discussion of the fate of the Soviet Union on the left has been that the Soviet system has, at least since 1990, been in the throes of a transition to capitalism. The understanding of the character of this transition is determined primarily by the understanding of the character of the Soviet system. Different analyses define the different class forces in play, and correspondingly different perspectives for the working-class movement.

Those who believe that the Soviet Union was formerly state capitalist identify the process as a relatively smooth transition from state capitalism to private capitalism, in which the nomenklatura simply has to appropriate state property as its own, without any fundamental change in the social relations of production. From this point of view the conflict within the ruling class, between state capitalists and private capitalists, is of little significance for Soviet workers, whose task remains that of building a movement to confront capital in all its forms.

For those who believe that the Soviet Union was formerly socialist, the transition involves the subversion of the socialist system by the external force of international capitalism and its domestic capitalist agents, which usurp the powers of money and the state and use them to destroy the achievements of socialism and reduce the mass of the population to the objects of capitalist exploitation within the world capitalist system. From this point of view the conflicts surrounding this transition set a domestic ruling stratum which, however inadequately, represented the interests of the working class, against international capital, the new capitalist class, and its neo-liberal ideologists. Whatever our criticisms of the Soviet system might be, in this conjuncture the priority of the workers' movement is to defend the achievements of socialism by supporting the 'conservative' opposition to neo-liberal reform.

For those who believe that the Soviet Union was a 'degenerate workers' state', or a sui generis form of class rule, the transition involves the transformation of

the bureaucratic stratum, that had formerly ruled through its monopoly of state power, into a capitalist class. This involves not merely the usurpation of state power, which was achieved in the 1920s, but the transformation of the social relations of production. From this point of view the conflicts within the ruling stratum concern the transformation of the working class from a class whose subordination was maintained by political repression to a class whose subordination will be maintained by the formation of a reserve army of labour and the subordination of production to the law of value. Although neither fraction represents the interests of the working class, the conflicts within the ruling stratum are of profound significance for the working class since they centre on the transformation of the form of class rule. The fundamental question facing the workers' movement is not that of which side in the conflict it should support, but that of whether it can exploit the divisions within the ruling stratum to place democratic socialism on the agenda.

Although the debate between these three positions has torn the left apart for more than fifty years, the issue was of largely academic significance while there was no significant independent workers' movement in the Soviet Union. With the collapse of the system, and the emergence of an independent workers' movement, the issue becomes one of decisive importance and yet it is one which is hardly addressed at all.

In general the Western left has been content to take the political conflicts in the former Soviet Union at face value, and to look for some 'middle way' between the unreformed neo-Stalinists, who have sought to defend the old system tooth and nail, and the rabid neo-liberals, who have sought a Hayekian crash programme of marketisation and capitalist transition. This has only isolated the left, because the polarisation of political and ideological debate in the former Soviet Union has excluded any such middle way.

However, the ideological and political debate in Russia has been doubly removed from the class struggle, which should be the focus of the left's attention. On the one hand, it is a debate that takes place primarily within the ranks of an intelligentsia which is itself distanced from the struggle which it expresses. Thus the ideological debate is only a superficial reflection of more complex and attenuated conflicts within the ruling stratum. Behind the polarisation of political and ideological positions lies a fundamental unity, determined by the fundamental priority of the ruling stratum as a whole to secure the conditions for the reproduction of its own rule. On the other hand, this debate reflects a political conflict within the ruling stratum of which the working class is the object, but from which the working class has been excluded. This exclusion is not simply an expression of the relative weakness of the workers' movement, but also of the very wide gulf that has always separated the Soviet intelligentsia from the working class.

The underlying argument of this book is that the Soviet Union was neither state capitalist nor socialist, but that it represented a sui generis form of class rule, whose precise character remains to be defined.<sup>1</sup> The fundamental reason

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<sup>1</sup>In particular, I would like to leave open the question of whether the ruling stratum was or

why the system moved into crisis was that it had reached its historical limits, in being unable to secure the continued reproduction of the conditions of rule of the exploiting class.

Although the crisis of the Soviet system was provoked by the attempt to reform the system from above, it was determined by the specific character of the social relations of production on which the system rested, and could only be resolved by the transformation of those social relations. While the political and ideological forms of the old system of class rule have largely disintegrated, the social relations of production on which it rests have barely been touched. The working class remains on the historical stage now, as it was at the beginning of the crisis, not yet as an historical actor, but as the fundamental barrier to the consolidation of the rule of the exploiting class. The implication is that we cannot presume the outcome of the historical process by assuming that the former Soviet Union is in transition to capitalism. While such a transition is a possibility, it can only be as a result of struggles that lie ahead. Far from the fate of the Soviet system having been resolved, all is yet to play for.

Mistaking the rhetoric of political debate for the reality of class struggle represents a very serious danger for the left, inside and outside the Soviet Union. An identification of the rhetoric of market versus plan with the opposition between capitalism and socialism deflects attention from the more fundamental issue of class power, drawing the left into factional conflicts within the ruling stratum, instead of concentrating on the real priority, which is that of exploiting the divisions within the ruling stratum to build up the independent organisation of the working class as the basis on which to resist the attempts of the ruling stratum to constitute itself as a fully formed ruling class. Socialism is not on the political agenda in the Soviet Union, and it cannot be on the agenda until the working class organises itself as such a self-conscious political force.

In the remainder of this chapter I will look more closely at the question of the character of the Soviet system. In the next chapter I will explore the character of the crisis of that system.

## 2.1 Was the Soviet Union Capitalist?

The idea that the Soviet Union was some kind of state capitalist society is one shared by many Marxist sects in the West, as well as by virtually all bourgeois commentators, for whom ‘capitalism’ and ‘socialism’ are only different forms of ‘industrial society’, the former based on individual freedom and private property,

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was not a class, despite the fact that so many heads have been broken in debates around this question. In general I will refer to it as a ‘ruling stratum’ and an ‘exploiting class’, without resolving the question of the relationship between these two aspects of its rule. Similarly, I leave open the question of whether there is a specific ‘Soviet mode of production’, as opposed to the Soviet system representing an unstable and historically unique form of exploitation. The pioneering exponent of this argument was Hillel Ticktin, whose work has contributed to, and provoked, the most significant developments in the debate around the character of the Soviet Union.

the latter based on totalitarianism and state property. This is not the place to go through all these analyses, but only to focus on the fundamental issue.

The Soviet Union was, like capitalism, a system based on the exploitation of one class by another, and one in which the direct producers were divorced from the immediate ownership of the means of production, and were therefore compelled to work as wage labourers. Such a system does not fit into any of the pre-capitalist modes of production defined by Marx: it is neither a form of the slave mode of production, although it included elements of slavery; nor of the feudal mode of production, although it included quasi-feudal forms of exploitation; nor of the Asiatic mode of production, although it was dominated by a bureaucratic class. However, this does not mean that we can define it as capitalist by exclusion. Neither class exploitation, nor the separation of the direct producers from the means of production, nor even the generalisation of wage labour, are sufficient to define a system as capitalist.

The distinctive feature of the capitalist mode of production is the subordination of social production to the expanded reproduction of capital. Capital is not a thing, but a social relation. It is not simply money, it is 'value in motion'. The expanded reproduction of capital is the expanded reproduction of value through the production and appropriation of surplus value. This presupposes, on the one hand, that production is conducted on the basis of the private appropriation of the forces of social production and, on the other, that the social character of production is imposed on the individual producer through the subordination of production to the law of value.<sup>2</sup> The decisive question in the case of the Soviet Union is whether social production was subordinated to the law of value.

### 2.1.1 The Soviet Union and the international law of value

According to the theorists of state capitalism, the Soviet economy has always been subordinate to the international operation of the law of value, so that the current attempt to integrate the Soviet Union (or its former Republics and Regions) into the world economy merely recognises what has always been the case, replacing constraints which were once transmitted bureaucratically by the same constraints imposed by economic means. The Soviet capitalist wolf is merely shedding its sheep's clothing.

However, foreign trade is the one area of economic activity which the Soviet government always sought to keep under strict centralised administrative control, rigorously excluding the development of any parallel economic mechanisms. The state monopoly of foreign trade was established immediately after the Revolution, and was not even relaxed in the NEP period. Moreover, the primary purpose of this rigorous monopoly was to ensure that domestic prices would be completely insulated from movements in world market prices, so that the domestic economy would be insulated from the influence of the world market, and in particular from the international operation of the law of value.

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<sup>2</sup>It is important to note that 'private' appropriation refers to the *form* of appropriation, not to the juridical status of the owner. Capitalist private property can be collectively owned, as in the joint-stock company, or state owned, as in the public corporation.

The general principle governing Soviet international economic policy from the 1930s was that the Ministry of Foreign Trade should arrange, through its foreign trade organisations, to export enough to cover the imports required to fulfil the plan, and to offset any changes in world market prices through taxes and subsidies which would maintain fixed domestic prices (the principle of 'price equalisation'). This was not merely an accounting adjustment, for it implied that world market prices played no significant role in the planning of the domestic economy. The international economic relations of the Soviet Union were determined not by the international operation of the law of value, but were strictly subordinate to the plan.

This did not, of course, mean that the Soviet economy as a whole was thereby insulated from the world economy, for Soviet foreign trade could only be conducted at world market prices, with settlements in gold or convertible currencies. This meant, at the very least, that the international operation of the law of value impinged on the Soviet economy at the level of the macroeconomic balance, and so had to be taken into account in drawing up the plan. At the microeconomic level, world market prices were also a consideration in determining the pattern of imports and exports at the level of the plan, even if they did not impinge directly on producers. The extent to which planners took account of the 'comparative advantage' of the Soviet Union in drawing up their plans is a complex one. In general, however, it appears that supply constraints played a much more important role than any consideration of comparative costs in determining the pattern of Soviet international trade.

The general principle throughout the history of the Soviet Union was that the planners would have recourse to the world market to meet shortfalls of supply which were determined variously by resource, technological, bureaucratic and social constraints, which it would cover by exporting those goods which could be sold on world markets and whose supply could most 'easily' be expanded beyond the needs of the domestic economy. The 'ease' of such expansion was not so much a matter of production costs, as of political and bureaucratic-administrative factors. In general, the technological and managerial backwardness of Soviet manufacturing has meant that manufactured goods could at best be sold through bilateral trade in soft currency markets. On the other hand, the availability of natural resources and the extensive use of forced labour meant that it was relatively easy to expand the production of raw materials, usually using the most archaic production methods. Thus the substantive characteristics of the international economic relations of the Soviet Union were not determined by the operation of the law of value, but by the specific characteristics of the Soviet system of exploitation, which has its roots in the strategy of 'primitive socialist accumulation'.

The perennial problem was to expand such primary production at a sufficient rate both to meet the increasing domestic needs of an extremely 'resource-intensive' economic system, and to provide a growing surplus for export. During the 1930s Stalin solved this problem by squeezing grain out of the peasantry, at enormous economic and human cost, while restraining domestic food consumption, dumping grain on depressed world markets in order to import the

machinery and equipment required to sustain rapid industrialisation. However, agricultural stagnation, growing domestic consumption, and unfavourable terms of trade meant that this policy could not be sustained for long. In this sense the policy of autarchic development which came to be pursued in the Stalinist period was dictated by the weak position of the Soviet economy within the world capitalist system, however much it might have been rationalised as a strategic choice.

### **2.1.2 Money, value and planning in the Soviet system**

The Soviet system was based on wage labour, but it was certainly not based on social relations of capitalist production. While the system as a whole may have been subject to the international operation of the law of value, Soviet enterprises most certainly were not subjected to the law of value, and so to the production and appropriation of surplus value. This was expressed in the essentially non-monetary character of economic transactions.

Soviet enterprises produced according to the plans negotiated with the centre. Although the transfer of products between enterprises took on the form of purchase and sale, in the sense that monetary balances were adjusted correspondingly, such transactions were only nominal since all transfers were, at least in principle, directed by the plan, and the 'money' in question was strictly money of account, which could not be converted into cash. The bank balances of enterprises, whether they were in credit or in deficit, were equally nominal. Only wage payment involved a transfer of purchasing power, but the enterprise was strictly limited in the amount of money that it could pay out as wages by its wage-fund, while workers were limited in what they could buy by the availability of goods and services, many of which were provided directly through the enterprise. Although the state bank and the Ministry of Finance kept a strict eye on financial transactions, money played no regulatory role in either production or reproduction.

Prices, similarly, had a purely nominal significance. In principle prices should be adjusted to reflect planned costs of production, modified to the extent of planned subsidies, with the addition of a mark-up corresponding to the surplus to be appropriated by the centre. This system of pricing would imply that each enterprise, if it met its plan targets, would achieve a monetary balance at the end of the year. There would be a similar macro-economic balance in the economy as a whole, which would mean that the sum of wages paid out would return as payment for goods sold, net of savings, so that there would be no inflationary pressure. In practice, price adjustments were technically and politically extremely difficult to implement, so that monetary imbalances arose within the system, which were then eliminated by taxes, levies and subsidies. These imbalances might look like profits and losses, but were mostly no more than the arbitrary outcome of administrative pricing decisions. Similarly, transactions between consumers and enterprises were not regulated by the law of value, giving rise to the notorious consumer imbalance, as unwanted goods went unsold, while others were in chronic short supply, and consumers accumulated growing

money balances.

Capitalist enterprises also determine prices on a cost-plus basis, but the prices so derived are subjected to the test of the market, and so are ultimately determined by the operation of the law of value. Value, of course, is only the fetishised form in which the social character of labour is expressed as abstract labour. If it were the case that the Soviet system of ‘planning’ were based on the direct calculation of labour costs then it could be argued that the planners’ targets were a surrogate for the operation of the law of value, being based on the direct calculation of the labour-time socially necessary for production, and of the reduction of complex to simple labour. Although much of the theoretical literature on ‘socialist planning’ discusses it in these terms, this was not at all the way in which the Soviet system worked.

The Soviet system was essentially a system of bargaining for resources between enterprises and ministries, within the framework of the demand for a growing surplus product handed down from the Politburo of the CPSU, which bore no necessary relation to the productive potential of the system. This system was dominated not by any economic rationality, but by political power and political priorities in the struggle over the extraction of the surplus.<sup>3</sup> The result was that there was no tendency for things to be produced and circulated on the basis of their reduction to the products of abstract labour, but rather an enormous disparity in the intensity of labour and the rate of exploitation between branches of production, between enterprises, and even within enterprises. However much the planners tried to inject elements of economic rationality, the Soviet ‘planning’ system was always based on the production and circulation of use-values. The surplus did not take the form of surplus-value, nor of an undifferentiated surplus labour, but of a particular set of use-values, to the priority production of which the system as a whole was subordinated.

The fact that the Soviet system was not subjected to the law of value is also indicated by the absence of a reserve army of labour. The extent to which relative wages were determined by the supply of and demand for different categories of labour is a matter for debate. However, the absence of a reserve army of labour deprived the exploiting class of the principal weapon available to the capitalist in the attempt to confine the wage within the limits of the expanded reproduction of capital and to ensure the subordination of the labourer to capital in the process of production. This absence of a reserve army of labour had fundamental consequences for the social relations through which the subordination of the worker was maintained in the sphere of production.

The fact that the Soviet system was not ruled by the law of value, and that money accordingly played no regulatory role in the system of social production, meant that there was no way in which money could appear as the independent form of value, and so no basis on which social property could assume the independent form of capitalist private property. The enterprise had user-rights over its means of production, but the means of production did not function as

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<sup>3</sup>Vitalii Naishul’ describes this system of bureaucratic bargaining as the ‘economy of obtaining approvals’ (Naishul’ 1990).

capital. The enterprise made profits (and losses), but these profits had a purely formal significance, and certainly did not derive from the valorisation of capital. The reappropriation of residual profits by the state was equally a book-keeping exercise, although it was certainly not seen as such by enterprises.

For the Marxist and bourgeois theorists of 'state capitalism' this merely shows how deformed was the Soviet capitalist system, the source of its irrationality lying in the failure of its attempt to mimic the operation of the law of value. Plan indicators, however sophisticated, are a poor substitute for the abstract universality of money, while the absence of private property deforms incentives by detaching effort from reward. But this argument, first wielded against mercantilism by Adam Smith, presumes the universality of capitalist rationality, reducing every social formation to a capitalism deformed by human frailty, greed and ignorance (Clarke 1991). It does not help us to understand the specific rationality of the Soviet system.

To understand the distinctive character of the social relations of production in the Soviet system, as the basis for understanding the dynamics of change, it is not enough to remain at the level of abstract generalities. We have to penetrate the 'hidden abode' of production by looking at the distinctive characteristics of the Soviet enterprise, and in particular the forms through which the subordination of labour to the production of a surplus was maintained — what Michael Burawoy refers to as the 'social relations in production' (Burawoy 1985).

## **2.2 The Social Relations of Soviet Production**

### **2.2.1 The Western model of the Soviet enterprise**

The Soviet enterprise is very different from those with which we are familiar in the West. It produces not to the market but to the plan, and it is not simply a unit of production, but also plays a direct role in securing the reproduction of the labour force through the large number of social and welfare functions attached to it. However, the dominant Western model of the Soviet enterprise has tended to treat it as an irrational variant of the capitalist enterprise, in which the exercise of pure economic (i.e. capitalist) rationality is constrained by political and bureaucratic pressures from outside, which are the result of the inherent irrationality of state ownership and central planning, and by the extraneous social and welfare functions assumed by the enterprise (Granick, 1954; Berliner, 1957).

Within the Western model the peculiarities of the Soviet enterprise are explained as the result of the rational responses of individual economic actors to an irrational economic system. The enterprise had no regard for costs, for which it was not responsible, nor did it benefit from the services it provided. The strength and prosperity of the enterprise depended not on its efficiency but on its ability to negotiate a favourable plan with the Ministry. The resulting incentive structure led to the familiar evils of the Soviet system: the hoarding of labour, the maximisation of costs, over-investment, and the neglect of

maintenance and repair, health and safety, and ecological consequences. The enterprise concealed its resources and its potential from the ministry, which could only pressure the enterprise by methods of taut planning and ratcheting, which reinforced attempts of the enterprise to negotiate favourable allocations and conceal resources. The chronic shortages and disruption of supply which arose as a result of taut planning and a lack of quality control led to an uneven rhythm of production, tendencies to enterprise autarchy, etc.

The endemic labour shortage, taut planning, and irregularity of supply inherent in the administrative-command system underlay the considerable power supposedly enjoyed by workers on the shop-floor (Ticktin, n.d., Filtzer, 1986, 1992a). On the one hand, the administration depended on the cooperation of the workers if it was to meet the plan. On the other hand, the administration had very little power to dismiss or discipline workers. This was the basis of the informal bargaining with workers and the high degree of shop-floor control which they supposedly enjoyed, the cost of which was poor 'labour discipline' and low productivity.

The implication of the orthodox analysis is that, once the enterprise is freed from its subordination to the administrative-command system and subjected to the pressure of competition, these distortions will all disappear as economic rationality prevails, while any resistance on the part of the workers will be dissolved as enterprises shed surplus labour, and job insecurity enables the administration to impose labour discipline and raise the wages of the workers who remain.

This model is very persuasive, and it is very reassuring, assimilating the Soviet enterprise to our familiar theoretical categories. Moreover it shows a clear way forward: the Soviet enterprise is just like a capitalist enterprise, except that the exercise of capitalist rationality is impeded by the imposition of political and administrative controls. Once the Soviet enterprise is freed from the system within which it is embedded, and the economic rationality of the individual given free expression, it will become just like our own capitalist enterprises.

Unfortunately, this model bears only a superficial relationship to Soviet reality. First, the deficiencies of enterprise management were not simply a matter of inappropriate incentives, as the failure of every attempt to reform the system by reforming such incentives has shown. Second, the inadequacies of the planning system were not a result of the inadequacy of information at the centre. The ministerial staff were highly professional and extremely well-informed, and knew very well what was going on in the enterprises under their control (cf. Gregory 1990). Third, although management had little control over the labour process, and was constrained by the problem of labour shortage, it did not lack for power over the workers: collective resistance was ruthlessly repressed, and workers were often forced to work extremely hard, in appalling conditions, for derisory wages. Fourth, the neo-liberal programme in 1992 foundered primarily because liberalisation did not bring about the anticipated change in the behaviour of enterprises, but if anything reinforced the existing social form of production.

From a capitalist point of view the Soviet enterprise appears profoundly irrational (just as, from a socialist point of view, capitalism appears profoundly

irrational), but within the context of the Soviet system of exploitation it has its own rationality. The deficiencies of the system did not derive from its 'socialist' features of collective ownership and central planning, nor as the contingent result of a particular strategy of planning (see Burawoy and Krotov, below, p. 62, n. 3), but were the result of a specific form of exploitation, in which the ruling stratum at the centre sought to extort a surplus by maintaining control of supplies. Chronic shortages of labour and means of production were not the result of inadequate central planning, but were rather the self-reinforcing condition of central control as the basis of the system of exploitation.

The Soviet system was more like the feudal system of exactions in kind than the capitalist system of surplus-value production or a socialist system of central planning. The system of surplus appropriation was based primarily on the control over the allocation of productive resources by the centre, just as feudal exploitation was based on controlling access to land. If there was not a generalised shortage of supply, the means by which the centre maintained control would be undermined. The endemic supply shortage was thus the basis on which the dependence of enterprises on the centre was maintained.

The Politburo and the military determined the set of use-values demanded as the surplus, and Gosplan turned this into a 'plan', attempting through negotiation with ministries and enterprises to reconcile the inflated demands of the Politburo with the productive potential of the system. The system of surplus appropriation then took the form of bargaining for resources between enterprises and ministries, in which ministries used their control of supplies to induce enterprises to deliver the surplus demanded by the centre, while the enterprises used the need of the ministry for their product to bargain for a favourable allocation of scarce resources. The Director of the enterprise, backed up by his team of book-keepers and engineers, fought for the plan. Large enterprises in strategic sectors with good political connections could be in a strong position in this bargaining relationship, but no enterprise was able to escape the problem of shortages. The enterprise administration therefore sought to protect itself against shortages, and minimise its dependence on the centre, by maximising its reserves of means of production and by controlling its own supplies through vertical integration and by developing alternative supply channels.

### 2.2.2 The functions of enterprise management

The basic task of the enterprise administration was to negotiate the plan and deliver its plan targets, and the main barrier it faced was the shortage of supplies of labour and means of production.

The task of delivering the plan required the enterprise administration to meet the various targets set for it, using the means allocated to it by the plan. Basically the plan laid down the quantity of each product to be delivered month by month, and defined the sources and quantity of supplies, the size of the wages fund, the allocation of financial resources, and the size and skill composition of the labour force. However, even if the supplies allocated in the plan were adequate, securing these supplies was a major problem.

Once the plan was set, and supplies secured, the enterprise management still had to compel the workers to produce the goods demanded of the enterprise by the centre. This presents us with a paradox: Soviet workers are powerful, in that managers are unable to impose labour discipline, and have to make concessions to enlist their co-operation, but they are weak in that they are atomised and have no means of collective resistance. This is not just a theoretical paradox: it stares us in the face every time we visit a Soviet factory or talk to Soviet workers. Workers do have a great deal of control of the labour process, but many of them often work extremely hard. If the workers have such power, how are they forced to work so hard? If they are weak, on the other hand, why has the enterprise administration been unable to impose labour discipline and intensify the workers' exploitation?

This paradox arises because we are inclined to look at the Soviet labour process from a capitalist perspective. We presume that the interests and ambitions of Soviet managers are the same as those of capitalist managers: to control the labour process in order to rationalise and intensify labour. If they do not do so, then we assume that this must be because of the strength of the workers. However, Soviet managers have no interest in controlling how workers produce, except to the extent that this is necessary to control how much they produce (and in the military sector, perhaps, its quality).

Within the capitalist system the subjection of production to the law of value forces the capitalist to penetrate ever more deeply into the process of production in order to minimise the labour-time expended. But within the Soviet system there is no such pressure imposed on the manager. On the one hand, the irrationality of the planning system means that it is the supply of parts and materials, rather than the recalcitrance of the workforce, that is the principal barrier to achieving plan targets, so that the priority of the administration is to secure supplies. On the other hand, it is much easier for the administration to fight for a looser plan with the Ministry (and for the shop chief to fight for more resources), to fiddle the figures, or to force the workers to intensify their labour, than it is to take direct control of the process of production.

The main barrier to production is not the resistance of workers, but the problem of supply, and the problem of supply has always been the main preoccupation of the enterprise management, right down to shop level. Capitalism still means commercial activity, not finding your way to the shop floor to persuade the workers to produce surplus-value.

The enterprise administration has remarkably little control over the process of production. Even in the most capitalist of privatised enterprises in Russia today the concept and practice of production management still does not exist. Specialists are involved in setting up a new production line, defining staffing levels and norms and so on, and then revising norms and production targets for individual shops in accordance with the plan, although norms can often go for years without revision. They may be brought in to adjudicate in the event of a conflict over norms or payment between workers and line managers, but they have little or no involvement in the management of production. The basic unit of production in the enterprise is the shop, to which many powers

and responsibilities are devolved. However, shop chiefs are concerned mainly with chasing supplies, resolving conflicts, fixing breakdowns and monitoring performance in relation to targets, and even they have very little authority over workers in the process of production itself.

This system was essentially a reflection of the constraints to which the enterprise was subject. The enterprise had to convert a particular set of resources, using a particular allocation of labour, into a particular set of products, but was not constrained in the way in which this was achieved, and had very little opportunity or incentive to change production methods.<sup>4</sup> Thus the administration would tend simply to convert the targets it was assigned from above into targets for shops and norms for individual workers. The main differences between one enterprise and another in this respect lay in the 'tautness' of the plan, which determined the intensity of labour required of the subdivisions of the enterprise, which could vary considerably from one enterprise to another, and even from one shop to another.

The collapse of the administrative-command system has removed the external constraints, but it has not affected the internal structure of the enterprise, which was an institutionalised expression of those constraints. The internal structure is not simply a set of bureaucratic routines to be changed at will, but is embedded in the social relations within which production takes place, and in particular within which labour is controlled, whose transformation threatens to give rise to acute conflict.

### **2.3 'Workers' Control' and the Control of Workers**

The fact that Soviet workers had a high degree of control over the way in which they produced does not mean that they had power. Workers could try to escape from their oppression in individual ways, in the form of absenteeism, labour turnover, alcoholism and poor 'discipline' and 'motivation', but they had little possibility of collective resistance. Moreover, while they had a great deal of control over the way in which they produced, they had very little control over how much they produced, or what they were paid for it.

Workers expected the General Director to negotiate a good plan with the Ministry, and they expected line managers to supply them with parts and materials, repair machines etc., but they were largely left to get on with the job of production as best they could, with very little managerial intervention, and were generally expected to overcome problems themselves (or often take on the responsibility to avoid delays). Day-to-day responsibility for the supervision of production was in the hands of the foreman or the elected brigade leader. Although the foreman and shop chief had nominal authority over and respon-

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<sup>4</sup>It is also a legacy of Stalinist industrialisation, based on the mass influx of peasants, when there was an acute shortage of technically competent managers, exacerbated by Stalin's predilection for shooting them, and the emphasis was on political control of the labour force.

sibility for production, according to the principles of delegation and one-man-management, in practice production management was based on understandings and informal negotiation, typically on a personal and individual basis, between line managers, brigadiers and workers. The tacitly understood 'frontier of control' appears to have been very well-defined in any particular case, but to vary considerably between enterprises, shops and categories of worker.

It is by no means clear that the extent of workers' control of production was determined by labour scarcity and supply difficulties. Women workers, even in scarce categories of labour, were very much more closely controlled than were men, which should lead us immediately to doubt this argument.<sup>5</sup> There is also a much higher degree of control in the military sector, but this control is exercised through inspectors rather than through line managers.

The extent of control would appear to be much more closely related to the priorities of management than to the power of the workers, and is an important aspect of the hierarchical structuring of the labour force, both within and between enterprises and sectors. Soviet workers have a high level of control over production not because they have won a battle to seize control from the management, but because they have been given a high degree of responsibility for ensuring that they achieve the tasks assigned to them. It is not so much that they have successfully resisted attempts to bring production under managerial control, as that management has made no such attempts.

This argument is reinforced by what seems to have been the typical attitude of workers to their line managers. Workers were willing to accept the authority of the foreman and shop chief, within the limits imposed on him or her from above. A good chief defended his or her shop, secured supplies, did not seek to drive the workers above the demands of the plan in order to advance him or herself, and was fair in the distribution of penalties and rewards. Workers would then identify with their chief in competition with other shops and in struggles with the administration. Workers blamed their oppression on the system which they were powerless to resist, not on its agents, and attributed their relative good or bad fortune to the personality of the chief. There was therefore a high degree of collusion by the workers in their own exploitation, and class conflict was displaced and diffused into individual and sectional conflicts within the hierarchical structure.

The limits of workers' power were set by the norms and targets handed down from above, which meant that workers had a very low level of control over the amount they produced. Workers had to show a great deal of initiative to overcome the regular dislocation of production through breakdowns, defective parts and materials, or the absence of supplies, and often had to work all hours in the regular 'storming' at the end of the month. Management had very little control of the labour process, and yet workers were compelled or induced to meet the targets assigned to them, despite all the difficulties they confronted. The

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<sup>5</sup>Although there is a large literature on the horizontal and vertical gender segregation and income inequalities of the Soviet labour force, the central role of gender (and age) in the hierarchical structuring of the Soviet labour process has been very little studied (Filtzer 1992a, chap. 7).

undoubted control that workers did have over production raises the question of how that control was confined within the limits assigned to it?

### **2.3.1 Formally rational control: the piece-rate system**

The formal system of control was through the payments system. Within the enterprise each production unit had its own monthly targets to meet, and its own allocation of supplies and labour with which to meet them. Most production workers were paid on some form of piece rate. Until the late 1970s individual piece rates, monitored by the foreman, were predominant, but there was then a rapid shift to the brigade system of payment, which was at least nominally based on a collective piece rate, with the allocation of individual payments nominally in the hands of the elected brigadier. Workers and brigades who exceeded their norms received bonuses, and those who fell short were penalised.

The piece-rate system provided an anonymous, formally rational system of inducing workers to meet the production targets, but it was quite inadequate to the purpose of controlling and motivating workers for a number of reasons.

First, payment systems were usually so complex that workers did not understand them (which made it very difficult for them to contest the payment they had received on legal grounds).

Second, piece rates can only work if the only constraint on output is the diligence of the worker, but in the Soviet system the primary constraint was maintenance and supply.

Third, wage payments were constrained by the conditions of labour shortage, so that if workers lost pay as a result of supply shortages, or because of an inadequate wage fund, they would leave.

Fourth, the refusal to pay bonuses could lead to long disputes over the responsibility for failure.

Fifth, the norms allocated to workers were not necessarily consistent with the plan targets assigned to the shop, so that workers could all make their norms but the shop might still fall short of its target, depriving the shop chiefs of their bonuses.

Sixth, differential payments within the brigade system led to destructive conflicts between workers. The result was that in practice a variety of methods was used to ensure that workers ended up being guaranteed a regular wage more or less regardless of performance, so that there was little connection between effort and reward, and shop chiefs and foremen had to use other means of ensuring that the shop met its production targets. The piece-rate system was in practice essentially a discretionary payment system, through which individual workers could be penalised or favoured, but it could not be used to regulate the collective effort.

### **2.3.2 Hierarchical relationships and the labour surplus**

Soviet workers did not form a homogeneous mass, but were clearly differentiated in a hierarchical structure of occupations and activities, which provided a basis

for divisions within the working class, as well as channels of recruitment and mobility which were to a considerable extent under managerial control.

In the first place, there was a very sharp division between manual workers and the engineering-technical workers (ITR), who were identified in the workers' eyes with the administration. This identification was perfectly justified. Most ITR were engaged in the entirely unproductive activities of drawing up plans, monitoring performance and maintaining records. In terms of education, work activity, pay scales and career trajectory they formed a part of the enterprise administration. Moreover, they depended entirely on patronage for their career prospects and, unlike manual workers, did not enjoy any legal protection in the face of discipline or dismissal, and so were very vulnerable to victimisation, making most of them the craven supporters of the enterprise administration.

Although labour shortages and guaranteed employment meant that there was no 'reserve army of labour' to discipline workers, every enterprise had a considerable surplus of labour on its pay-roll. However, this is not explained by the success of Soviet workers in exploiting their control of production to lighten the burden of labour. The coexistence of over-work and idleness, which under capitalism separates the employed from the unemployed, exists within the Soviet enterprise. This co-existence marks both the uneven rhythm of work of the individual worker, and the distribution of work within the labour force as a whole.

The Soviet enterprise relied very heavily to achieve its plan targets on a core of production workers and line managers who were reliable, skilled, enterprising and flexible (the elite of whom would be recruited into the Party), and who formed a kind of 'labour aristocracy' whose efforts kept the whole system going. These people often worked extremely hard, and enjoyed relatively good pay and extensive privileges. The strategic significance of this stratum was not determined simply by its technical role in production, but rather by the fact that production was organised socially around this crucial stratum. Thus, for example, this stratum was almost exclusively male, which meant that where production workers were predominantly female, as in the textile industry, production workers would be subject to the strict control of male supervisors, who took the responsibility for maintaining the continuity of production, whereas in engineering this responsibility might be in the hands of the predominantly male producers themselves.

Recruitment into this stratum of the labour force was not just a matter of technical training, the quality of which was, in general, very low, but also of passing through a series of filters in which the workers' 'moral' and 'ideological' qualities would have been evaluated in addition to their technical skills. Once recruited into this stratum a worker was relatively secure, so long as he (or occasionally she) continued to toe the line.

Alongside this stratum of 'active' workers there was an army of 'auxiliary' workers. Again, the position of these workers was not determined by the technology, but by the social organisation of production. The auxiliary workforce included those responsible for supervision and inspection, service and maintenance, many of whom had light workloads and extensive privileges, although

they might earn less than the core production workers. This formed a privileged stratum into which the diligent worker could hope to be promoted, usually as a step on the road to higher things. However, the majority of auxiliary workers were low-paid unskilled, often female, manual workers engaged in very labour-intensive low productivity tasks, particularly involving loading, unloading, handling, transporting and delivering materials, cleaning, guarding etc. There was a similarly enormous army of unproductive clerical and supervisory workers, who prepared, processed and filed mountains of documents, and who counted, checked and recorded everything that could be counted, checked and recorded.

Many in this subordinate stratum worked extremely hard, if irregularly, in appalling conditions. These workers constituted a labour surplus not because they did no work, but because the vast majority of the tasks they performed could easily have been mechanised, or eliminated by a simple rationalisation of production and administration; yet, despite the chronic labour shortage that appeared to characterise the Soviet system, virtually no effort was ever made to do so.

The existence of this labour surplus is conventionally explained by the uneven demands of production in the face of irregular supply, which would imply that the labour force is fully employed at times of peak activity, for example at the end of the month. However, 'storming' to meet the plan at the end of the month was not usually based on mobilising this labour surplus, but on the intensification of the labour of the 'core' workers, with production workers being compelled to work double and even treble shifts, illegal overtime, weekend working etc. Many of the auxiliary workers were mobilised to carry out 'supplementary work', particularly to bring in the harvest, but the persistence of such labour drafts was a consequence not a cause of the existence of this labour reserve.<sup>6</sup>

This leads us to the hypothesis that the labour surplus functioned essentially as an 'internal reserve army of labour'. The existence of this internal reserve army was encouraged by the planning system. On the one hand, enterprises had an incentive to hoard labour in order to meet unpredictable demands and future needs. On the other hand, the specific form of labour hoarding was encouraged by a planning system in which the size of the wage fund available to the enterprise depended on the number and grading of the workers it was allowed to employ. The more workers the enterprise could carry on its pay-roll whose wages could be kept down without loss to production, the more it would have available to pay higher wages and bonuses to the core workers. The price of such low pay for the administration was low labour motivation and labour productivity, which made it advisable to confine these workers to peripheral unmechanised tasks.

The internal reserve army served a number of different functions. First, it provided a body of workers who could be redeployed, temporarily or permanently, in case of need. Second, it served as a disciplining force against, and a

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<sup>6</sup>Students were also drafted to bring in the harvest, but nobody would suggest that there were so many students in the Soviet Union because of the demands of harvest labour!

reference point for, more privileged workers. Third, it enabled the enterprise to offer continued employment to older or disabled workers who could no longer work in more productive jobs. Fourth, it included a large number of sinecures, particularly in the administration, with which favoured workers (or their relatives) could be rewarded. Fifth, it provided a political counterweight within the enterprise to the aspirations of production workers, and hence the political base of the administration. These functions of the internal reserve army appear to have become increasingly important with the advance of mechanisation and growing dependence on the skills and energy of the 'core' production workers in the post-Stalinist period.

The stratification of the Soviet labour force seems to have been extremely complex. The existence of a marked status hierarchy dividing one stratum from another implied that there would be only limited mobility between strata. Thus it was only in extreme cases that core workers would be transferred to low-grade jobs as a disciplinary measure, although the possibility was always open to management. However, there were also hierarchical relations of privilege and authority within each stratum, which were maintained by relatively more subtle and individualised forms of control.

With piece-rate payment systems the foreman and shop chief have a great deal of control over the earnings of a particular worker or brigade. Favoured workers can be allocated the best machines, given priority allocation of supplies, allocated jobs with easy norms, and so can earn high bonuses. Workers who are not so amenable can be discriminated against by the same methods, so cutting back their earnings. The result is that within each stratum of the labour force there was a finely graded hierarchy of workers, with privileges and penalties being administered on a personal and individual basis by line managers, which has the effect of atomising workers and undermining the solidarity of the work group by establishing hierarchical relationships among the workers.

This system of control gave rise to a great deal of conflict under the individual piece-rate system, although this conflict tended to be individualised and personal, relating to the allocation of work and to priority in the maintenance and repair of equipment, and the provision of supplies, and so dividing rather than uniting the workers. The brigade system, based on a collective piece rate, introduced on a large scale from the late 1970s, was partly designed to transfer responsibility for labour discipline to the workers themselves, and it certainly was effective at subjecting individual workers to the collective discipline of the brigade. However, it also meant that when conflict did arise it was much more dangerous because it had a collective character.<sup>7</sup>

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<sup>7</sup>A central demand of all independent workers' organisations in Russia has been the abolition of piece rates in favour of time wages, partly on the grounds that piece-rate payment leads to the neglect of safety, but primarily because of the arbitrary power it puts in the hands of line managers.

### 2.3.3 Distribution and the social functions of the enterprise

The discretionary control of earnings through the allocation of labour and supplies was considerably reinforced by the discriminatory distribution of benefits, goods and services which was in practice the principal function of the trade union, and which has rapidly increased in significance over the last decade. This brings us on to the wider dimension of the enterprise as a social institution.

The Soviet enterprise is not just a unit of production, but it also has extensive social and welfare functions in relation to the labour force. Social and welfare services, including the bulk of social security payments and benefits, are administered through the enterprise. Large enterprises provide kindergartens, nurseries, sporting and cultural facilities, holiday resorts, pioneer camps, medical facilities, housing, education and training. Over the past few years enterprises have increasingly provided subsidised consumer goods, food and clothing, and have recently distributed land for allotments. Thus a large part of the reproduction needs of the worker cannot be freely bought with the worker's wage, but can only be secured through the distribution channels of the enterprise.

The result is that people's social benefits and entitlements, their rest and holidays, sporting and cultural activities, access to consumer durables, clothing and footwear, housing, health care, education, and even food are all linked to their participation in the enterprise. The enterprise is the basis of the Soviet worker's social existence: most of the things provided through the enterprise cannot be acquired by any other means, so work defines the worker's identity in a much more fundamental way than it does in the capitalist world. In this sense the large enterprise really is a 'state within the state'.

The social functions of the enterprise can be represented as one of the most glorious achievements of socialism, and Soviet workers certainly take it for granted that they are entitled to generous welfare provision. On the other hand they also underpin the dependence of the worker on the enterprise, so that the system of distribution has become an increasingly important way of cutting labour turnover. Moreover, the discriminatory distribution of goods and services provides an extremely powerful means of controlling workers, and is systematically used as such. The administration of these social and welfare benefits, and the distribution of goods and services, was and is the primary function of the trade union.

In theory the Soviet trade union had the 'dual functions' of encouraging the growth of productivity through socialist competition, production conferences and so on, while defending the rights of individual workers. In practice, the main function of the trade union was to maintain labour discipline and motivation, partly through propaganda, but primarily through its supervisory commissions, which were linked to the discriminatory administration of the social and welfare functions of the enterprise. The trade union within the enterprise was and is effectively a patronage network, integrated into and working alongside the management structure.

Although the overwhelming majority of Soviet workers belonged to the offi-

cial trade unions, in order to secure access to union-administered benefits, the unions were equally overwhelmingly regarded as what they in fact were, 'just the bells of the Party', as they were described by the union president in a large enterprise in December 1991.

Although enterprise managers speak as contemptuously of the union as do workers, they have been in no hurry to dispense with the trade unions. Similarly, although the official trade unions are regarded as a bastion of the old order, and in some regions function as a Communist Party-in-exile, the Russian government has taken no significant measures to weaken them. The official unions have retained their property, continue to administer state social security benefits, have lost none of their legal powers and privileges, and have not been compelled to go through a process of re-registration. This is all powerful testimony to the essential role of the traditional trade unions in stabilising the society by maintaining the dependence of workers on officially administered patronage.

#### 2.3.4 The labour collective

The distinctive form of the Soviet enterprise is reflected in its ideological representation, which characterises it not as an economic unit but as a 'labour collective'. This representation has become increasingly important with the disintegration of the administrative-command system, within which the labour collective of the enterprise was merely a part of a wider whole.

The labour collective includes all those with a right to work in the enterprise, including, for example, women on extended maternity leave or young people in military service, as well as the pensioners of the enterprise. It is the labour collective that produces and reproduces itself through its activity in the enterprise (and it is the labour collective that is the principal claimant to ownership rights in the process of privatisation). This means that the achievements of an enterprise are not measured in money, nor simply in tons produced, but in the size, education and skill composition of the labour force, the number of houses built, kindergartens supported, etc., which dominate the iconography of the Soviet enterprise and of the achievements of socialism.

The ideological representation was one in which production was subordinated to the needs of the labour collective. The reality was that the needs of the labour collective were subordinated to the production and appropriation of a surplus product, and were determined by the need to secure the expanded reproduction of the collective labourer as an object of exploitation. This subordination permeated the system, from the centre, where the aspirations of the working class as a whole were expressed by the Central Committee of the Communist Party, to the enterprise and the shop, where they were handed down in the minutiae of the plan and the target, and used as the means of disciplining and controlling the labour force. The fetishised form in which the social character of human labour confronted every individual worker in the form of the labour collective, as an alien object to which his or her own labour activity is subordinated, was in a sense the state-socialist equivalent of the capitalist alienation of labour in the fetishised form of the commodity.

The idea of the enterprise as a labour collective is an ideological fiction which masks the fact that the one thing that the enterprise cannot tolerate is the collective organisation of its workers. Nevertheless it is a powerful fiction: it is in the name of the labour collective that the administration rules the enterprise, and presses its interests against higher authorities, and it is in the name of the labour collective that individual workers are subjected to managerial authority. The labour collective is personified not by any collective body but by the enterprise Director, and indeed it was the case that the fate of an enterprise in the battle for resources depended as much as anything on the character and contacts of the Director.

## 2.4 The Fundamental Contradiction of the Soviet System

The Soviet system of social production was more like the feudal than the capitalist mode of production in the sense that, within the Soviet system, the production and appropriation of the surplus product were distinct processes which, moreover, came into conflict with one another. The system was regulated primarily through the centralised control of supplies, including the money that served to pay wages, and the allocation of labour, and this was the focus of negotiations not only between the enterprise and the ministry, but also within the enterprise between the administration and shop chiefs, between shop chiefs and brigade leaders, and even between brigade leaders and individual workers. The fact that allocations were negotiated was not a distortion of an otherwise rational system of planning, but was at the heart of a rational system of surplus appropriation.

The irrationality of the system lay in the contradiction it set up between production and appropriation. The development of the forces of production was constrained by the exploitative social relations of production, and it was this specific contradiction that underpinned the collapse of the administrative-command system. The centralised control and allocation of the surplus product in the hands of an unproductive ruling stratum meant that the producers had an interest not in maximising but in minimising the surplus that they produced. Since neither the worker, nor the enterprise, nor the association, nor even the ministry, had any rights to the surplus produced they could only reliably expand the resources at their disposal by inflating their production costs, and could only protect themselves from the exactions of the ruling stratum by concealing their productive potential. It was not only the workers who passively resisted the demands made on them by the exploiting class; the same resistance ran through the system from top to bottom.

The only way in which the ruling stratum could overcome this resistance was by installing a parallel chain of command, in the form of the Party, the KGB and the trade union, each of which was supposed to ensure that the interests of the ruling stratum in extracting a growing surplus prevailed over all local and

sectional interests. However, these institutions could not remain apart from the system in which they had to embed themselves in order to carry out their assigned tasks, and so they too became a barrier to any attempt to transform the system from above.

The result was that the system of 'planning' remained at the primitive level of 'planning from the achieved level', in which targets were raised on the basis of past performance, with little regard for productive potential, and further distorted by the arbitrary demands of current political priorities. In short, the system was a voluntarist one in which demands were made on the producers not on the basis of productive capacities, but on the basis of the need for a surplus product, in the form of a specific set of use-values, as defined by the demands of the military and the whims of the Politburo.

This fundamental contradiction also defined the specific form in which class conflict was displaced within the system into a conflict over the distribution of resources within a hierarchical framework of patronage and dependence. The interests of workers in the shop were represented within the system primarily by their line managers, and their demands channelled through administrative structures. In this way conflict between workers and management is expressed in the form of conflict within the administration of the enterprise (this may be conflict between factions within the administration, or between the representatives of different shops or occupational categories), or, if the grievance is general and taken up by the General Director in negotiation with the higher authorities, between the administration (sometimes in alliance with other enterprises or local political bodies) and higher authorities. The articulation and resolution of conflict between workers and management is therefore intimately connected with conflict within the administration and the administrative-command system. This provided what was essentially a bureaucratic-paternalist system of conflict resolution, based on the exclusion of any forms of independent worker representation.

The result was that individual workers and brigades competed for resources within the shop, while uniting behind the shop chief in the competition for resources within the enterprise. Enterprises competed for resources from the ministry, while uniting in the competition for resources with other ministries. The unity of the system as a whole depended on the ability of the centre to retain ultimate control over the distribution of resources, but at the same time it was this centralised control of distribution that was the principal barrier to the expanded reproduction of the system. It was this contradiction that determined that Gorbachev's attempt to reform the system inevitably led to its disintegration, as the loss of control of production led to the loss of control of supply on which the system depended, opening up new divisions and unleashing new patterns of class conflict.

The stagnation of production eventually undermined the expanded reproduction of the system. The attempts to reform the system from above in order to increase the rate of exploitation only opened up the underlying contradiction between the role of the collective labourer as direct producer, and the role of the collective labourer as object of exploitation. However, this contradiction

did not appear directly, in the form of class polarisation and self-conscious class struggle, but (just as in the crisis of feudalism) in the form of the continued disintegration of the system, as subordinate levels sought to harness popular discontent to achieve their own independence from those above. The struggle to secure the independence of the enterprise from its subordination to the ministerial system was represented as a struggle of the labour collective, usually personified by the enterprise Director, to secure to itself the full fruits of its labour.

The collapse of the administrative-command system did not overcome or transform the alienated form of social labour. The social relations of the Soviet enterprise went largely unchanged, with the enterprise administration acting on behalf of, and in the name of, the labour collective. However, the enterprise administration was now under attack from within and without. From within, the workers themselves began to challenge the right of the administration to act in their name. From without, the liberal reformers sought to transform the enterprise by subordinating it to the law of value. The disintegration of the administrative-command system began to open up the class struggle over the transformation of the social relations of production.

In the face of these attacks from within and without, the enterprise administration found itself in a very vulnerable position. The enterprise directors were more than willing to take advantage of the new commercial opportunities opened up by the development of the market, but it was quite a different matter to confront the labour collective when they came under financial pressure. Under the administrative-command system the Director owed his position to the Ministry and the Party, but these bulwarks of the system having been removed he lacked any external guarantee of retaining his post. In such a situation the Director had to look to the support of the labour collective, exploiting his traditional position as its paternalistic representative. It was therefore at the level of the enterprise that the disintegration and transformation of the system came up against its limits, as enterprise directors did everything in their power to preserve the existing social relations of production on which their power was based, and in which their authority was embedded. The Soviet enterprise was correspondingly the rock on which the liberal programme foundered: while the disintegration of the administrative-command system led to the rapid development of market relations between enterprises, enterprise directors did everything in their power to prevent the development of the market from undermining the social relations of production within the enterprise, looking for support in this project to the labour collective whose common interest they claimed to represent.

The existing form of the social relations of production within the enterprise determined both the form and the limits of independent workers' organisation in the breakdown of the Soviet system. Independent workers' organisation threatened not only the individual authority of the shop chief or enterprise director, but also the hierarchical structures of authority and the fragmentation of the labour force on which the power of the ruling stratum was based. For this reason there was a constant tendency for emerging class conflict to be displaced and re-absorbed into the existing structures of power, as foremen, shop chiefs, direc-

#### 2.4. *THE FUNDAMENTAL CONTRADICTION OF THE SOVIET SYSTEM* 31

tors or outside political figures proclaimed themselves patrons of the workers, representing their just demands within the framework of the existing structures of power.

The displacement and diffusion of class conflict within the Soviet system of production relations was a major obstacle to any attempt to develop independent working class organisation as the basis for an independent class consciousness. However, such patterns of conflict equally tended to set strict limits to the extent to which the industrial nomenklatura could attempt to transform itself into a capitalist class, as any direct confrontation with the labour force immediately undermined the foundations of managerial authority, leading to the emergence of competitors for power within the hierarchy, who represented themselves as defenders of the collective interest. The class struggle over the development of the social relations of production therefore appeared not directly, but in factional conflicts within the political, administrative and managerial structures of power. The dilemma facing the ruling stratum was that these structures were both the means by which the power of the ruling stratum over the working class was maintained, and at the same time the principal barrier to the transformation of the form of this power from one based on patrimonial domination to one based on capitalist exploitation.



## Chapter 3

# The Crisis of the Soviet System

Simon Clarke

In the last chapter I argued that the Soviet Union was neither capitalist nor socialist, but a distinctive form of class society the path of whose development was determined by a distinctive contradiction between the forces and the social relations of production. In this chapter we must look more closely at the dynamics of the crisis underlying the disintegration of the Soviet system.

### 3.1 A Crisis of Class Rule

The programme of reform initiated by Gorbachev in 1985 did not come out of the blue, but had been quietly maturing within the intelligentsia, building on the reformist foundations of the Krushchev era. This programme was reformist rather than revolutionary, in its belief that the defects of the system were relatively superficial, so that the system could be reformed from within. Those who surrounded Gorbachev believed that the irrationality of the administrative-command economy was a recent development, marking the failure of the relations of production to develop in step with the forces of production. According to this view the administrative-command system had been well adapted to the economic priorities of heavy industrialisation in the 1930s, when there were relatively few products, relatively few plants, and relatively simple sectoral and regional links. In such a situation the economy could be planned centrally, and administrative control maintained through a limited number of simple indicators. Similarly, jobs were standardised and required little skill, and technology was simple and rigid, so that workers did not have to show any initiative and labour and management could be regulated bureaucratically.

According to this argument the system had moved to stagnation and crisis because the increasing complexity of the modern economy meant that a centralised and hierarchical system of control could no longer provide a co-

herent framework for decision-making, so that the system became more and more irrational, with growing disproportionalities, growing reliance on informal links and unregulated local initiatives, and so increasing inefficiency. Similarly, hierarchical and authoritarian methods of management inhibited any exercise of initiative on the part of workers, leading to the alienation and demoralisation that was demonstrated in the decline of labour discipline. The modern economy, with advanced technology and a much greater diversification of products, requires a more sophisticated labour force, and more complex technical and managerial procedures, which call not only for more sophisticated administrative and managerial structures, but also for different kinds of workers and managers, who have a higher level of training, and are able to show greater initiative. Technological, economic and sociological considerations all pointed in the same direction, towards a reform focused on decentralisation, flexibility and local autonomy (Aganbegyan, 1988; Zaslavskaya, 1984).

The reform programme centred on the development of a 'new economic mechanism', which was the original euphemism for the market economy. However, the 'socialist market economy' would still be regulated from the centre, but with financial and monetary indicators replacing quantitative physical controls. The market would still be 'a government-regulated market', with the supposedly free prices determined by 'agreement'. The state would set up 'a certain method for calculating prices', and in particular would not permit so-called 'speculative price increases aimed at excessive profit', nor monopoly prices, the whole system being described by Gorbachev's chief economic adviser at the time as 'a process of democratising the whole process of price formation' (Aganbegyan 1988, pp. 127, 135).

The fundamental weakness of this argument lay in its restricted understanding of the failings of the system, and so the foundations of the crisis. The system had not become irrational as the result of technological change; it had been irrational from the very beginning. The administrative-command system was economically irrational not because of its technical deficiencies as a system of planning, but because it was not a system of economic planning at all, rather a system of class exploitation and an instrument of political domination.

Efficiency was the least important consideration in the introduction of the administrative-command system in the 1930s. Stalin's priority was to secure the economic, social and political conditions for his own rule in a country which was economically and militarily weak in the face of its foreign enemies, in which the social base of the regime comprised only a minority of the population, and in which Stalin's own hold on political power was by no means secure. Stalin sought to overcome the economic weakness of his regime by expanding heavy industry as rapidly as possible. He sought to broaden the social base of the regime by proletarianising the Soviet population as rapidly as possible. He sought to secure his own grip on power by embracing the whole economic system within a hierarchical system of command, staffed by those who had shown their reliability by their willingness to meet the demands of the centre without question, however absurd such demands might be. The Plan was essentially an ideological and political instrument, designed to extract an ever-increasing effort, and to

provide an arbitrary measure of success and failure. This meant that the statistical basis of the plan, however sophisticated it became, was also ideologically and politically determined, with no necessary relation to reality, depriving the Plan of any rational foundation.

The system was economically irrational because it was not designed with economic rationality in mind. Its irrationality did not derive from a 'lag' of the social relations of production behind the development of the forces of production, but from a fundamental contradiction between the forces and relations of production. The Soviet mode of production was based on the forcible appropriation of an absolute surplus from the direct producers. This forcible appropriation was the fundamental barrier to the development of the forces of production. The surplus was diverted instead to the expanded reproduction of the conditions of domination of the ruling stratum, through the extensive expansion of the Soviet system of production and the maintenance of the growing bureaucratic and military apparatus.

The system could work for as long as the mass of the population could be forced or persuaded to carry the burden of its inefficiency. Economic growth was achieved not by increasing productivity but by increasing effort, secured by a mixture of force and exhortation, and by increasing investment, paid for by the super-exploitation of the bulk of the working class, and above all of rural and women workers. The reproduction of the system was constantly threatened by the emergence of disproportionalities, but major disproportionalities were compensated by constant plan revisions, by storming and campaigns to make up deficiencies, and through foreign trade, while less important shortcomings were made up by the black market or covered by maintaining large stocks and developing self-sufficiency.

If the system was economically irrational from its inception, we cannot explain the *crisis* of the system by its economic irrationality alone. The system did not meet the needs of the Soviet people in the 1980s, but the system had not met the needs of the Soviet people in the 1930s, and it was never designed to meet their needs. The system was designed to meet the political needs of the nomenklatura. If the system finally reached its limits in the middle of the 1980s, this was because its irrationality had developed to the point at which it no longer met those political needs. The crisis arose because the mechanisms which had kept a grotesquely repressive, exploitative and inefficient system going, despite its irrationality, for almost sixty years, had reached their limits.

The rate of growth of the Soviet economy had been declining since the 1960s, and by the late 1970s stagnation had set in. This meant that the slow but steady improvement of living standards, on the basis of which the ruling stratum justified its rule, came to a halt. However, this stagnation was not sufficient on its own to precipitate a crisis. Although the rise of Solidarity in Poland initially gave the Soviet leadership a fright, lest Soviet workers follow the Polish example, there was no sign of popular unrest in the face of the stagnation and decline in living standards. Nor did decline pose any threat to the lavish lifestyle of the nomenklatura, which absorbed only a small proportion of the surplus appropriated through the administrative-command system. The biggest threat was to

the political and military position of the Soviet Union as a world power. It was the desperate attempt to maintain that position that transformed stagnation into crisis. It was the demands of the military economy that threatened the civilian economy with collapse.

The wasteful use of labour and natural resources in the administrative-command system was compounded by the drain imposed by very high levels of military expenditure, and by the privileged access of the military-industrial sector to scarce scientific, technical, administrative and material resources. This not only absorbed a huge proportion of the investable surplus, but also meant that the civilian sector had to bear the brunt of the irrationality of the planning system, as scarce resources were diverted to the military-industrial complex. This diversion made it appear that the planning system worked in the military-industrial sector, so that one reform strategy was to expand production for civilian markets within the military-industrial sector, culminating in the plans for military conversion. However, this appearance was misleading, for the growth of the military-industrial sector only led to an even more rapid deterioration in the rest of the economy, as the military absorbed more and more scarce resources, until the reproduction of the system as a whole was undermined. The depth of the crisis only really struck home when the insulation of the military-industrial sector from the irrationality of the system as a whole could no longer be maintained. However, the timing of the crisis was not determined by internal factors, but by the relationship between the Soviet system and international capitalism.

### **3.2 From Stagnation to Crisis: The Soviet Union in the World Economy**

The roots of the crisis lay in the deepening of the internal contradiction inherent in the Soviet system of class rule. What brought the crisis to a head was none of these internal factors, but the external factor of the development of world commodity and financial markets. In this sense, the crisis of the Soviet Union is a part of the crisis of world capitalism.

It is worth looking more closely at the relationship between the crisis of the Soviet system and the world capitalist crisis, since at the heart of the reform process lay the attempt to integrate the Soviet Union into the world economy, initially as the means of alleviating the crisis within the system, and later as the means of resolving the crisis by subjecting the Soviet economy to the law of value by subjecting domestic producers to international competition. This strategy was doomed to failure as it compounded the internal crisis of the Soviet system by opening it to the full force of the crisis of world capitalism.

Although the Soviet Union had insulated the domestic economy from the impact of fluctuations in world market prices, and so from the operation of the law of value, in order to subordinate its mode of integration into the world capitalist system to the irrational logic of the administrative-command economy, it has nevertheless always been integrated into the world capitalist system, and

### 3.2. FROM STAGNATION TO CRISIS: THE SOVIET UNION IN THE WORLD ECONOMY 37

so its development has always been subject to the contradictory dynamics of capitalist accumulation on a world scale.

Although the proportion of Soviet goods which entered world trade in the mid 1980s was only about half the OECD average, the Soviet Union still ranked as the eighth largest participant in world trade, just behind Canada, and international trade had always played a strategically crucial role in the development of the Soviet domestic economy. This role has expanded rapidly over the past twenty years.

By the early 1960s the strategy of 'extensive' development, which relied on the intensive exploitation of labour and natural resources, was already reaching its limits. Technological and bureaucratic-administrative constraints meant that the system was facing growing disproportionalities. These disproportionalities could best be accommodated by turning to the world market to make up shortfalls in supply, particularly of machinery, intermediate products and manufactured consumer goods. From the point of view of the planners the cost of such imports could most easily be met by expanding the extractive industries, in which the Soviet Union appeared to enjoy a considerable comparative advantage, despite the fact that these industries were technologically among the most backward branches of Soviet production. This paradox arose because this comparative advantage was based on the irrational logic of the administrative-command system, not on any evaluation of socially necessary labour-time, nor of social costs and benefits. Thus this pattern of trade was already in place well before the boom in oil and commodity prices after 1974.

The cost to the plan of the extraction of raw materials was minimised by the despoliation of nature and the intensive exploitation of an enormous army of forced labour, which had originally been deployed by Stalin, but whose conditions improved little with his passing. Thus it was the irrationality of the administrative-command system, rather than the international operation of the law of value, which determined the mode of integration of the Soviet Union into the world capitalist system in the post-war period. This is why the Soviet Union developed an analogous pattern of trade in its relationship with its CMEA partners.

The structure of trade was not that of an advanced industrial economy: In 1985 only 14% of its exports comprised machinery and equipment, including transport, and 2% manufactured consumer goods, while 53% was fuel, and about half the remainder was made up of primary products and semi-processed raw materials. (In 1985 the Soviet Union was just behind South Korea in its exports of manufactured goods. By 1988 South Korea's manufactured exports were double those of the Soviet Union.) Against this, machinery made up over a third of imports and manufactured goods one eighth, and were only kept proportionately to this figure by the fact that food accounted for about a fifth of all imports. The same pattern of trade was reproduced even with its 'colonies', the CMEA countries, over half the Soviet Union's exports consisting of fuel and raw materials, only one fifth of machinery and less than 3% of industrial consumer goods, while over half its imports comprised machinery, and 15% industrial consumer goods (IMF, I, tables pp. 102-4, 180, 182). Its exports

to the Third World equally comprised mainly primary products, together with military equipment.

The share of world trade in the net material product of the Soviet Union increased from 3.7% in 1970 to almost 10% in 1980 and a high of 11% in 1985, while oil and gas production doubled between 1970 and 1980. At the same time, as one of the world's leading producers of energy, minerals and precious metals, the Soviet Union saw a sharp improvement in its terms of trade over this period, the net barter terms of trade improving by an average of 5% per annum over the period 1976–80, helping to offset the decline in productivity growth (IMF, I, pp. 86, 105). The improved terms of trade also made a substantial contribution to the buoyancy of government revenues through the price equalisation system. This opening of the Soviet economy to the world market, and the corresponding political processes of detente, were by no means a sign of fundamental change in the Soviet system, but were rather the means by which change was constantly postponed.

Recourse to the world market as the means of relieving the pressures within the domestic system was necessarily only a temporary expedient, as the volume of trade could not increase indefinitely, and indeed its expansion in volume terms was already approaching its limits by 1980, with the production of oil and coal approaching a peak despite continued high rates of investment. By the early 1980s pressure for reform was mounting inexorably within both the political and the bureaucratic-administrative apparatus. However, the potential crisis was staved off by the continued improvement in the terms of international trade experienced by the Soviet Union, although at the slightly reduced rate of 3% per annum. This meant that foreign trade continued to increase its share of economic activity over the period 1980–85, with the share of energy products rising from 47% to 53% of total exports. This permitted the Soviet Union to increase its volume of imports by one third over this period, although exports increased in volume by only 10%, without any major impact on the trade balance (IMF, I, pp. 14–15, 105–6). These extremely favourable trading conditions, which staved off the obvious manifestations of crisis, must be considered a major factor which served to postpone the reform process until the election of Gorbachev in 1985.

The improved terms of trade over the 1980s counteracted the steady decline in the growth of productivity and made a disproportionate contribution to the survival of the system in making it possible to relieve pressures by importing scarce goods, while contributing much needed government revenues through the price equalisation system. However, such a strategy could not be sustained indefinitely. The election of Gorbachev to the succession in 1985 marked a grudging recognition on the part of the Soviet leadership that the fundamental reform of the Soviet system could no longer be avoided.

### 3.3 Perestroika in the Crisis of World Capitalism

An important role in Gorbachev's initial reform strategy was played by the attempt to restructure the pattern of Soviet international trade, to develop a pattern thought to be appropriate to an advanced industrial economy.<sup>1</sup> This involved the relaxation of the state monopoly of foreign trade and of the price equalisation system, with a view to the subordination of the Soviet economy to the international operation of the law of value. For those who believe that the Soviet Union was once socialist, this marked the decisive step in setting the Soviet Union on the road to capitalism, creating the alliance between global capital and a comprador bourgeoisie which defines the class basis of the transition to capitalism in Russia.

This interpretation mistakes the intention for the result. It soon became clear that the only role that the Soviet Union could play in a world capitalist system that was itself in deepening crisis was as a supplier of cheap fuel and natural resources. The price of its incorporation into the world capitalist system on the basis of the international law of value would be not the transformation but the complete destruction of the Soviet system. Faced with such a prospect, the regime was forced to nullify every liberalisation initiative with the attempted reimposition of controls, an attempt which proved progressively less effective as the state itself disintegrated.

The problem faced by Gorbachev was that of the chicken and the egg: was the restructuring of international trade to be the precondition or the result of the restructuring of the domestic economy? In the early period of perestroika the emphasis was on domestic restructuring, with priority being given to a substantial increase in investment in high technology and in the machine-building industries, in order to modernise Soviet industry to allow it to enter into 'world civilisation' and be subjected to the world of 'universal human values'. To this end Gorbachev began his 'perestroika' with a pure voluntarist gesture, calling for an acceleration in the rate of growth not on the basis of any increased productive potential, but merely of the need for an increase in the surplus, and causing serious disruption by modifying the five-year plan to increase the priority given to investment.

The disproportionalities provoked by Gorbachev's voluntarism, and resistance to domestic reform from within the leadership, put an added burden onto the system of foreign trade, which had both to rectify the disproportionalities and provide the technology which the Soviet Union seemed unable to produce for itself. The attempt to increase Soviet imports of manufacturing machinery and equipment incorporating the most advanced Western technology in turn required detente in the hope of weakening the Western embargo on such trade. The main problem was how to pay for these imports in a context in which the

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<sup>1</sup>The reform of foreign trade was a particular priority of the 'conservative reformers', who saw it as a substitute for domestic reform. While Gorbachev did not pin high hopes on such a reform as a means to perestroika, he saw it as an end (Aslund 1989, pp. 40, 46-7, 67).

crisis of the Soviet system had come to a head precisely because the possibility of achieving salvation through trade was approaching its limits.

We have seen that the growing crisis of the administrative-command system had been contained by the expansion of exports of primary products, and particularly of energy, and by the fortuitous improvement of the terms of trade, which only served to strengthen the Soviet commitment to this strategy. However, by 1980 the growth in output of the strategically crucial export sectors was slowing down and productivity was beginning to fall sharply. This was in part simply a matter of the exhaustion of the most easily exploitable reserves. However, it was also a manifestation of a typical feature of the Soviet pattern of extensive growth, in which the expansion of output is achieved by very high levels of investment, and by the intensive exploitation of labour and natural resources, to the neglect of the reproduction of the technical, natural and human forces of production. This is manifested in the failure to invest in maintenance and repair and in the upgrading of existing plant, by the growth of external diseconomies as the environment is destroyed, and by the low levels of motivation of the labour force.

The result is that the output and productivity of existing plant tends to fall as machinery breaks down, as costs of maintenance, repair and externalities rise, and as workers' morale declines. The more the plant administration tries to maintain output to meet targets by the intensified exploitation of existing capacity, of the labour force and of natural resources, the more certain are the problems to assert themselves in the longer term. The fact that these difficulties were beginning to assert themselves in the early 1980s in the export sector is shown by the relative stagnation in total output, despite sustained high rates of investment. By the time Gorbachev came to power, therefore, there was very little scope for any further increase in the production of the Soviet staple exports.

In the absence of a significant increase in the production of its staple exports, the only possibility was to increase the general level of exports, either through increasing productivity or through the diversion of production to export from domestic use. Alternatively, exports of machinery and equipment could be increased by cutting back on existing imports, particularly of food and consumer goods. The latter course, however, would be attended with the difficult political problems associated with the imposition of a regime of austerity.

Gorbachev's strategy of increasing exports to pay for additional imports, and increasing investment to modernise the engineering industry, could only be carried through, without a sharp cut in already stagnant living standards, by raising productivity substantially. In practice Gorbachev and his advisers appear to have had a naive belief that relatively simple reforms could solve all the problems by leading to a dramatic increase in both productivity and product quality. The first phase of perestroika was accordingly marked in the domestic economy by the wage reform of 1986–87,<sup>2</sup> which reproduced the failures of

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<sup>2</sup>Gorbachev's chief economic adviser insisted on the centrality of the application of 'the principal of social justice in modifying the former unjustifiable levelling out of salaries. Now

Krushchev's reform of the 1960s and provided the first spark to the rise of a workers' movement, and by traditional campaigns to improve labour discipline, focused on the anti-alcohol campaign of 1986 (which also left a huge hole in the budget) and the 1987 campaign to improve product quality through a system of independent quality inspection. These campaigns merely antagonised the mass of the population, without producing any tangible results. Like all Gorbachev's reforms, the attempt to treat only the symptoms of failure meant that the cure proved worse than the disease.

Much more significant than these traditional measures, however, were Gorbachev's administrative reforms, which were based on the attempt to remove the shackles of bureaucracy by decentralising the administrative-command system. Internal resistance to domestic reform meant that these reforms were first introduced into the system of international trade, with predictable results that anticipated, and to some extent determined, the fate of the entire project of perestroika. The fundamental problem was that decentralisation was not merely an administrative reform, but involved dismantling the mechanism of surplus appropriation on which the power and privileges of the ruling stratum rested. Every attempt at decentralisation was therefore immediately negated by the attempt to confine individual initiatives within the limits of centralised control of the appropriation of the surplus product.

### 3.4 The Reform of the System of International Trade

In the sphere of international economic relations Gorbachev's decentralisation strategy involved the attempt to break the monopoly of the Ministry of Foreign Trade and to make enterprises more responsive to world market pressures by providing them with the means and the incentives to enter export markets on their own account.

In 1986 trading rights were granted to 20 economic ministries, and to about 70 major associations and enterprises. As from 1st April 1989 the MVES (Ministry of Foreign Economic Relations) considerably extended the decentralisation of international trade by permitting any enterprise, outside the strategic fuel and raw material sectors, to apply for a license to trade internationally on its own account, and by the beginning of 1991 26,000 enterprises had registered (Vernikov 1991, p. 824), of which about 6,000 were actually trading independently, although usually channelling their trade through intermediate trading organisations (IMF, I, p. 32).

The decentralisation of trading relationships meant that the government had to develop some system of incentives to encourage enterprises to export, and of

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salary levels are more closely linked to the quality and quantity of work, following the basic socialist principle of distribution', from each according to his ability, to each according to his work (Aganbegyan 1988, p. 23). Ironically the levelling out of salaries had been an effect of labour market pressures. The wage reform sought (ultimately in vain) to use administrative methods to widen differentials in the face of such market pressures.

relating domestic to world market prices. In 1987 the government established differential exchange rates (DVKs) to be applied to the export of different manufactured commodities, which was supposed to make enterprises respond to foreign currency prices by equating domestic prices with world market prices product by product (and to provide incentives to export manufactured goods by offering especially favourable rates). However, these reforms were more or less nullified by the fact that enterprises' transactions were still largely controlled administratively, while DVKs were regularly altered in response to political pressures, and taxes and subsidies continued to be applied widely, so negating their impact. By 1988 the DVK system provided 10,000 different exchange rates, although the system was rationalised before its abolition in November 1990, which saw the introduction of a commercial exchange rate and the effective re-establishment of the old system of price equalisation taxes and subsidies.

The attempt to relate domestic to world market prices came to nothing, but the attempt to introduce incentives to export initially appeared to have better prospects of success. In 1987 a system of retentions of foreign exchange was introduced, by which enterprises were permitted to retain a proportion of their export earnings. Joint ventures and cooperatives were permitted to retain all their foreign earnings, while manufacturing enterprises retained around a third. Fuel and raw material exporters were originally excluded from the system, but from 1990 could retain about one tenth of their foreign-exchange earnings.

The idea behind the system of retentions was that enterprises with a proven ability to export would have direct access to the foreign currency required to expand their capacity and so to increase their exports further. Thus until 1989 retained hard currency could only be used for the import of investment and intermediate goods in the year after the money was received. In theory foreign exchange could not be used for the purchase of goods for resale, but this restriction could easily be circumvented.

In practice these reforms had little effect. Overall, retentions accounted on average for only 7–8% of hard currency earnings. More importantly, enterprises were still severely constrained in their ability to export by the demands of the planning system, which on the output side required them to meet their state deliveries, and on the input side limited their access to productive resources. An additional problem was that, in the absence of significant increases in output, increases in exports could only be achieved by diverting goods from the domestic market, so further disrupting domestic production relations and intensifying domestic shortages. In order to counteract such tendencies export licensing and export taxes continued to be used extensively to prevent the export of goods in short domestic supply, although corruption, the collapse of the system, and the disintegration of the Soviet Union, made it increasingly difficult to enforce such controls, leading to acute shortages of strategically crucial raw materials, such as copper, during 1992.

Despite a growth in exports in some industries, the export share fell sharply in others, so that the overall export volume stagnated (IMF, II, p. 72; I, p. 106), while export prices fell below world market prices as enterprises dumped commodities in order to secure scarce foreign currency (Vernikov 1991, p. 828, noted

that Soviet exporters already faced 12 EEC anti-dumping cases). In 1989 the system was relaxed to allow up to 30% of retained foreign currency to be used for the purchase of consumer goods for the benefit of the enterprise's own workers, in the expectation that the workers' aspirations for scarce consumer goods would goad lethargic enterprise managers into action. While there is no doubt that this reform has served to pacify workers in the strategically crucial export sectors in the wake of the widespread industrial unrest since 1989, its manifest injustice equally served to antagonise the mass of workers who were thereby excluded from access to such goods. According to Vernikov (1991, p. 832), enterprises were also paying somewhere between 30% and 100% more for their imported consumer goods than was previously paid by the state FTO.

Enterprises used some of their retention funds for re-equipment, but there was not much sign that this led to any significant increases in capacity, while much of the new equipment was not installed (Vernikov 1991, pp. 828, 831). With the breaking of supply links following the disintegration of the Soviet Union foreign currency was increasingly used to overcome supply difficulties, for both production and consumption, replacing domestic with foreign sources. There was also a considerable leakage, with the amount of foreign currency in private hands increasing dramatically, with a growing proportion of exports evading all controls, and with a growing proportion of foreign currency earnings being held abroad in private and corporate accounts.

While the reforms had little effect in stimulating exports, they had a seriously deleterious impact on the structure of imports. The diversion of foreign currency to established exporters and, since 1989, to the import of consumption goods, has intensified the growing scarcity of foreign currency at the centre, which has therefore not been able to provide enterprises which were not substantial net exporters with the means to buy the imported raw materials, equipment, and intermediate products necessary to sustain or expand production for domestic or export markets. In 1989 an attempt was made to alleviate the pressure by allowing enterprises to sell foreign exchange for roubles at currency auctions. However, the volume of foreign currency traded remained very small, and the bulk of it ended up in the hands of joint ventures, who find that their Soviet suppliers insist on payment in hard currency, and of speculators.<sup>3</sup>

The attempt to reform the system of international trade did not lead to any significant increase in exports, but until the end of 1991 exports were more or less maintained despite the fall in overall domestic production. According to Vernikov (1991, p. 828) the main effect of the reforms was to divert productive resources and high-quality manufactured goods from domestic to foreign markets, often at knock-down prices, exacerbating domestic shortages, increasing inflationary pressures, further disrupting domestic production, and compelling the state to spend hard-earned foreign currency re-importing essential productive resources at much higher prices. Thus the reforms played a significant part

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it Business in Eastern Europe, 25.3.91; 24.6.91. Joint ventures were supposed to make a significant contribution to the balance of payments. In 1990 they were responsible for 1.6% of Soviet imports, but only 0.18% of exports. Vernikov 1991, pp. 830, 826.

in worsening almost every aspect of the crisis.

### 3.5 The Soviet Crisis and the Crisis of World Capitalism

The starting point of the strategy of perestroika was the attempt to transform the mode of integration of the Soviet system into the world economy on the basis of the subordination of the Soviet economy to international competition. The fate of this project is only a microcosm of the overall fate of perestroika, but at the same time it was a fundamental determinant of that fate. The failure of perestroika was transformed into disaster by developments in the world economy on which Gorbachev had pinned his hopes. However, this disaster was not the result of unfortunate and unforeseeable blows from outside, but of the crisis of the world capitalist system of which the Soviet Union had long been an integral part.

The Soviet crisis cannot be isolated from the crisis of world capitalism. The expansion of Soviet fuel and mineral production for the world market was only a part of the worldwide expansion of capacity in the wake of the price rises of the mid 1970s, as the growth of world manufacturing output had run ahead of that of raw materials. The removal of this bottleneck meant that the boom of the 1980s was not stopped in its tracks by inflationary pressures, but it by no means meant that capitalism had overcome its contradictory character.

With the deepening of recession in the 1990s, the world boom of the 1980s stands revealed as what it always was. As in the 1970s, the overaccumulation of capital in the metropolitan capitalist centres was fuelled by the expansion of credit, and sustained by the increasingly uneven development of capitalist production on a world scale. However, this time inflationary pressures were kept in check by the ruthless imposition of the law of value on a global scale, which sustained the rate of profit in the face of tendencies to the overaccumulation of capital through the increasingly rapid restructuring of capital, as unprofitable enterprises were summarily liquidated, and their workers condemned to unemployment. Thus the benefits of the boom flowed to the rich, while the costs were systematically and increasingly imposed on the poor, on a global scale (Clarke 1988). These costs were compounded by the impact of the debt crisis, as those who had been encouraged to borrow at low interest to help capitalism through its previous crisis phase were now required to repay at the exorbitant rates imposed to ensure the liquidation of the less profitable producers. The less favoured thus suffered triply: first, they did not reap the benefit of a sustained rise in world prices; second, they found their productive capacity eroded; third, they still had to meet the cost of servicing the debts which were the immediate cause of their woes.

The Soviet Union was as much a victim of the debt crisis as were many of its Third World and CMEA trading partners, although this was not immediately apparent since the external hard currency debt amounted to only 3% of GDP

### 3.5. *THE SOVIET CRISIS AND THE CRISIS OF WORLD CAPITALISM* 45

in 1985. While the cost of debt service amounted to about a quarter of the total value of hard currency exports, the Soviet Union was a substantial net creditor by virtue of its loans to its CMEA partners and to developing countries. However, the latter were themselves victims of the debt crisis, and it was much easier for them to renege on their debts to the Soviet Union than to default to Western banks. Thus, while the costs of debt service to the Soviet Union were relatively stable, until they increased sharply in 1990–91, the Soviet Union was a victim of the debt crisis at second hand. Moreover, as its international financial position deteriorated, the Soviet Union found it increasingly difficult to raise credit on its own account.

The blow which destroyed the prospects of perestroika before it had even begun was struck by a severe and sustained deterioration in the terms of trade. No sooner had Gorbachev come to power than the terms of trade began to move sharply against the Soviet Union as world oil prices fell. The terms of trade declined by 12% over 1986–87, and 16% in relation to the non-socialist world, immediately dashing any hopes that the Soviet Union could finance increased imports of means of production by increasing its exports.

The deteriorating terms of trade equally contributed to the growing problem of the fiscal deficit, revenue from foreign trade falling by 11 billion roubles, or 3% of the government budget, over 1985 to 1988, although this was by no means the most important factor in the mushrooming budget deficit.

The Soviet Union coped well with the immediate crisis, using its traditional methods of adjustment by increasing the volume of exports and reducing the volume of imports, particularly of grain, in 1986. Crisis measures could deal with a one-off deterioration in the international position of the Soviet economy, at the expense of some disruption of the domestic economy, but the terms of trade continued to move against the Soviet Union, with energy prices falling and grain prices rising. From 1989 oil and coal output began to fall, with the impact of the spring strike wave no more than exacerbating problems caused by the disruption of supplies and growing technical difficulties. Problems with the gas pipelines meant that the rate of growth of gas production slowed, so that it was not possible to compensate for falling prices by increasing the export volume.

The crunch came in 1990 as the situation went from bad to worse. Oil and coal output continued to fall, and although gas output grew, the rate of growth was down again. The diversion of fuel supplies to domestic needs meant that oil exports declined by up to 19% in volume terms, and by 31% to CMEA countries, with exports overall down by 12%. Meanwhile foreign-exchange shortages meant a further deterioration in the position of domestic manufacturing enterprises which relied on imported parts and raw materials. Despite severe restriction caused by foreign-exchange shortages imports nevertheless continued to rise, fuelled by growing imports of consumer goods to meet domestic shortages, in the hope of curbing unrest and the growth of the radical opposition. While the trade deficit grew out of control, the cost of debt service also rose sharply, amounting to one third of convertible currency exports of goods and services. The Soviet Union found it increasingly difficult to renew short-term debt, and borrowing became impossible unless secured by creditor countries' governments.

The balance was only covered by gold sales and gold swaps, by running down the foreign currency reserves, and by falling into arrears in payment of trade credit, such arrears amounting to \$5 billion by the autumn of 1990 (IMF, I, 43-8). As a desperate measure enterprises were even asked to export part of their stocks of capital equipment and intermediate products, which lay idle for want of resources.

1991 saw no break in the decline. Fuel production in particular fell sharply, with supplies of equipment to the oil and gas industries seriously disrupted by the disintegration of economic links within the Soviet Union. The reorganisation of the mining industry, with its transfer to Republican authority, did not help either. In September Oleg Lobov, First Deputy Chairman of the RSFSR Council of Ministers, announced that the extraction of coal and oil had fallen by a further 11% over 1990. To meet the shortfall licensing was introduced in the export of fuel, with a consequent further fall in exports — oil exports were already down by 51% and gas exports also fell for the first time, by 6%. Foreign trade was down to 63% of the equivalent period in 1990, with a 25% fall in exports and a 46% fall in imports, cut in the attempt to meet the demands of debt service. (Speech to Russian Parliament, 19 September 1991, *BBC Monitoring*, SU/1183 C/1-4, 21 September 1991) In November the Soviet Union announced that it would not be able to meet its 1991 debt service obligations, let alone debt repayment, while shortages of foreign currency, much of which was leaking abroad, meant that imports would have to be slashed. It is hardly surprising that the new Russian government received the IMF with open arms.

Domestic price liberalisation in 1992 was not accompanied by the liberalisation of foreign trade, as the government desperately tried to maintain control of Russia's international trade and payments. Nevertheless the crisis continued to deepen. Fuel production continued to fall. Oil output in 1992 was expected to have fallen by 30% from its 1987 peak, with a further fall of 15% expected in 1993. Coal output was still falling, and even gas output had turned down. The result was that exports over the first nine months of 1992 fell by a total of 42% over 1991. Shortages of foreign currency meant that imports also fell by 17%, despite a large increase in grain imports (Goskomstat report, *Rossiskaya Gazetta* 4.11.92, *BBC Monitoring* SU/1532 C2/1 7.11.92). The deterioration in the balance of trade was matched by an increase in foreign debt, which had risen to \$75 billion by the end of 1992. Promised IMF aid, even if it had been forthcoming, would not be sufficient to meet the cost of debt service, let alone relieve the pressure on the balance of trade. Imports, including vital grain imports, were regularly held up by non-payment, and bankruptcy was only staved off by debt deferrals. Meanwhile the hoped-for foreign investment was not forthcoming. For all its rhetoric, international capital had no interest in integrating the Russian economy into a world capitalist economy in crisis. Its priority was, above all, to ring-fence the economies of the former Soviet Union to prevent their crisis from spilling over beyond their borders.

The crisis of the Soviet system was precipitated and deepened by the insertion of the Soviet economy into the world capitalist system. However, it would be quite wrong to see the source of the crisis as lying in the external economic re-

relationships of the Soviet Union. As we have seen, the growth in fuel exports and the improvement in the terms of trade from the mid 1970s to the mid 1980s had served to stave off the looming domestic crisis. The subsequent deterioration in the terms of trade was only one factor in the crisis of the external economic relations of the Soviet economy, which was soon overlain by the precipitous fall in the Soviet Union's staple exports as fuel production collapsed, and the continued increase in imports of food and consumer goods, each of which was an expression of the internal contradictions of the Soviet system.

The crisis in the external economic relations of the Soviet Union did not represent the subversion of the Soviet system by international capital and an emerging comprador capitalist class. While the crisis in external trade relations played a central role in precipitating the domestic crisis, the form and development of that crisis was determined not by external factors, but by the internal dynamics of the system. The subjection of the Soviet economy to the international operation of the law of value undoubtedly intensified the crisis, but it could not in itself determine that this crisis would lead to a transition to capitalism. We therefore have to turn from the external to the internal relations of the system.

### 3.6 The Contradictions of Perestroika

As with the reform of the system of foreign trade, Gorbachev's basic strategy was to decentralise the system of the 'administrative-command' economy, with an increase in enterprise autonomy and the scope for managerial discretion, and a reduction in both ministerial and Party intervention in enterprise management.<sup>4</sup> The basic idea was that the centre would define only the general direction of economic development, through a combination of administrative, fiscal and monetary regulation of market relations. Within this framework self-financing enterprises would determine their own development strategies.

This strategy brought Gorbachev into conflict with the bureaucracy, whose power and privileges were threatened by his programme, and which managed to stall perestroika completely for the first two years of Gorbachev's rule, and to resist it effectively thereafter. However, the opposition of the bureaucracy was not simply a matter of institutional self-interest, but also of an appreciation that centralised control lay at the heart of the system of surplus appropriation on which the system of class rule depended. The staff of the ministries (and of the Party's economic apparatus) were by no means hidebound bureaucrats who resisted change at any cost. They were highly professional managers and administrators, the people who best knew how the system worked and how it

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<sup>4</sup>Gorbachev suddenly announced at the end of 1988 that the Communist Party would withdraw from its role as supervisor of the economy, to concentrate on political and ideological work, in preparation for the forthcoming elections. This created turmoil in the Party, whose primary role had hitherto been to ensure the implementation of the economic policy of the Party at all levels, and whose political and ideological work had long since been reduced to empty sloganising.

could be reformed, but whose efforts were constantly subverted by the political horse-trading to which the system of 'planning' was subordinated (Gregory 1990).

The fundamental problem that Gorbachev faced, as had Krushchev before him, was that he wanted to transform the conditions of surplus production by transforming the mode of surplus appropriation. The basis of the system of surplus appropriation was the centralised control of supplies, through which the dependence of enterprises was maintained. It was all very well to try to free the development of the forces of production by dismantling this system and giving enterprises the independence to pursue their own interests, but to do so was to undermine the reproduction of the system of production and exploitation, by removing the element of coordination of an irrational economy, the control of which had provided the centre with the means of appropriating a surplus and so reproducing its own rule.<sup>5</sup>

The collapse of the system of surplus appropriation and the disintegration of the system of distribution does not lead to any fundamental change in the social relations of production. In a capitalist society the production and appropriation of surplus-value are two sides of the same process, so that the capitalist can only overcome a crisis in the appropriation of surplus-value by transforming the conditions of production. It was precisely because the Soviet system lacked any such dynamic that its crisis had progressively and inexorably deepened, without unleashing any recuperative forces.

Within the Soviet system the appropriation of the surplus from the centre is distinct from the production of the surplus by the labour collective, so that the collapse of the system of surplus appropriation appears as a crisis of distribution, which threatens to lead simply to the collapse of production, unless the crisis of distribution can be resolved by the re-establishment of guaranteed supplies. Through all the turmoil the Soviet enterprise remains intact, as the bedrock of Soviet society.

Gorbachev's notorious vacillation between the 'liberals' and the 'conservatives' was not simply a reflection of his political caution; more fundamentally it was a matter of the objective contradiction in which his project was caught. Gorbachev wanted to decentralise the system in order to increase the power and resources appropriated by the centre. Thus in his economic reforms he wanted to give enterprise managers the freedom to do voluntarily what the centre had been unable to force them to do compulsorily. In his political reforms he similarly wanted to give the people the right to vote for those whom he believed best served their interests. However, economic and political decentralisation liberated disintegrative forces which could only be combated by neutralising the impact of the reforms. This was why Gorbachev had repeatedly to take back with one hand what he had given away with the other, until he reached the point at which he had nothing left to give, and nothing left to take.

In retrospect it is clear that the Soviet system could not be reformed from

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<sup>5</sup>This is why the crisis tendencies of the Soviet system appear as a crisis of supply, not, as in a capitalist system, as a crisis of production.

above, since the instruments of reform progressively undermined the system of class rule through which they were necessarily being implemented. The process of reform weakened ministerial power, and destroyed the coordination of the plan, but without putting anything in its place. As economic coordination broke down ministries could no longer guarantee supplies and enterprises looked increasingly towards the new commercial structures. Inflationary pressures increased the attractiveness of sale through proto-market channels, further undermining the coordination of the centralised distribution system, so that the demands for liberalisation on the part of enterprises increased. The programme of the 'transition to a market economy' was not so much a coherent programme of reform from above, as a recognition that the system was falling apart in response to pressures from below. In this sense the rhetoric of transition constantly lagged behind the reality of disintegration.

The fate of the 'administrative-command' system was sealed, and the direction of perestroika clearly defined, in the wake of the miners' strike in the summer of 1989. The miners' strike sent a shock wave through the system because it meant that perestroika was no longer a matter to be debated and resolved within the ruling stratum alone, but that the aspirations of the working class had also to be taken into account, if only to be deflected and absorbed. Following the miners' strike, which was turned against the ministerial system by Gorbachev from above, and by mine managers from below, it was clear that the reconstitution of the administrative-command system had become politically and administratively impossible, and the conviction rapidly spread within the ruling stratum that the only way forward was the transition to a fully fledged 'market economy'. Whereas in 1988 the market had been presented as one of those 'universal human values', which are the achievement of 'world civilisation', and that is compatible with any economic and social system, by 1990 capitalism itself had been elevated to this universal status. No longer was there an opposition between 'capitalism' and 'socialism', but only between 'civilised' and 'uncivilised' capitalism.

The transition to capitalism is a slow and painful process: it is one thing to identify the dream, quite another to realise it. It is not achieved by programmes, but as the outcome of the class struggle over the forms of production and appropriation of the surplus. However, the transformation of the programme of perestroika from a programme of reform to a programme for the transition to capitalism was not determined by the shifting balance of forces in a struggle between an old ruling stratum, appropriating a surplus by means of 'extra-economic coercion', and a new capitalist class, appropriating a surplus in the form of surplus-value, since the latter class did not (as yet) exist. The programme for the transition to capitalism, like that of perestroika, was not so much an expression of the class struggle as an expression of the crisis of the Soviet state as a form of class rule.

The project for the transition to capitalism was, like that of perestroika, a project for the transformation of the forms of production and appropriation of the surplus *through the exercise of state power*. The key to this transformation was not the seizure of state assets, although there was plenty of scope for amass-

ing private fortunes by this means, but the transformation of the social relations of production through which the surplus was produced and appropriated.

From this point of view the fundamental division within the ruling stratum did not centre so much on the desirability of a transition to some kind of state capitalism, as on the means by which it was to be achieved. The 'conservatives' wanted to achieve the transition by administrative means, through the direct exercise of state power. The 'liberals' wanted to achieve the same result by 'economic' means, subjecting enterprises to the full rigour of the market in the hope that this would compel them to transform the relations of production on their own initiative. However, the liberal solution depended no less than did that of the conservatives on the existence of a strong state.

The market is no natural force, but depends for its coercive power on the existence of a strong state, which can impose the strict monetary and financial controls required to confine production within the limits of the market, which can impose fiscal systems through which the state can appropriate at least a portion of the surplus product, and, above all, which can contain divisions within the ruling stratum, while suppressing popular resistance to the reimposition of class rule. However, the power, authority and integrity of the state had been as much a victim of the crisis of the Soviet system as had been the class whose waning power it expressed.

The programme of perestroika involved much more than economic and administrative reforms. Perestroika implied a fundamental transformation in the form of class rule, but it also implied a fundamental transformation in the form of the state. The economic reforms of perestroika involved a change in the form of surplus appropriation from a system of appropriation in kind, based on compulsory deliveries, to a system of appropriation in the form of money, based on a new system of taxation. The project was to separate the regulation of production, which would be achieved solely through monetary instruments, from the appropriation of the surplus, which would be achieved on the basis of the fiscal power of the state.

This project implied the transformation not only of the mechanisms of economic regulation, but also the radical separation of the economic system from the political system, within which it had hitherto been embedded, in the hope that conflicts over the distribution of the surplus would be channelled into the political sphere, and confined within the limits of 'democratic' control. The programme therefore involved a transformation in the form of the state and, in particular, of the role of the Party. The Soviet state had been little more than a shell which could give some semblance of constitutional legitimacy to the system of rule through the Party. Under Gorbachev's programme the Party was supposed to disengage itself from the economy, and to transform the state, under its leadership, into a political instrument of class rule.

The programme of perestroika depended on a strong state which would be able to impose new forms of centralised regulation on the ruins of the old. But at the same time the state could not insulate itself from the impact of the disintegration of the former mode of surplus appropriation on which it depended for its material and political power. The power of the state was disintegrating

as rapidly as the instruments of centralised control were undermined.

The state could not serve as an independent power in forcing through the transition to a new form of class society since the state apparatus, like the economic bureaucracy with which it was so closely integrated, was an integral part of the old form of class rule. Nor could the Party detach itself from the state within which it was embedded to become the instrument through which to impose a new form of class rule. The Party had long since ceased to be a political organisation, so that the attempt to separate it from the state only accelerated its disintegration by removing the only basis of its authority. Gorbachev's decision during 1988 to advance by democratic methods, allowing open political debate and multi-candidate elections to the Supreme Soviet in 1989, and withdrawing the Party from the economic sphere, expressed a recognition of the fragmentation of the political organisation of the ruling class which only accelerated its disintegration. Although Gorbachev desperately tried to maintain the unity of the ruling class as the basis of a reform from above, from 1989 it became increasingly clear that the initiative for reform could only come from below, mobilising the forces unleashed by perestroika to construct a new form of society on the ruins of the old.

### 3.7 Perestroika and the Crisis of the State

The divisions within the ruling stratum did not express a conflict between two classes, but a factional conflict within the ruling stratum. What was at stake was not the future of class rule, but the form of that rule, and the strategy by which it was to be secured. The 'liberal' and 'conservative' wings of the ruling stratum both saw clearly that only a strong state using authoritarian methods could save the system of class rule, and each sought to unify the ruling stratum under its own domination. Gorbachev, on the other hand, attempted to preserve the political conditions for class rule as he constantly sought to reconcile the contending forces within the ruling stratum in the vain attempt to enforce the rule of a unified class within a democratic framework.

The conflicts within the ruling stratum came to a head at the end of 1990. Through the autumn Gorbachev tried to present himself as the arbitrator between the competing programmes proposed by Yeltsin and Ryzhkov, before laying down his own perspective with his decisive intervention at the beginning of December 1990. This was widely represented as a capitulation to conservative forces, but it was only such to the extent that Gorbachev was struggling to preserve the unity of the ruling stratum.

While Gorbachev endorsed a crisis programme whose immediate priority was the restoration of administrative controls, he made it quite clear that this was a tactical retreat, not a strategic perspective. Gorbachev was perfectly explicit in his important speech to the All-Union Meeting of the Executives of State Enterprises on December 6th, where he argued that 'the desire to reestablish economic ties is not an attempt to take the economically free development of contacts by the throat. We will arrive at that freedom. But it's true that we

can't go to bed today under one form of economic relations and wake up tomorrow under another.' In his speech Gorbachev argued insistently against the conservative elements in the military-industrial complex, who formed a vociferous section of his audience, asserting forcefully that 'the old system of economic management . . . has discredited itself in every country in the world where it has been set up', going on to insist that this had been the weakness at the heart of the first phase of perestroika, which had been based on 'the old methods — methods of rigid planning and rigid programmes. It didn't work. Things never got off the ground. The economy was structured in such a way that it rejected scientific and technical progress' (CDSF, xlii, 49, pp. 8–9). The failure to achieve the aims of perestroika had led to what Gorbachev confessed to be his greatest miscalculation, the escalating budget deficit which had fuelled the inflationary crisis.

In the same speech Gorbachev outlined the new strategy, pinpointing the development of property relations as the key to perestroika. 'Property relations are the core of radical economic reform. It was necessary to awaken people's interest, to give them some motivation for increasing production. There is no other way.' The question of the market and of wages is subordinate to this question of property and motivation. 'Once there are owners there must also be space in which they can operate. Operate, seek partners for raw materials deliveries, think about where to market their output, etc. There you have it — a market . . . The process of changing over to market relations is difficult. It's hard for you and me to restructure our thinking, and it's even more difficult for the people. Society has been overburdened with an equalising approach; it has lost the habit of showing initiative. Everything has been oversimplified. But now life is changing . . .' (CDSF, xlii, 49, p. 9).

However, the question of the market is not the first priority. First, 'the problem of the market can't be solved without bringing order into the financial system.' This required reduction of military expenditure and the budget deficit, and the reduction of active cash balances, by encouraging savings and through privatisation. The attack on inflation also needs an attack on wages: 'There is an unwritten law: Wages should be linked with economic results, with the final product.'

Second, 'without political stability, without the effective functioning of executive power along the entire vertical hierarchy, no progress will be made. Concrete measures will be taken here . . . We must look at power, at the system of administration, precisely as a system. Strengthening executive power is a problem not just of the centre. That's why the institution of the presidency appeared. We "tacked on" the presidency to the existing structure, thereby creating parallelism. We must get rid of that and build a completely integral system. It should operate effectively at the lower levels as well — otherwise there will be trouble. The USSR Supreme Soviet has repealed Article 149 of the Constitution, according to which the chairman of a soviet, its presidium and its executive committee are elected by local agencies. Thus, local and republic agencies have the right themselves to sort out immediately what should be done' (CDSF, xlii, 49, pp. 9–10).

Liberal anguish at Gorbachev's supposed move to the right could hardly have been more hypocritical, since it was precisely the liberals who, over 1990, had become the harshest critics of democracy. The 'liberals' were at least as insistent as the 'conservatives' on the need for a strong state, and even a period of authoritarian rule, to force through the reform programme. Sergei Stankevich, a Young Turk of the new breed of opportunistic liberal politicians, and later Yeltsin's political adviser, noted at the end of 1990 that 'the situation in the country is critical and by ordinary parliamentary methods, using only our newly-born and still ineffective democracy, it will be impossible to resolve our problems. Therefore we need a more authoritarian leadership of the reform process.' (*Komsomolskaya Pravda*, 30.12.90, quoted in Mandel 1991, p. 120). In expressing this sentiment he was only echoing his then master, Gavril Popov, Mayor of Moscow, who had earlier insisted that 'we must seek new mechanisms and institutions of political power that will depend less on populism' as the basis on which to 'speed up changes in ownership' (*New York Review of Books*, 16.8.90), which in his case involved suppressing the powers of the local soviets within Moscow, and establishing his own executive power in the face of the 'ineffective democracy' of Mossoviet. In Leningrad Sobchak had acquired popularity as an authoritative leader by riding roughshod over his council. Yeltsin, Popov and Sobchak needed no encouragement to establish their independent power bases. In the face of recalcitrant city and republican soviets they had more reason than Gorbachev to argue that 'we must strengthen executive power and counterbalance our "rampaging" democracy' (CDSP, xlii, 49, p. 10).

As the state disintegrated and its authority evaporated the ground was cut from under the conservatives' feet, and the balance of forces swung firmly in favour of the liberals. Gorbachev's attempt to preserve the unity of the ruling stratum failed as the polarisation between its competing factions came to a head, accelerated as Yeltsin exploited the 1991 miners' strikes in the run-up to the Russian Presidential election, in which Yeltsin threw down the gauntlet to Gorbachev, and then with the coup and counter-coup of August 1991. Yeltsin immediately installed what was in effect a system of Presidential rule, and within two months came down decisively in favour of an IMF-inspired programme of shock therapy, based on the rapid liberalisation of prices and a crash programme of privatisation. It seemed that the programme of perestroika had collapsed, to be replaced by a programme for the rapid transition to capitalism based on the private appropriation of the means of production. However, in Russia nothing is ever what it seems.

To understand what is happening in Russia today it is necessary to penetrate behind the rhetoric of ideological debate and factional politics to identify the class forces engaged in struggle. Whatever may be the intentions of the Russian leadership, the transition to capitalism can only be a pipedream in the absence of a capitalist class. To understand the dynamics of the transformation of the Soviet mode of production we have to look behind juridical and political changes to the development of the social relations of production.

The liberal solution to the crisis sought to subject the enterprise to the law of value, but this could not be achieved in the absence of a strong state which could

subject the enterprise to the rule of money and the law. But even if this could be achieved, it was a necessary, but not a sufficient condition for the transformation of the social relations of production, as should already be clear from the fate of the attempts to subject the Soviet economy to the international operation of the law of value. For enterprises to be able to respond to the pressures imposed on them by competition they must be able to subordinate the production of things to the production of surplus-value. To do this the managers had to be able to assert their control over the activity of the collective labourer in the process of production. But to do this they had to confront the barrier which had hitherto thwarted every attempt at reform, the working class.

### 3.8 The Crisis of the Soviet State and the Crisis of World Capitalism

I have argued in the course of this chapter that the crisis of the Soviet system was an expression of the fundamental contradiction on which that system rested, but that the crisis was brought to a head by the development of the global crisis of capitalism within which the Soviet system was inserted. This provides the basis on which we can legitimately compare the crisis confronting the state in the Soviet bloc with the comparable crises of the state in the capitalist world, not merely by analogy, but because the particular instances are differentiated forms of the same crisis. This explains the remarkable parallels between the current crisis of the state in the Soviet bloc and the crises which engulfed social democracy in the late 1960s and early 1970s, the dictatorships of the Southern European periphery in the 1970s, and those of the Third World in the 1980s (Clarke 1988).

What all these crises have in common, whatever the domestic economic and political structure and the domestic balance of class forces, is a crisis of an interventionist state, in which central features of economic policy had become highly politicised. An economic crisis becomes a political crisis as the state comes under growing pressure to restructure the social relations of production in the face of fiscal, monetary, financial and political pressures, but the institutional representation of contending class and factional interests presents formidable barriers to any such restructuring, without providing the basis for any alternative resolution of the crisis. As the crisis deepens and class struggle intensifies, the legitimacy of the existing form of the state is progressively undermined as the state increasingly appears to all social forces, for different reasons, as the primary barrier to the resolution of the crisis and the realisation of their particular aspirations. The response to this crisis is not the seizure of state power by one or another class, but the attempt to restructure the state and, at the same time, class relations, under the domination of the ruling class.

The driving force behind this restructuring is not so much the attempt to provide a resolution of the economic crisis, as the attempt to resolve the political crisis of the state by trying to disengage the state politically from the economy so

as to depoliticise economic policy formation. This is achieved by the neo-liberal restructuring of the state and of its relation to the economy, as money replaces the state as the agent of restructuring, while the money form is imposed on the state, and large sections of the public sector are nominally privatised. The importance of these measures is not, as the right claims, that the restoration of the rule of money and the market will perform an economic miracle; nor is it, as the left claims, to be reduced to the private plundering of public assets, or even to a frontal assault on the working class. Their importance is that they promise to resolve the political crisis of the state as a form of class rule, by restructuring both the state and the working class.

Although the state appeared as the primary barrier to the resolution of the economic and political crises of the 1970s and 1980s, the ultimate barrier to that resolution was the strength of the working class. Working-class resistance to the resolution of the crisis could not be broken by direct political confrontation, without risking a dangerous confrontation of class forces. Thus the condition for the resolution of the crisis of the state is the cumulative and simultaneous restructuring both of the state and of the working class, so that the resistance of the working class to the imposition of the rule of money is broken down by exploiting and intensifying divisions within the working class as the basis on which to secure its political demobilisation. However, the possibility of achieving such a restructuring is determined not so much by the will and determination of the forces in play, as by the objective possibility of dividing the working class, which is in turn determined by the possibility of significant sections of the working class benefiting from such a restructuring.

The similarity of the form of the crisis by no means dictates a similarity of outcome, since the domestic conditions of class and political struggle are very different in different countries. The demobilisation of working-class resistance was achieved relatively easily in the advanced capitalist countries, where the initial stages of restructuring were undertaken primarily by social-democratic governments, which were able to limit opposition by exploiting their links with the leadership of the organised working class, before conservative governments took up the baton and moved onto the offensive. In Southern Europe the dictatorships abandoned their authoritarian rule, under pressure from the domestic and international bourgeoisie, before working-class resistance assumed a mass form, so that the working class did not present a significant barrier to the restructuring of the state and class relations under the domination of international capital. In Latin America, South Africa and East Asia authoritarian states have come under pressure from mass popular movements, often with a pronounced class character, and it is by no means clear that the restoration of democracy and economic liberalisation can be successful in stabilising neo-liberal state forms by dividing and demobilising working-class opposition. In the Soviet Union, in particular, the integration of the economy and the state, and the corresponding absence of any alternative mode of economic regulation, meant that there was no possibility of the neo-liberal restructuring of the state succeeding, the crisis instead leading to the parallel disintegration of the state and the economy from which it could not be disengaged.



## Chapter 4

# The Soviet Transition from Socialism to Capitalism: Worker Control and Economic Bargaining in the Wood Industry

Michael Burawoy and Pavel Krotov Omitted for copyright reasons



## Chapter 5

# Trade Unions and the Working Class

Simon Clarke and Peter Fairbrother

We have seen since 1989 that Soviet workers are ready to strike, and to come onto the streets, to defend what they see as being their rights and interests.<sup>1</sup> However, workers have not yet developed stable institutional and organisational forms through which they can articulate and express those interests in the conflicts that inevitably arise in the turmoil of the transition to a 'market economy'.

Conflicts of interest existed within the old system, but they were normally anticipated and resolved bureaucratically through the political-administrative apparatus, which applied a judicious mixture of concession and repression. The disintegration of this apparatus has opened up new conflicts, by giving free play to forces which had hitherto been contained.

The normal way in which conflicting economic interests are articulated, negotiated and resolved in the West is through the representation of workers in trade unions, which negotiate collective agreements with employers, and which may participate in the political process through tripartite bodies involving employers, unions and government. Many Western commentators, and many Soviet liberals, see the development of such a system as providing the way forward for the former Soviet Union, with the ideology of 'social partnership' providing the framework for a negotiated transition to capitalism.<sup>2</sup> For such a development it is essential that representative bodies exist to negotiate on behalf of the parties

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<sup>1</sup>Although it draws on the Western literature, our understanding of Russian trade unions is based primarily on our own extensive interviews with workers and trade unionists. We are concerned only with the general pattern of trade union activity, but we have found it remarkably consistent across a wide range of enterprises, with little indication of significant changes, other than those discussed in the text, either in the present or the recent past. The unions may have been more active in the period of the 1960s reform, but they were certainly no more tolerant of independent workers' activity.

<sup>2</sup>This has been the dominant position of intellectuals associated with the trade union movement. Both independent and official unions have been turning to the West for instruction, and Western governmental and trade union agencies have been active in the labour movement.

involved, and in particular on behalf of the working class. The official trade unions seem well equipped to take on this role, having declared their independence of party and state and their determination to represent the interests of the working class in the transition to capitalism. On the other hand, while the official trade unions remain overwhelmingly the largest workers' organisations, their claim to represent the workers' interests is contested by an enormous variety of independent trade unions, workers' committees and political organisations.

The struggle over the appropriate form of workers' organisation is inextricable from the struggle over the definition of the class interests of the workers. The official trade unions were adapted to the representation of the interests of the working class, strictly within the limits of the Soviet system of exploitation. The new 'free' and 'independent' trade unions claim to offer a form of organisation appropriate to the representation of the interests of the working class as 'hired labourers', within the limits of the capitalist system of exploitation. Between the two, a range of workers' organisations refuse to trade one form of exploitation for another, and seek to give the working class a decisive role in defining the emerging form of social relations in Russia. In this chapter we will lay the foundations for a discussion of the new workers' movement by looking more closely at the limits imposed on the official trade unions by their traditional role in the Soviet system, and at the emergence of a new form of worker representation provided within the system, the Labour Collective Council (STK). In the following chapters we will discuss the emergence of the new workers' movement since 1987, before coming back to the question of the contemporary role of the trade unions in conclusion.

## 5.1 The 'Dual Functions' of Soviet Trade Unions

The dominant Western interpretation of Soviet trade unions is based on an analysis of the tension between their 'dual functions', of representing the interests of the workers and representing the policies of the party-state (Ruble 1981). This duality of function has often been represented as the basis of a tension between the representation of the interests of individual workers at the base, through the provision of social and welfare services and the protection of their legal rights, and the imposition of the policies of the party-state from above, in which the latter function was inevitably dominant. If this were the case, the destruction of the trade union centre would liberate the unions from their 'dual functions' and allow them to make a relatively smooth transition to becoming genuinely representative bodies, able to rebuild from the bottom up in order to represent the interests of workers in the transition to capitalism. This vision has underlain the rhetoric of the Federation of Independent Trade Unions of Russia (FNPR), through which the official trade union movement was reconstituted in 1991. It has also underlain the project to create a 'Party of Labour', initiated by a section of the socialist intelligentsia, as well as the continued co-operation of the British trade union movement with the official Soviet union structures.

The alternative interpretation saw the unions as no more than a part of the

repressive apparatus, whose commitment to the workers' interests was purely rhetorical (Schapiro and Godson 1981). This interpretation would lead us to expect that the trade unions would simply disintegrate with the collapse of the Soviet system, as workers look for their defence to new independent trade unions. This view has underlain the very active involvement of the AFL-CIO and the CIA with the nascent 'free' trade union federations.

In our view both of these interpretations are based on a 'formalistic' view of Soviet trade unions, which focuses on their constitutional and legal functions, to the neglect of their actual operation in the everyday life of the enterprise. At the level of the enterprise the trade union was an instrument of the enterprise administration in its attempt to subordinate the labour force to its over-riding goal of achieving plan targets, but at the same time the activity of the trade union in support of the administration was supposed to be subordinated to the interests of the working class as a whole through the subordination of the union to the authority of the Party. In this sense the trade union embodied a compromise between the administration and the workers, under the strict control of the Party. The 'dual functions' of the trade unions were not expressed in a tension between the centre and the base, but were both exercised from above, through the Party and managerial apparatus. The interests of the working class were identified rhetorically with the policies of the party-state, and the role of the trade unions was to ensure the implementation of these policies at the level of the enterprise, nominally representing the interests of the workers in opposition to managerial neglect, incompetence and corruption.

From this point of view the 'dual functions' of the trade union were their functions for the enterprise administration, on the one hand, and their functions for the party-state, on the other, and the tension was between these two roles. Although formally the trade unions were an instrument of the party-state, in practice it was their function for the enterprise administration that was dominant. The implication of the collapse of the party-state is not the liberation of the unions from their repressive role, nor is it their collapse once their repressive role is removed, but is their strengthening as an arm of the enterprise administration, which now represents itself as the sole defender of the workers' interests, while using the power and patronage of the union in the attempt to ensure that the workers themselves do not challenge this claim. The implication of the analysis is that we have to look not so much to old or new trade union federations, but to new forms of workers' organisation within the enterprise to find the seeds from which a distinctive pattern of Russian trade unionism may eventually emerge.

## 5.2 Trade Unions and Democratic Centralism

At first sight the official trade unions are well equipped to defend workers in the transition to a market economy. Around 98% of the Soviet workforce belonged to the official trade unions, organised in about two and a half million primary groups, and membership has fallen relatively little, even in the turmoil of recent

years. Soviet workers have legal rights incomparably stronger than do workers in the West, and the unions have an obligation to defend those rights.

The unions would also appear to be in a strong position to resist sectionalism and defend the interests of the working class as a whole. On the one hand, the unions are concerned not only with issues of hours, wages and health and safety, but are also involved in negotiating and administering the provision of such things as child care, housing, education, holidays, public catering, municipal transport, and sporting and cultural facilities, along with the distribution of food and scarce consumer goods and the administration of a wide range of welfare and social insurance benefits. They therefore represent the young and the old, women and men, the employed and the unemployed, producers and consumers. On the other hand, unlike most unions in the West, Soviet unions are organised on a branch basis, not on the basis of trade or profession. This means that the union represents everybody working in the particular branch of production, from cleaner and storekeeper, through enterprise Director, right up to ministerial level. With such comprehensive representation, the union should be able to resolve sectional differences within its own structure.

In practice, however, the trade union movement is by no means as healthy as it might appear at first sight. Russian workers do not see the trade unions as representing their own interests, but those of the nomenklatura, management and the state.<sup>3</sup> Thus the central unions' own Research Department found in 1989 that only 4% of workers respected their own unions, a fall from 16% in 1988, while only 3% thought their trade union membership gave them an influence over management decisions. Almost two-thirds believed that the local structure of the union was dependent on management, and one-third believed that the unions did not have any real mechanism to defend workers' rights.<sup>4</sup> Although the Soviet trade unions look at first sight like Western, and particularly British, trade unions, they are really only a caricature of such forms of workers' organisation.<sup>5</sup> An understanding of the character of Soviet trade unions depends on understanding their position within the Soviet system. This position was defined initially by Lenin, but was only effectively institutionalised with Krushchev's reforms.

The role of the trade unions was defined by Lenin as providing the 'trans-

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<sup>3</sup>The Communist Party was suspended following the failed coup of August 1991. However, the nomenklatura remains more or less intact, with some turnover of membership, now organised in various formal and informal local and regional bodies ('business', 'commercial', 'financial' and 'industrial' organisations), with little central supervision or control.

<sup>4</sup>Unpublished poll data provided by Eugene Mokov, formerly Head of the Research Centre at the Trade Union Institute. The same poll showed that in 1988 almost 20%, but in 1989 only 8%, believed that the unions would defend workers against administrative violation of work rules; 33% in 1988, and only 19% in 1989 believed that the local trade union would defend their rights. 95% thought that some structural reorganisation of the unions was necessary, with 31% (1988) and 41% (1989) looking for radical reforms. 89% would leave the unions if they failed to meet the workers' needs. A 1990 poll gave the trade unions a popularity rating of 5%.

<sup>5</sup>The word 'caricature' is used advisedly. Lenin's enthusiasm for the Webbs is well known, and it was not least because they found their own fantasies realised there that the Webbs acclaimed the Soviet Union as the 'new civilisation'.

mission belt from the Communist Party to the masses', and as a 'school of communism in general' (Lenin 1970, pp. 470, 468), and this has been the basic definition of their role ever since Lenin's day. This does not mean that trade unions have not changed, but it does mean that their form has developed in close correspondence with the development of the form of Party rule.

Under Stalin the unions were no more than an instrument for the imposition of a rigorous labour discipline in the drive to increase production through the intensive exploitation of the working class. This did not mean that the trade unions were an instrument of management, for management itself had to be kept under strict supervision and control. The trade unions were rather an instrument of the Party, keeping both workers and management in line. However, the trade unions were supine bodies, staffed by the least competent party cadres, and played a subordinate role to the more directly repressive apparatuses.

The trade unions came to play a much more important role in the system under Krushchev, as the easing of repression in the 1950s made it necessary for the regime to pay closer attention to the workers' interests, and as it sought to use workers' aspirations as a lever to force reform on managers. Some have seen in this development the formation of a new 'social contract', according to which the regime sought to preserve the system by paying off 'blue collar workers with more money as long as greater income did not mean greater political power' (Ruble 1981, p. 5; Hauslohner 1987). Corresponding to this interpretation, the trade unions are seen as having become increasingly representative bodies, which genuinely pursue the workers' interests within the system (Brown 1966; Ruble 1981). Other commentators, on the other hand, regard the unions as slightly more humane agencies of repression in an unchanged system (Conquest 1967; Schapiro and Godson 1981). This apparent contradiction has come to a head since 1989, as the trade unions have become increasingly vociferous in their espousal of the workers' interests, while their members' confidence in their own unions has continued to plummet.

The apparent contradiction can be resolved as soon as it is appreciated that the role of the trade unions was to represent the interests of their members, both collectively and individually, strictly within the framework of the Communist system. The fundamental principles of that system were the principles of democratic centralism and of the leading role of the Party. Although the trade unions certainly have paid closer attention to the workers' interests since the 1960s, they have not provided any means by which the workers could articulate and express their interests for themselves. The interests of the workers were defined from above, by the Party as the representative of the working class as a whole, and the potential conflicts of interest between workers in different occupations, in different regions, with different qualifications, in different working conditions, were all resolved, under the leadership of the Party, through the bureaucratic-administrative system, and embodied in plans, directives, rules, scales and regulations.<sup>6</sup> Against this 'rational-bureaucratic' representation of

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<sup>6</sup>The rigorous subordination of the unions to the Party was the basis of Stalin's re-organisation of the unions in 1948, in which they exactly duplicated the structure of the

the interests of the working class, any independent expression of workers' interests was characterised as an impermissible sectionalism, and any attempt at independent organisation was ruthlessly suppressed.

These principles have always been embedded in the structure of the trade unions, which were rigidly hierarchical, with authority embodied in superior bodies, which were responsible for vetting nominations, elections and appointment to lower bodies, for passing policy directives down to lower bodies, and for resolving disputes which arise at lower levels. Similarly the structure was marked by the absence of any direct horizontal links between trade union committees, all of which were mediated through superior bodies. Within an enterprise brigades were linked only through shop committees, and shops only through the factory committee.<sup>7</sup> In the same way enterprise trade union committees were only linked through city and regional committees, and regional committees only through Republican and, formerly, All-Union committees. This means that all flows of information and all co-ordination were provided by higher bodies, maintaining the fragmentation of workers at all levels of the system, and presenting a formidable barrier to any attempt of workers to display independent initiatives.

### 5.3 Trade Unions and the Struggle for Production

The move from repression to conciliation in the wake of Stalin's death was not determined by any humanitarian sentiment on the part of the leadership. Nor was it determined by any indication of a need to make material concessions to contain actual or potential unrest on the part of the workers. The primary determinant of the change in emphasis was the growing belief that purely repressive forms of labour discipline were counter-productive, in reducing workers' motivation and stifling managerial initiative. Thus the re-organisation and re-definition of the role of the unions was explicitly linked to Krushchev's economic reforms, which sought to encourage technological innovation and improve labour productivity, and to the wage reforms of 1956–62, which sought to restore incentives (Ruble 1981 p. 29; Filtzer 1986, 1992).

The enhanced role of the unions was established by a resolution of the Central Committee of the Communist Party in December 1957, which recognised the need to increase workers' involvement in production administration, and to improve the levels of workers' education and welfare, as a means of promoting the growth of productivity. As far as the unions were concerned, this meant in particular an increased importance for the factory committee and local organ-

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Party.

<sup>7</sup>Ordinary workers were strictly forbidden to wander about the plant or to visit other shops without written authorisation. The resulting fragmentation is reproduced even in the new independent workers' movement, with very little contact between workers' committees in different shops. In our own interviews we have frequently been astonished at the level of ignorance of worker activists in one shop of activities in another, to say nothing of the ignorance of activities in other enterprises.

isation, a need to be more responsive to members' welfare, and a need to be more active in negotiating and monitoring collective agreements at enterprise level and in challenging management's violation of workers' rights (Ruble 1981, p. 33).

Ruble interprets this resolution as signifying 'a new covenant between the trade unions and the Communist Party insofar as union officials could now seek Party support when raising issues of workers' rights before factory administration' (ibid., p. 34). However, this assertion implies that the trade unions can be distinguished from the Communist Party, whereas in fact they remained under strict Party control at all levels. To ensure this subordination leading officials were appointed from outside the union movement.<sup>8</sup> It also implies that local union officials had an interest in pressing workers' rights for their own sake. However, as Ruble recognises (1981, pp. 23–5, 35, 40–41), the recurrent complaint of the union leadership, both before and after the reform, was that local officials were incompetent, negligent, and unresponsive to workers' needs.

The 'productivist' emphasis of the Krushchev reforms was entirely in keeping with the established role of the trade unions in the Soviet system. The condition for the improvement of the living standards of the working class as a whole was the increase in productivity which would provide the necessary goods to meet increased workers' demands. In this sense the 'social contract' embedded in the system was not so much a trade-off between higher wages and political passivity, as a commitment to make every effort to raise productivity as the basis of rising living standards.<sup>9</sup> In theory at least, the trade unions would represent the workers' interests in the negotiations over production targets and wage norms, from the All-Union to the enterprise level, and its primary obligation would then be to cajole its members to deliver the increases in production embodied in the targets, on the basis of which the workers would secure the promised increases in wages.

The unions were not enjoined to express the interests of the working class for the sake of the workers, but as the means of increasing productivity by raising workers' morale, stimulating their initiative, encouraging socialist competition, and goading a lethargic management. It was the failure to raise productivity sufficiently, not the failure to meet the workers' needs, that led the union centre constantly to berate the local organisation. And it was the implications of inadequate wages and benefits for worker motivation and productivity, rather than for the workers' own interests, and for the already high levels of labour turnover

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<sup>8</sup>Vladimir Kuzmenok, Deputy Chairman of the official Federation of Independent Trade Unions of Russia (FNPR), formerly Deputy Chairman of the General Confederation of Trade Unions (VKP), insisted to us in July 1992 that 'trade unions did not exist in the USSR . . . The VTsSPS was never an organisation—it was just a body through which the Party could control trade unions from the centre . . . Not once in seventy years did it even demand an increase in wages . . . It was simply the social department of the Central Committee of the Communist Party of the Soviet Union', while he described the trade union apparatus as a 'cemetery for Party cadres', a dumping ground for those who knew only how to follow orders.

<sup>9</sup>Although the regime was willing, in extremis, to raise wages to maintain social peace, political passivity was not bought by higher wages. It was imposed by the fragmentation of workers, backed up by the repressive apparatuses.

and slack labour discipline, rather than for the threat of unrest, that concerned the centre (Ruble 1981, pp. 43–4). The role of the union in representing its members was therefore constrained not only by the primacy of the interests of the working class as a whole over the ‘sectional’ interests of particular groups of workers, but also by the primacy of production over consumption. These principles determined both the form and the limits of Soviet trade unionism.

Some have seen the problems of labour motivation, labour discipline and labour turnover which have beset the Soviet system as an expression of the power of the working class, or of the high degree of ‘workers’ control’ over production. From this point of view the enhanced role and status of the unions could be seen as an institutional expression of this power embodied in the ‘social contract’ between workers and the party-state. Our own view is that this characterisation is misleading.

While workers have certainly enjoyed an extraordinary degree of control over the labour process, this has not been based on any collective organisation of the workers. Rather it is the result of the fragmentation and demobilisation of the workers which confines their individual and collective interests within the limits of the informal ‘production pact’ between workers and management; a pact based on their common interest in maximising the resources available to the enterprise, and in attaining plan targets. ‘Workers’ control’ is therefore an expression of the irrationality of the Soviet economic system, rather than of the power of the workers. The attempt to mobilise the workers to raise productivity through the trade unions was accordingly bound to founder on the ‘irrational rationality’ of the Soviet system.

Similarly, the labour shortages which appear to have persistently undermined attempts to tighten labour discipline are a feature of an irrational system in which resource constraints are most easily overcome by labour hoarding and by bargaining with the planners, rather than the basis of any effective bargaining power on the part of the workers. Moreover, labour hoarding implies that the enterprise has a substantial surplus of labour, which functions as an ‘internal reserve army’, giving management the power to discipline workers by assigning them to low-paid tasks or to reward them by assigning them to sinecures. Labour shortages have certainly been a concern of management, but these have been shortages of specific categories of workers, notably of skilled and motivated manual workers. We have no evidence of trade unions using labour shortages as a bargaining counter *against* management. On the contrary, the trade union president and the head of personnel of a huge enterprise jointly told us with some glee in December 1991 that now that there was a ‘reserve army of labour’ they could afford to get rid of surplus manual workers and tighten labour discipline.

In short, ‘workers’ control’ was a feature of a system in which management had an interest in maximising resources, rather than minimizing costs, and so had its own interest in leaving control of production in the hands of the workers, providing only that they met the plan targets. Each attempt to reform the system has sought to harness the productivity drive to the workers’ interest in raising wages, precisely because management’s lack of interest in increasing productivity was inscribed in the system. Although the various reforms nominally

mobilised the workers against a conservative management, they were all doomed from the start because they contradicted the very foundations of a system based on worker passivity and managerial conservatism, which they sought to preserve.

## 5.4 The Unions and the Working Class.

The increased role of trade unions in the post-Stalin period was expressed in their increased political importance at the centre. This meant that the trade union leadership played an increasing role in the formation of labour policy and the drafting of legislation, and was brought into negotiations over the levels of wages and benefits, and correspondingly the relative priority to be given to consumption and investment, in the formulation of the plan. However, the role of the unions remained a subordinate one, amounting to the provision of information and advice in discussions with the branch ministries and with Goskomtrud (the State Committee for Labour and Social Questions), and some liaison with the State Planning Committee (Gosplan) (Hough, in Kahan and Ruble 1979).

Although the unions pressed the interests of the working class at the centre, there is no evidence that they had any independent weight. The unions never enjoyed strong representation where it counts, in the Central Committee and in the Politburo. This is to be expected, for the reforms did not propose to enhance the ability of the trade unions to represent the interest of workers in the inner sanctum of the Party, but rather to ensure that the interest of workers, embodied in the directives of the Party, were realised at enterprise level.

The priority of class over sectional interests and of production over consumption severely limited the extent to which the unions were able to represent the expressed interests and grievances of particular groups of workers. However, this does not mean that the unions were simply repressive organisations. The trade unions were obliged to represent the interests of their individual members, within the limits of the system. These interests were expressed in the enormously complex and detailed rules and regulations which governed workers' pay, working conditions, employment rights, access to benefits, etc. The unions played an advisory role in drawing up these rules and regulations, but once they were established workers could not legitimately challenge them. However, they could challenge the interpretation of the rules and the violation of their rights, and the unions had an obligation to support their members in such cases. The increased role of the trade unions did indeed express a greater attention on the part of the regime to the interests of workers, but this role was defined strictly according to the principles of democratic centralism, the Party representing the interests of the working class as a whole.

Much more important than any representative role was the role of the unions in the distribution of various benefits to the work force. However, this activity of the unions was defined strictly in accordance with the priority traditionally given to production over distribution. The benefits which the trade unions could secure for, and distribute to, their members were conditional on their ability to persuade their members to deliver the increases in production defined by

the plan targets and production norms, and workers' entitlements were linked, formally and informally, to their contribution to the production effort.<sup>10</sup>

## 5.5 Management, Party and Union in the Workplace

The Krushchev reforms of the 1950s and early 1960s placed a heavy responsibility on the trade unions, as the 'transmission belt' of party policy, through which enterprise management would be induced to enter a virtuous circle of increasing wages and living standards, improved working conditions, increasing levels of worker morale, education and initiative, improved labour discipline, and increasing productivity. However, success or failure depended fundamentally on the trade unions being willing and able to break the collusive relationship between management and workers which was inscribed in the administrative-command system of Soviet 'planning'.

As it turned out, the reforms were ineffective, largely because they did nothing to address the systemic weaknesses of the Stalinist 'planning' system which, as discussed earlier, gave management at enterprise level very strong incentives to collude with workers in maintaining considerable excess productive capacity, both to maintain low targets and to facilitate their achievement, and in resisting any significant restructuring of the labour process.

This common interest extended to the determination of wages and production norms. Management and workers had a common interest in maximising the wage rates and the size of the wage fund allocated to the enterprise in the plan (McAuley 1969, p. 88). Within the enterprise, workers expected wage rates and norms to be adjusted in such a way as to maintain their customary wage levels, while management's interest in stability encouraged them to collude with the workers' expectations, within the limits of the wage fund at their disposal. This collusion was reinforced by tight labour market conditions, which meant that managers who did not maintain customary wage levels soon faced labour shortages. Since the payment of bonuses depended on the achievement of plan targets, the workers and management also had a common interest in defining achievable production norms consistent with the realisation of the plan.

The basic principle of Soviet management has always been that of 'one-man management'. However, this did not mean that the Director had unchallenged authority. The targets laid down in the plan, and the commitments entered into in the collective agreement with the union, had the status of law, while the Director was expected to exercise his authority only within the limits of the law and the policy and directives of the Party. This meant that his scope for

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<sup>10</sup>The Webbs characterised the Soviet trade unions perfectly accurately: 'the Soviet trade union ... is not formed to fight anybody ... The pecuniary interest of its members is found in the productivity of Soviet industry in general ... and it is this aggregate productivity, not anybody's profits, on which the standard wage-rates of all of them will depend. ... [apart from this] the trade union acts as an organisation not of producers, ... but of consumers, in which all the workers in the enterprise are equally concerned' (Webb and Webb 1937, 1, p. 173).

discretion was constrained not only by the directives of the Ministry, but also by the Party (including its youth wing, the Komsomol) and, at least in principle, by the trade union. The result was that the enterprise was under the control of the 'troika' of the Director, the Party Secretary and the Union President.

However, the three elements of the 'troika' were not independent of one another, since the appointment of the Director and the union President were under the control of the Party, and disputes would ultimately be resolved by the Party. Moreover, the three elements by no means had equal weight. The enterprise Director stands above the enterprise Party Secretary, and far above the trade union President, in the pecking order, so that neither of the latter could challenge a decision of the Director on their own initiative, but only if they had secured the support of appropriate higher level Party bodies.<sup>11</sup> This meant that the position of the Party was crucial in determining the authority of the Director.

The failure of the planning system to exert effective control at enterprise level had always been compensated by the role of the Party, which was to combat 'formalism' and ensure the substantive implementation of Party policy in the sphere of production. Under Stalin the Party had sought to achieve these ends through the repressive apparatus. With Krushchev's reforms the same ends were supposed to be achieved through Lenin's 'transmission belt', the unions. However, the Party did not stand apart from the system in which it became increasingly deeply embedded during the post-Stalin period. Political advance in the Party came not from stirring up trouble, but from building networks of patronage and strategic alliances, running a tight ship, maintaining order, and delivering production targets. The interest of the local party was therefore in sealing collusive relationships, not in breaking them, unless they threatened scandal or unrest. Thus, in practice the trade union remained very firmly the junior partner in the 'troika', subordinate to the alliance between enterprise administration and Party authorities, and only playing an active role in the event of a conflict between the latter.

## 5.6 Production, Distribution and the Collective Agreement

The primary role of the union was supposed to be to encourage the increase of productivity by all the means at its disposal. In the first instance this meant co-operating with the Director in maintaining labour discipline, in removing barriers to production, in participating in production conferences and in encouraging 'socialist competition' within the workforce. However, the bulk of the time and resources of the union was not committed directly to the production drive, but to the administration of social and welfare provision, benefit

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<sup>11</sup>The appropriate level would generally be that which approved the Director's appointment. For a major enterprise, whose Director sat on the Central Committee of the CPSU, this could be the Politburo. For a small enterprise it might only be the Party Committee of the city or region.

payments, and the allocation of housing.

The distributive functions of the union were not independent of its productive functions. On the one hand, the level of welfare provision depended on the funds at the disposal of the enterprise, which depended on its ability to negotiate satisfactory targets with the Ministry, and then on its ability to meet and exceed its plan targets. This link lay at the heart of the collective agreement, which was a complex and elaborate document negotiated annually. On the other hand, the union in practice enjoyed a great deal of discretion in the distribution of money, goods and services, which it used as a means of encouraging 'socialist' attitudes among the workforce. The benefits distributed by the union thus provided it with an enormous power of patronage through which it was able to keep control over the labour force.

Although the primary role of the union was to increase productivity, this did not necessarily make it a mere tool of management. The Krushchev reforms sought, amongst other things, to transform the old style of autocratic management, through which plan targets would be achieved by repressive means, in favour of a new management style in which management would harness the energy and initiative of the workers. To this end the reforms backed up the extensive legal definition of workers' rights with effective mechanisms of legal protection and dispute resolution, in which the union was given the final word, enabling the union to resist repressive management practices (McAuley 1969, p. 73). On the other hand, the unions were also supposed to mobilise the most active and forward-looking members of the workforce to increase productivity, if necessary breaking any collusion between a complacent management and more conservative workers concerned simply to manipulate and meet plan targets. Thus the union was supposed to press against managerial authoritarianism from below, and against managerial lethargy from above, reconciling the interests of workers in the enterprise with those of the working class as a whole.

However, as we have seen, the union did not have the authority to challenge management on its own initiative. The trade union depended on management support to carry out its functions. Trade union facilities were provided by the enterprise administration, which also financed many of the benefits provided to the workers through the union. Moreover, the career structure of trade union officials was not independent of that of management. Trade union officers tended to come from the ranks of the technical and administrative staff, and many looked for promotion back into the managerial ranks, this being one way in which technical workers could move into management. Although trade union officers were protected by law from any victimisation, with a guarantee that they could return to their former jobs, they relied on the management of the enterprise, and on the Party Committee, for any career advance.

On the other hand, management relied on the union to carry out a range of managerial functions, and to anticipate workers' grievances which could disrupt the smooth running of the enterprise. The result was that in practice the union and management tended to work closely together around a common programme, centred on the prime concern for stability, in which the trade union played a consultative rather than a representative role, sealing rather than challenging

the collusion between management and workers.

Within the framework of the plan, the union and management would negotiate the annual 'collective agreement'. However, there was in practice relatively little scope for negotiation, since the overall allocations were defined by the plan, by the web of detailed rules and regulations imposed by the centre, and by ministerial directives. The main areas of discretion concerned the allocation of enterprise funds in such areas as health and safety, housing repair and construction, and the provision of sporting and cultural facilities, where the union could contribute to the definition of spending priorities. More recently the union has become increasingly preoccupied with the acquisition and distribution of food and scarce consumer goods.

The draft of the collective agreement would normally be drawn up by management, based on that of the previous year, although union officials might have already been brought in to discuss details with enterprise economists, sociologists and norm-setters. The union might then propose amendments, and the draft would supposedly be extensively discussed in the enterprise before ratification. However, the collective agreement is often a long, complex and technically detailed document, of purely formal significance, and it was extremely rare for there ever to be much effective consultation. In principle the union should warn management of any deleterious consequences of its proposals, but the growth of sociology departments within enterprises, and their increasing use of internal surveys of the workforce, indicates that management relies more on 'scientific' methods of evaluation to assist and legitimate (both ideologically and juridically) its decision-making, and has little confidence in the ability of the union to report on workers' morale or to anticipate their response to change.

Since the points covered in the collective agreement are relatively minor, and management and union tend to have the same priority of maintaining stability in order to achieve plan targets, there is little scope for fundamental disagreement between management and union. In the past disagreements have been over relatively trivial matters, and have been referred upwards, usually to higher Party authorities, for resolution (McAuley 1969, p. 87). Once the agreement is signed it becomes binding, and the unions' negotiating role is at an end. Although the implementation of the collective agreement is supposedly monitored by the union on behalf of the workers, the agreement is in fact regularly breached with impunity, usually as a result of material constraints or changing circumstances, rather than managerial heavy-handedness. The collective agreement is not usually available to the workers, and many workers don't even know whether or not they have one, let alone what it contains.<sup>12</sup>

## 5.7 Wages and Production Norms

While the unions were very active in carrying out their production and distribution functions, they had very little involvement in the negotiation of wages,

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<sup>12</sup>Requests to see the current collective agreement in union offices usually lead to a long (and often fruitless) search through piles of old papers for what is often the only copy.

which in the West is regarded as the primary function of trade unions. The collective agreement allowed very little scope for discretion in the determination of wages. Total wage payments were constrained by the wage fund allocated to the enterprise, supplemented by bonuses which accrued for plan fulfilment. Basic wage rates were equally laid down from the centre, as were the formal criteria for grading, the grade classifications of tens of thousands of defined jobs, and the conditions for the award of quantitative and qualitative bonuses.

Although the union at enterprise level did not have any scope for negotiation over the sum available to pay wages, or over wage rates, management in practice did have a certain amount of discretion in the allocation of the various wage funds, particularly through the setting of norms and the allocation of bonuses. Norms were subject to the approval of the union, but little negotiation actually took place. Norms were supposedly set on the basis of scientific work-study, and although the extent to which they were revised varied between enterprises, they tended to be fairly stable, although adjustments to bonuses could be made for breakdowns of machinery, interruptions of supply, or other factors beyond the worker's control. In general norms were worked out between the foreman and/or the brigadier and the norm-setter, within more or less narrow limits defined by central directives, and with informal bargaining with the workers directly involved, and were then routinely endorsed by the union representatives. Where disagreement arose it would rarely be over fundamental questions, since again management and union interests did not usually differ.

Management's main concern was to maintain production by maintaining the stability of the labour force, with labour turnover, absenteeism and go-slows the main threat to the achievement of plan targets. This meant adjusting norms and bonus payments in such a way that workers' were, in general, guaranteed their customary standard of living, more or less regardless of performance. On the other hand, it may have been necessary to pay higher wages to certain categories of workers to reduce labour turnover or make up shortages, and, if the constraints of the wage fund were tight, to pay some or all workers lower wages.<sup>13</sup> Line management also had a great deal of discretion in allocating work and distributing bonuses, through which the earnings of individual workers could be controlled, and this was an important means of maintaining the fragmentation and subordination of the labour force, in the absence of the sanction of dismissal. In all these cases the union rarely played any role in negotiating payment, unless individual disputes arose.

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<sup>13</sup>Granick (1987) claims that the resultant relative wages were effectively market determined, without showing any significant influence of the priorities of either the union or the planners. In each of three disputes quoted by McAuley (1969, pp. 97–8) the union argued the case for higher grades on the grounds of maintaining wages to prevent labour shortages from damaging production.

## 5.8 Union Organisation in the Enterprise

The most important task of the union was not negotiating on behalf of its members, but encouraging the workforce to greater productive efforts, through production conferences and socialist competition, through the provision of educational, cultural and sporting activities and the distribution of housing, consumer goods and welfare benefits, by monitoring breaches of labour discipline, and by resolving disputes. The most time-consuming and laborious task of the union was the distribution of benefits to union members. To achieve these aims the union organisation should in principle penetrate every nook and cranny of the enterprise.

The union at enterprise level had a number of commissions mobilising a large number of volunteer activists, each headed by a member of the enterprise trade union committee. These commissions distributed benefits, but they also served as 'inspectorates', monitoring the performance of both workers and management throughout the enterprise in such areas as health and safety, wages, labour disputes, and social insurance. Their ambiguous role is perhaps best indicated by the social insurance commission, one of whose members was required to visit any absentee in his or her home to investigate the reasons for absence, and authorise benefit payment and supervise medical treatment if appropriate. Similarly, safety inspectors were given very considerable powers, but a work stoppage or diversion of resources to safety measures threatens the achievement of production norms, so that workers, union and management colluded in systematic breach of safety rules.

The commissions mobilised enormous numbers of volunteers to carry out union business, and are often cited as evidence of the high level of participation of union members. However, there were also considerable perks attached to such voluntary participation, which was a prime indicator of the 'socialist attitudes' which brought assignment to the most comfortable work tasks, priority allocation of union benefits and services, and promotion at work or in the union hierarchy. The high level of 'voluntarism' was more an indicator of the extent of patronage than of the enthusiasm of the workers, and commissions remained firmly under central union, Party and KGB control.

Most day-to-day negotiation over the terms and conditions of work took place at the level of the primary work group, and rarely went beyond the shop. In principle the formal union organisation should extend to every section or brigade, each of which should have its trade union committee or bureau, with one member acting as secretary. However, in practice the unions usually had little independent impact at the level of the primary work group, the lowest level of effective union organisation being that of the shop.

The rules governing work practices and pay and bonus rates were all handed down from above, while the principle of one-man management meant that the foreman had unchallenged authority. This meant that, in theory at least, the workers had to follow the instructions of the foreman without question. If the legality or propriety of the decision was in question, the worker could only challenge it retrospectively, by going through the disputes procedure. In practice

it meant that most issues were resolved within the informal structure of the work group, and endorsement by the union was then a formality.

However, it would be wrong to dismiss the primary groups of the union as insignificant. The unions always sought to recruit the more active workers into the ranks of their administration, with the ideal being that the formal structure of union representation would coincide with the informal structure of the primary work group. Similarly the Party, concerned to maintain its quota of workers, sought out and encouraged activists. This meant that many energetic and independently minded workers took office in the primary groups of the Party or the union, or were active on various union commissions, and genuinely and persistently pressed the demands of their fellow workers.<sup>14</sup> However, such activists soon found that they could make little or no headway as their demands were lost in the bureaucracy. Some responded to the experience by seeking higher office, only to be absorbed into the bureaucracy, while others dropped out in frustration or, more recently, moved into unofficial organisations. Again, we reach the same conclusion, that the problem is not that the unions do not represent the interests of the workers, but that they represent those interests only within the limits of a system in which the neglect and violation of workers' interests is systematically inscribed.

## 5.9 Disputes and Grievances

We have seen that the unions had very little scope for negotiation over such matters as pay, norms and the terms and conditions of work, all of which were laid down in complex rules and regulations, and implemented according to managerial discretion. Although the rules themselves, including rates of pay and norms, could not legitimately be challenged, the worker did have the right to challenge the interpretation or implementation of these rules, for example over health and safety, loss of bonuses resulting from the poor organisation of work, the illegal use of overtime to meet targets, unfair dismissal, or improper or inadequate norming or payments for work done. The union had an obligation to pursue the case on the workers' behalf and, in taking up such issues the union had the law firmly on its side, for the terms of the collective agreement were legally binding on management, while the union had an obligation to monitor health and safety standards, dismissal of manual workers was only permitted with the agreement of the union, and the union had to approve all norms.

Most grievances arose within the primary work group, and every attempt was made to resolve conflicts at this level. If a worker wished to pursue the grievance, he or she would normally bring in a member of the union shop committee. If this failed, the dispute entered a formal grievance procedure, in which the aggrieved worker presented his or her case to an adjudication committee, normally made up of one management and one union representative. If the latter failed to agree

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<sup>14</sup>The majority of activists in the unofficial workers' movement whom we have interviewed had previously held office in the official structures, and this seems to be generally the case. A few had been involved for many years, but most had soon given up in frustration.

the dispute would go to the trade union committee of the enterprise, or to the courts. Mary McAuley estimated that in the early 1960s somewhere between 3% and 10% of the workforce were involved in such disputes in any one year. The vast majority of such disputes consisted of routine matters, such as non-payment of overtime, incorrect grading or holiday entitlement, and were usually resolved in the worker's favour. Cases of illegal dismissal usually went directly to court, and where workers took cases of illegal dismissal to court, the majority eventually won their cases.<sup>15</sup>

It is important to stress that these grievance procedures relate essentially to the non-implementation of rules, laws and agreements in individual cases. The union's role was conciliatory not representative, and was essentially conservative, restricting the ability of management to reduce wages illegally, or pay below customary rates, but not seeking pay increases or improvements in conditions (McAuley 1969, pp. 179–80). Disputes were all handled bureaucratically, through the union, so that the workers had no opportunity to pursue grievances on their own account, and had no access to higher levels of management.<sup>16</sup>

The bureaucratic form of disputes handling made it almost impossible for a worker to pursue a claim independently of the union. The rules and regulations were enormously detailed and complex, and were not readily available to workers, so that they neither knew nor understood their legal rights or the legal basis on which they could enter a claim. Payment systems were equally so complex that most workers could not understand how their wage was determined, and so were not in a position to dispute the calculation. Nevertheless, many enterprises had their compulsive litigants who acquired and studied the rules, and were a thorn in the flesh of the union and the administration.

There is little evidence that workers were actively impeded by the union in pursuing their claims, or that those who did so were systematically victimised, provided that they confined their complaint to the proper channels, and yet relatively few disputes went through the formal procedure. This is certainly not because there were few grounds for dispute. Soviet enterprises could not meet their plan targets without systematically working illegal overtime, without flouting health and safety regulations, without the illegal payment of bonuses, and often without the illegal underpayment of particular groups of workers. However, the pay and working conditions of a particular worker depend to a considerable extent on his or her relations with the foreman, who could ensure

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<sup>15</sup>Ruble 1981, pp. 66–70; McAuley 1969, p. 154. Mary McAuley suggests that this high success rate may indicate the fictitious character of the disputes, as managers shifted responsibility for a decision on to the adjudication committee (p. 159). Alternatively, it may indicate that the role of the procedure is to dissuade workers from pressing their legitimate claims. McAuley gave no indication of what subsequently happened to those pursuing successful claims, nor of the proportion of grievances which were taken up through procedure. There is a general expectation that workers who press their rights are asking for trouble, and soon find themselves on a treadmill of litigation (Lampert 1985, 1986). Some worker activists we have interviewed have been repeatedly dismissed and reinstated.

<sup>16</sup>The most popular alternative channel for pursuing a grievance was through petition to higher bodies, or letters to appropriate newspapers and magazines, which together received well over a million such letters a year.

or disrupt supplies of parts and maintenance of equipment, and allocate more easy or more difficult jobs, so it was a foolhardy worker who fell foul of the foreman, and this is probably why the majority of formal disputes concerned such things as miscalculation of pay by the administration, rather than illegal work practices.

It would be wrong to conclude that workers were intimidated into submission solely by the managerial or union abuse of power, for workers collectively shared much of management's interest in the breach of the rules, where such breaches were necessary to meet production norms and plan targets, and so we would expect those who wished to pursue a case to come under informal pressure from fellow workers, as much as from union and management, not to pursue disruptive complaints. On the other hand, until Gorbachev came to power, those who sought to pursue their grievances other than through the channels provided, or who sought to develop independent workers' organisation, were ruthlessly repressed.

From the point of view of the suppression of overt conflict the system worked extremely well. Despite high levels of worker dissatisfaction, workers expressed their frustrations in individualistic ways, through disputes procedures, but more often through alcohol, slacking and absenteeism, by changing their jobs, or by writing letters of complaint to the newspapers or party-state bodies. In extreme cases workers might articulate their aspirations and frustrations collectively, even to the extent of strike action, always referred to as a 'stoppage' or 'meeting'.

Spontaneous strikes, which usually lasted only a few hours, were not uncommon under the old system, and there were significant strike waves in the early 1960s and the late 1970s and early 1980s (Connor 1991, ch. 6, but reports reaching the West were only the tip of the iceberg). Most strikes were in response to cuts in workers' living standards, rather than demands for improved pay and conditions. The most dramatic protests were those provoked by price increases, which could lead to civil disorder and, if provoked by repressive intervention, to violent riots which were ruthlessly suppressed by force. The main aim of the authorities in response to strike action was to nip any independent organisational tendencies in the bud. Management and union were expected to anticipate workers' grievances, identify and remove potential troublemakers, and break up recalcitrant work-groups, so that a strike was regarded as their responsibility. If a strike did break out, Party officials would be on the spot within hours, offering substantial concessions to the strikers, and persuading the strikers to return to work. Subsequently, work groups would be broken up, and the strikers would usually be transferred or prosecuted to prevent a recurrence. However, there was a sharp distinction made between workers participating in a strike, who were normally dealt with relatively leniently, and those who were regarded as 'ringleaders', or who participated in any kind of independent organisation or in civil disorder, who would be ruthlessly repressed, and often brutally dealt with. Some time later, managers and trade union and Party officials held responsible would also be discretely dismissed or transferred, although any connection between such sanctions and collective action of the workers would be denied.

At whatever level we look at the relationship, in practice unions in the en-

#### 5.10. *THE LIMITS OF COLLUSION: CONFLICT IN THE ENTERPRISE*<sup>77</sup>

terprise had little scope and less enthusiasm for anything more than reinforcing the collusive relationship between management and the workforce imposed by the Soviet system of 'planning'. In this sense the Soviet theory was perfectly accurate, there was no conflict of interests between workers and management, so that there was no contradiction between the union's representing the interests of workers and its close co-operation with management, and the unions were able effectively to represent the interests of their members. However, this commonality of interest was defined only within the framework of the bureaucratic-administrative system as a whole, which neither worker nor union had any power to resist, but with which the union was identified in the eyes of its members.

This comfortable collaborative relationship was not universal, and trade unions could play a more active role. In their role as transmission belt of the policies of the Party, the unions were constantly encouraged to break the collusion between workers and managers by trying to raise productivity, independently of the material incentives inscribed in the plan, and to resist the 'levelling' tendencies of managerial practice by seeking to relate pay more closely to performance. Subject to the constraints imposed by the plan, the ambitious manager might also be fired by a reforming zeal, looking for methods of providing incentives to the workers to increase productivity, and hoping to achieve promotion before the ratcheting up of norms and plan targets could erode any benefit that might accrue. Thus, it was always possible for management and union to 'experiment' with pay and norm-setting in an attempt to cajole the workforce into raising productivity. However, such experiments always ran considerable risks of disrupting technical and social production relations, which was why they tended to be opposed not only by management or union, but also by local Party officials. Although much has been made of a few such Soviet experiments, they were the exception rather than the rule. Attempts at their generalisation repeatedly fell foul of the sin of 'formalism' (Arnot 1988).

### **5.10 The Limits of Collusion: Conflict in the Enterprise**

We have argued that the union at enterprise level worked closely with, and in subordination to, the enterprise administration. Against this interpretation it should be noted that Soviet newspapers regularly reported cases in which a union waged a campaign against management on behalf of aggrieved workers, frequently revealing astonishing tales of managerial negligence, incompetence and, more recently, corruption. The outcome of such cases was usually the dismissal of the manager or managers concerned. These tales have been grist to the mill of both Soviet and Western commentators who claim a degree of independence of the unions on behalf of their members (Ruble 1981, pp. 76, 86-7), and would certainly seem to contradict the interpretation given above. However, there is no doubt that such cases were the exception and not the rule, so we have to ask under what circumstances the union would act in this way.

It is inconceivable that a trade union President would play a leading role in a conflict with the administration unless he or she anticipated support from higher Party bodies.<sup>17</sup> As executor of Party policy, the union could hardly be expected to articulate workers' grievances when those grievances ran counter to such policy. It was for the Party to decide which grievances corresponded to the legitimate interests of the working class as a whole, and which expressed anti-socialist sectionalism, breaches of discipline, and a decline in socialist morality. It is also very unlikely that, even with Party support, the trade union would launch an attack on a united administration. Principle, ambition or sectional interests could lead to conflict within the managerial apparatus, in which trade union and Party might mobilise the opposition faction in order to remove the Director.

In short, we would only expect the union to take up workers' grievances with the support of the Party, either as an expression of conflict within the administration, or as a part of Party campaigns organised from above, and probably as a last resort and/or to set an example to others. This means that the trade union never played more than a supporting role in factional conflicts within the apparatus. Thus, examples of campaigning activism on the part of unions do not contradict the general conclusion that the official unions' primary function was to anticipate and defuse potential disputes and to administer a comprehensive patronage network in the interests of maintaining social and political stability.

Our own research strongly supports this conclusion, even during the period of perestroika in which such conflicts became far more common. In every case that we have been able to examine, right up to 1993, significant conflicts between the union and an enterprise Director have expressed conflict within the managerial structure, and/or conflict between management and higher Party or ministerial bodies. Some recent examples will serve to illustrate the point.

There have been many cases since 1987 in which the union committee successfully demanded the sacking of the General Director and the election of a replacement, sometimes in the wake of worker unrest (in the Donbass after the 1989 miners' strike this amounted to a purge of mine directors). However, in every case that we have examined before 1991 such a campaign was initiated and organised by the Party, and in many cases also expressed a division within the administration. Sometimes this could go wrong. In one enterprise in the Urals in 1990 the labour collective voted in their own candidate, against both the old Director and the union-administration nominee. In response, the union and the supporters of the old Director went to the Ministry in Moscow, which refused to confirm the elected Director, and installed the union-administration nominee in his place.

With the breakdown of the administrative-command system enterprise trade unions have quite frequently taken up the demands of the workers, but such demands have most often been pursued in collusion with the enterprise admin-

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<sup>17</sup>McAuley (1969, p. 69) notes that higher authorities might well strengthen a trade union committee as a means of dealing with incompetent management.

istration against higher authorities, providing a show of militancy which helps the Director's demand for subsidies or increased budget allocations from state bodies. We have searched high and low for a single example of a conflict in which the enterprise trade union President has supported workers against the enterprise administration. Although our question has always been met with incredulity, we have found a small number of radical trade union Presidents, who have been elected on the basis of a record of militancy and independence, and who have come into conflict with the enterprise administration. However, in every case in which rhetorical opposition has developed into overt conflict, the union turns out to be working closely with an opposition faction within the administration.

Two typical cases will illustrate the point. One is a bus park, in which, in July 1992, the union President was locked in battle with the Director over the issues of redundancies, commercial activity and privatisation, demanding his dismissal in the name of the workers. However, this activity was only a part of a wider conflict which expressed deep divisions within the administration. A Strike Committee was pursuing similar demands alongside the trade union, the Chair of which turned out to be the Deputy Director of the bus park. The second case is a military enterprise in the Urals where, in December 1991, the Director was resisting a union-backed demand that the enterprise sack 30% of its workforce, targeted primarily at unskilled women workers, in order to raise the wages of the remaining workers. However, although supported by a majority of workers, this sectional demand emanated not from the workers involved, but from an opposition faction within the administration, led by the Chief Engineer.

## 5.11 Trade Unionism and the Brigade System

The enhanced role of the union from the late 1950s did not produce the hoped-for results in improved labour discipline, reduced turnover and increased productivity. This is partly because unions tended too often to be dependent on, and subservient to, enterprise management, but behind this lay the contradiction implicit in the dual role of the union, as representative of the administration and as transmission belt for the Party's policy, which meant that it was ineffective in either role. Whereas the Krushchev reforms were designed to create unions which would act as agents of wider economic reform, in practice the unions were assimilated to the system, and under Brezhnev became one of its most conservative elements. Reformers therefore began to look for new ways of harnessing workers' initiative in order to break the deadlock.

The union had very little influence at the level of the primary work group, which was precisely the point at which its impact on the workers' motivation should have been greatest. This was partly because of the lack of confidence of workers in the union, but was primarily because of the problems of conflicting authority which would arise between foreman and union. Until the late 1970s the majority of workers were paid according to individual piece rates, with tasks allocated individually by the foreman. Any attempt to expand the role of

the union and stimulate initiative on the part of the workers would come into conflict with the authoritarian organisation of the labour process embodied in the principle of one-man management, which tended to fragment the workers and to stifle initiative.

In practice the authoritarian organisation of the labour process was considerably ameliorated by the collusive relationship between management and workers, which at shop-floor level was embodied in the informal organisation of the labour process, without which, in the Soviet system, it would be impossible to get any work done at all. From the point of view of the workers this meant that authoritarian management, with a rigid emphasis on discipline and socialist attitudes, appeared not so much in the form of the foreman, who was concerned only with achieving his targets, as in the form of the union. While surveys show Soviet workers exhibiting an extraordinarily low degree of confidence in their union, they show a surprisingly high degree of confidence in their line managers.<sup>18</sup> In general Soviet workers have long attributed their sorry condition not so much to their managers as to the administrative-command system and its representatives, including the union.

Various experiments were undertaken to overcome the problem of lack of initiative and low morale at shop-floor level, which culminated in the reform of the 'brigade system', which in its pure form sought to integrate the informal organisation of the labour process into the formal structure of management. The decision to generalise the brigade system was officially adopted in 1979, and already covered almost three quarters of all workers by 1985.<sup>19</sup>

The brigade is ideally a work group of about 15 members, paid a collective piece rate. One member is appointed or elected as the brigade leader, who should be an experienced worker who enjoys the confidence of the work-group.<sup>20</sup> The brigade leader negotiates with the foreman on behalf of the brigade, assigns work to brigade members, and monitors their performance. Larger brigades elect a council, which must include the brigadier and the trade union secretary, if there is one. Council meetings are also attended by the foreman. The council, or general meeting for smaller brigades, is responsible for brigade recruitment,

<sup>18</sup>A December 1990 survey among Kuzbass miners, the most militant section of the Soviet working class, showed 14% of workers satisfied with the work of the trade union committee, even after a much trumpeted reform of the Union (and only 26% satisfied with the leadership of their workers' committee — 46% believed that the workers' committee represented the interests of workers, while only 16% believed that the union represented their interests). By contrast, over 70% were satisfied with relations with their brigadier, foreman, chief foreman and section leader (Pershin, Bizyukov and Khrumchenko 1991). A similar survey of seven Donetsk mines in January 1990 found that, in the event of conflict with the mine administration, 6% believed that the enterprise party organisation would support them, 7% the trade unions, 17% the STK, 17% the Workers' Committee and 37% the brigade council. 6% believed that the existing trade unions were necessary for the defence of workers' interests, 32% reformed trade unions, and 51% new independent workers' organisations (Komarovski and Gruzdeva 1992, p. 250)

<sup>19</sup>The new system also reflected interest taken in Western innovations in forms of group working, job enrichment, etc. See Slider 1987; Lane 1987, ch. 8; Porket 1989, ch. 7; Gagnon 1987.

<sup>20</sup>A survey at KTZ, the pioneer of the new form of brigades, found that '85% of brigade leaders were also the informal leaders of the work group' (Slider 1987, p. 390).

work organisation, labour discipline, socialist competition and the determination of the 'coefficient of labour participation' (KTU) of each member of the brigade, by means of which wages are supposed to be adjusted in accordance with a wide range of criteria, although in practice this is rarely implemented. In addition, in some places brigades have taken over some of the distributive functions of the trade union. The brigade leaders were to elect a council of brigade leaders, which nominally had at least consultative powers at enterprise level. The general effect of the reform was to devolve many managerial powers to the primary work group and, in the brigadier, to provide the group with its own leader who could negotiate with management, in the character of the foreman or shop chief, on its behalf (Slider 1987, pp. 392-3).

The effective introduction of the brigade often depended on a substantial reorganisation of the labour process, to achieve a work-group of the appropriate size which could be held collectively responsible for a definable task. For this reason many of the new brigades were only formally such. Nevertheless, where the brigade system was effectively introduced it showed considerable improvements in productivity, an increase in collaborative working, greater flexibility, and reduced labour turnover. On the other hand, familiar problems soon arose as the revision of norms left the workers with little benefit. The attempt to discriminate between workers according to their contribution to production also generated ill feeling. Perhaps as a result of these factors, workers in genuine brigades showed much higher levels of dissatisfaction with pay and with norm-setting. However, such dissatisfaction may be a result of the experience of collective organisation, since such workers also showed higher levels of dissatisfaction with various aspects of production conditions and also with the various kinds of participatory groups and meetings which are supposed to motivate and inspire the Soviet worker (Slider 1987, pp. 396-401; Lane 1987, pp. 200-204; Moses 1987, p. 223).

Despite the enthusiasm of the Central Committee for the brigade system, it had serious shortcomings from the Party's and union's point of view. The small size, and correspondingly large number, of brigades meant that the majority could not be brought under effective Party or trade-union control.<sup>21</sup> Although the brigades fragmented workers by undermining solidarity at the shop level,<sup>22</sup> they did provide the basis for more cohesive solidarity at a lower level of organisation. Encouraging the formation of self-managed groups which evaded such control set dangerous precedents for the future, and indeed may be directly connected with the growing militancy of workers, with most strikes arising at brigade level. Despite this, there is little evidence of overt opposition to the development of the brigade system in either the Party or the trade unions. No

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<sup>21</sup>Slider 1987, pp. 402-3. In 1983 one third of all brigades had fewer than five members. In 1984 there were over 1.5 million brigades. Lane 1987, pp. 187, 198.

<sup>22</sup>The brigade system was introduced experimentally at the VAZ plant at Togliatti in the late 1970s in order to undermine unofficial workers' organisation, which, by some accounts, was stronger than the official union, and which had led a major strike. The experiment was a success, and the workers' organisation destroyed. This experiment, and the rise of Solidarity in Poland, may have played a part in encouraging the rush to introduce brigades.

doubt, however, their reservations made themselves felt in their connivance with management in resisting the effective implementation of the reform.

## 5.12 Trade Unions and the Labour Collective Council

The failure to implement the brigade system effectively could be put down to the failure to implement wider reforms, so that the brigade was assimilated to an unreformed enterprise and ministerial structure. The logical corollary of the development of workers' self-management at brigade level as a means of harnessing workers' initiative and imagination to the production effort was its extension to the enterprise level. The amended 1977 Soviet Constitution re-established the constitutional rights of labour collectives, which had been abolished in the 1920s, without giving the collective any legal-political form. The introduction of labour collective councils (STK) with wide-ranging powers had already been raised in discussion of the brigade system, as a part of a broader reform perspective, which included greater autonomy of the enterprise (Moses 1987), and was already being implemented on a modest scale in those few enterprises with effective brigade councils and councils of brigade leaders. In the early 1980s it became a centre-piece of the reform strategy.

Behind the proposed reform lay four fundamental ideas. First, the devolution of a wide range of decision-making powers to enterprise administration would enormously increase the scope for initiative at enterprise level. Second, the energies of the workers had to be harnessed to this initiative, which served their long-term interests but which would imply unaccustomed amounts of change which could provoke destructive conflict. This was linked to the growing belief that a division was increasingly opening up, among both workers and management, between the older generation, with a relatively low educational and cultural level and with stunted aspirations, and a younger, highly educated, technically skilled and positively motivated generation whose ambitions were frustrated by the existing system. Institutions of self-management would provide the channel through which this generation could make its voice heard, and overcome resistance to change (Moses 1987; Zaslavskaya 1984). Third, the focus on a generational conflict was associated with the traditional assumption that there was no objective basis for a fundamental conflict of interests between workers and management, so that institutions of self-management represented the labour collective as a whole, rather than representing the distinctive interests of workers. The STK was seen as an organ of worker-management collaboration, and certainly not as an organ of workers' power. Fourth, there was an unstated, but clearly implicit, assumption that the trade unions had signally failed in their duty of harnessing the productive energies of the working class, and that they were structurally incapable of doing so. The relations between the trade union committee and the STK, which would take over many of the unions' powers, was never spelt out, but the unions clearly feared being marginalised. For this reason

'trade union officials probably objected to the proposed new labour collective as a threat to their institutional authority' (Moses 1987, p. 207, cf. Teague 1986; Slider 1985).

The reform proposals came at a particularly inauspicious time, for they corresponded closely with the reforms extracted by Solidarity in Poland. The Soviet regime initially responded to the rise of Solidarity by offering substantial material concessions to workers, but as it became clear that Soviet workers would not follow the Polish example the emphasis shifted to stressing the need to strengthen discipline, albeit through raising workers' morale rather than by repression (Moses 1987; Teague 1986). The 1983 Law on Labour Collectives, which implemented the new clause in the 1977 Constitution, therefore established the STK as an advisory body with very limited powers. Management and unions had no trouble in ensuring that the new bodies remained firmly under their thumb.

The set-back to reform was only temporary, for when Gorbachev came to power the reformers found themselves in the driving seat. Gorbachev had long been associated with the introduction of the brigade system in agriculture, and it was not long before he identified himself with the movement for self-management. The Law on State Enterprise (Association) of July 1987 simultaneously defined the enterprise as self-financing, established the principle of managerial election right up to the level of Director, and strengthened the elected Council of the Labour Collective, which had the power to 'decide all production and social questions', although it simultaneously reaffirmed the traditional principle of one-man management. Although this appeared to be a move towards industrial democracy, it was generally welcomed by enterprise Directors, who hope that the STK would strengthen their hand in conflicts with higher authorities, while they were confident that they could keep any democratic tendencies under firm control.

The hope that the STK would provide a channel for pressure for perestroika from below was short-lived. Without more fundamental reform of the system as a whole there was no reason to expect the STK to succeed where the unions had so comprehensively failed. The extensive patronage network of unions and management, and the persistence of the state repressive apparatus within the enterprise, meant that the STK remained firmly under management control, its chairperson often being the enterprise Director or one of his or her Deputies — the labour collective, like the official trade union, comprises all workers, from the Director down.<sup>23</sup> Management was also able to exploit the divisions between manual and engineering and technical workers (ITRs) which had been deliberately opened up at enterprise and societal level under perestroika. On the one hand, ITRs backed the attack on 'levelling' and the demands for 'social justice' (wider differentials) which were a central plank of perestroika. On the other hand, manual workers felt that they were carrying the burden of a

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<sup>23</sup>One enterprise director justified his chairing of the STK to us on the typical grounds that the STK members lacked the knowledge and skills to take managerial decisions, and that the Director is responsible for both carrying out those decisions and for the outcome, while the STK members have no such responsibility.

grossly inflated technical and administrative staff, and saw the ITR as the first candidates for redundancy.<sup>24</sup>

Based on a survey of more than 130 STK in 1988 Pavel Krotov identified three types of STK. The 'conservative' STK is a purely formal body, headed by the enterprise management, packed with compliant workers, and providing merely formal confirmation of administrative decisions, so strengthening the hand of the administration against both workers and higher authorities. The 'liberal' STK was found in more successful enterprises, and was integrated into the management structure of the enterprise, providing a more or less democratic forum for middle managers to participate in the formation of administrative policy, with the remaining members of the STK confirming their decisions. The 'pseudo-democratic' STK was found in enterprises in which the authority of the administration was weak. In this kind of STK worker activists were able to challenge the authority of the administration and demand the transfer of some of the functions of the administration and the trade union committee to the STK. However, because the legal powers of the STK were undefined, the outcome was unresolved jurisdictional conflict which destabilised the enterprise, without the STK being able to assume any real powers. In none of these cases, therefore, was the STK able to develop into an organ of workers' self-management, or even an effective challenge to the authority of the administration (Krotov 1990).

Despite the predictable failure of the brigade system and the STK to achieve the desired reform of the system, they had very important implications for the development of workers' organisation. First, the brigade system loosened the grip of the Party and the union by creating self-managing work-groups which were, on the whole, too small and too numerous to be under effective Party and union control. In general, the basis of independent workers' organisation in the late 1980s was the shop or the brigade, and it is likely that the reforms paved the way for this development. Second, the new emphasis on workers' self-management, when it was given its head under Gorbachev, undoubtedly aroused the enthusiasm of many workers, and provided a focus for the beginnings of independent workers' organisation. Third, the system of brigade organisation and workers' councils provided forms of worker organisation which by-passed and marginalised the official trade union structures. As the determination of questions of production, working conditions, pay and norms passed to the brigade and STK structure, the official unions increasingly found themselves reduced to performing their welfare and distribution functions.

The consistent failure of the trade unions to act as effective agents of reform of the system from within had led to their gradual marginalisation in favour of new institutions in a process which accelerated with the beginnings of perestroika. Moreover, this marginalisation of the trade unions only served to reinforce the conservatism of the union leadership in the face of the erosion of its position. It was inevitable that the movement for perestroika would come into

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<sup>24</sup>Mandel 1991, pp. 105, 107, 108, 125 n. 23. Mandel quotes a workers' leader from the AZLK plant in Moscow (*ibid.*, p. 108), who argued that only workers should be represented through workers' committees, while ITRs should be involved in the STK. This is a fairly typical position among production workers.

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conflict with the official union structures, but the scale of the conflict unleashed rapidly undermined the project of perestroika itself.



## Chapter 6

# Beyond the Mines: The Politics of the New Workers' Movement

Simon Clarke and Peter Fairbrother

The 1989 miners' strikes transformed the agenda of perestroika. On the one hand, the working class, in whose name the political battles of the previous seventy years had been fought, had suddenly become a force in its own right, and a regime which had rhetorically espoused the interests of the working class now had to back its claims by securing the political support of their representatives. On the other hand, the miners had broken through the limits of the permissible, opening the way for other workers to take similar action.<sup>1</sup>

The government was very successful in containing the strike wave by the traditional method of rapid capitulation to the workers. Workers in other branches of production, particularly in transport and in other branches of energy and mining, and in many individual enterprises, followed the miners' example over the next eighteen months, and in every documented case secured immediate concessions, often in response to the mere threat of a strike. However, there was no comparable wave of strikes, and no comparable organisation to that of the miners, while the miners' attempts to spread their organisation beyond the mines met with minimal success.

In many cases the official trade unions played a leading role in strikes. However, as so often in the former Soviet Union, all was not what it seemed. In these strikes the official unions were not acting against the management of the enterprise but in collusion with it, often acting jointly as sponsors of 'Strike Committees'. Enterprise and branch managers had also learnt from the miners' strikes — they could see clearly the resources that had been diverted to the coal industry, and the independence that mines and mine associations had gained

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<sup>1</sup>The discussion of this chapter is based primarily on interviews with worker activists, and documentary materials of the workers' movement.

from the Ministry as a result of the miners' strike. The unions at enterprise and regional level aligned themselves with local management in the conflict with the centre, beginning to assert their own independence. The threat of workers' action was therefore a powerful force in the disintegration of the centralised administrative-command system and official trade union structures.

Genuinely independent workers' organisations had a much more difficult time of it. In the wake of the miners' strike individual activists formed Workers' (Strike) Committees in many enterprises across the country, many of which were initially set up in solidarity with the miners, but then began to address their own grievances. Management adopted a dual strategy in the face of emerging opposition to confine it within acceptable limits. Many enterprises held new union elections during this period, often bringing in a younger and more dynamic leadership, sometimes after a survey of workers' opinion by the Sociology Department of the enterprise. Managers also attempted to incorporate the informal workers' leaders, either by absorbing them into the apparatus, or by negotiating with them unofficially. The Party was equally active, mixing promises with threats in the attempt to infiltrate, discredit or assimilate the new organisations, and replacing conservative enterprise directors with those committed to perestroika.

When workers did press their demands they usually found that the mere threat of a strike provoked an immediate conciliatory response from management, and when strikes did break out they were settled almost immediately with substantial concessions. Workers tended to be awarded substantial pay rises, although their original demands centred as often on questions of managerial incompetence and corruption as on pay. Usually the strike would involve workers in only one plant, or even one shop, but the pay rise would be applied to all workers in the enterprise or association. This readiness of management to meet the workers' most immediate demands made it very difficult to build an organisation with a wider perspective. Moreover, activists who went beyond the limits and sought to challenge management's right to manage, attacked managerial corruption and incompetence, or the infringement of workers' rights, were victimised by being given heavier or lower paid work, being constantly moved around, or being dismissed, although in the latter case they usually won reinstatement through the courts, which were themselves beginning to assert their independence.<sup>2</sup>

In the face of managerial opposition enterprise strike committees were usually very small (with a core of two or three activists), very loosely organised, based on one shop, and with minimal resources, so that it was extremely difficult even to hold a meeting, which required premises, or to publicise their activity,

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<sup>2</sup>Under Soviet legislation workers (but not managers and specialists) can only be dismissed with the agreement of their trade union. The formation of an independent union provided legal protection from dismissal for activists, but registration as a trade union was difficult and expensive. Recognition became easier with new legislation introduced in the spring of 1992, whose immediate result was the proliferation of tiny 'independent trade unions', often formed by groups of workers threatened with dismissal (including one set up by threatened staff of the official FNPR trade union apparatus).

which required paper. Without organisation or resources it was a struggle to survive, let alone to make headway. Their vulnerability to victimisation and/or manipulation by the apparatus, and the intimidation of their potential supporters, meant that many Strike Committees were short-lived.

In such circumstances it was only headstrong and stubborn individualists who had the strength to keep up the struggle, and such people were not keen to enter organisations controlled by others. This was the main reason why tiny workers' groups, strike committees, parties and independent trade unions proliferated between 1989 and 1991, most being confined to a single enterprise or shop. Their continuing desire for independence also explains the strong syndicalist tendencies in the workers' movement, and the emphasis on the autonomy of the primary group in the constitutions of most independent workers' organisations. However, the vulnerability of such groups made them willing to link up with outside political forces which could provide them with legal, political and financial resources. As with the miners, the result was that independent workers' organisations were only able to develop as a significant power by attaching themselves to wider political forces.

The earliest workers' political organisations had been very small, and primarily concerned with workers' human and legal rights, or with educational and propaganda activity. Vladimir Klebanov's Association of Free Trade Unions had been re-established in 1987, but concentrated on organising and protecting victimised and dismissed workers, and the émigré Christian-Democratic NTS was re-established in 1988, while SMOT (the Free Interprofessional Association of Workers) re-emerged from underground with the release of its leaders in 1987. The bases for these groups were independently minded activists, typically with a relatively high level of technical education, many with long records of individual resistance at enterprise level, often rewarded with imprisonment or psychiatric treatment. The new workers' organisations which developed from 1989 had a rather different base, many of their leading activists being people who had held office in the Party or trade unions at primary level in the first years of perestroika, seeking to mobilise grass roots support for a 'perestroika from below', but moving out of the apparatus in frustration. Independent workers' activity seems to have been strongest in cities dominated by military industries, which were characterised by a polarisation between a conservative party apparatus and a radical technical intelligentsia. Intense activity was seen in Sverdlovsk and Leningrad, but a similar pattern is found in many other cities.

## 6.1 The Workers' Movement in Sverdlovsk

The workers' union 'Rabochii' was founded in Sverdlovsk by Viktor Burtnik, who had gone to work as a fitter at the Turbomotor factory soon after his release from a ten-year prison sentence, and Yuri Tsibulya in March 1987 around demands for workers' self-management following a strike in Burtnik's shop. Despite its base among workers in enterprises, Rabochii was mainly involved in educational and propaganda activity. They got a list of workers' organisa-

tions from Boris Kagarlitsky in Moscow, and circulated all groups which called themselves 'democratic', 'patriotic' or 'workers' organisations with details of a conference which was held in August 1988, attended by between 50 and 70 people representing 24 organisations from 18 cities. As a result of the conference Rabochii groups were established in a number of other Urals cities, including Perm, Magnitogorsk and Chelyabinsk.

Rabochii was the object of close police and KGB attention, and there are suggestions that it owed its survival in the early years to the fact that its existence served the interests of various forces within the apparatus. Thus Burtnik worked with the General Director of Turbomotor on the introduction of a new brigade system of labour organisation, while the sharp antagonism of Rabochii towards the intelligentsia served the interests of the conservative apparatus well.<sup>3</sup>

Rabochii joined the Urals Popular Front on its formation in September 1988. The Urals Popular Front declared itself to be based 'on the Leninist concept of socialism . . . as the living creation of the working masses themselves', and concentrated on helping independent workers' groups. At the end of 1988 Sverdlovsk Rabochii formally separated from the Popular Front, and was established with representatives from 22 enterprises with the aim of fostering the growth of workers' committees, developing the principles of self-management, and raising the theoretical level of workers. From 1988 they began to take part in elections claiming to be the 'organiser of the working class in the Urals', although they only registered formally in March 1990.

There was a steady increase in independent workers' activity in the wake of the miners' strikes in 1989, with strikes becoming increasingly common, and Workers' (Strike) Committees being set up in various enterprises. Rabochii gave advice to activists, but it proved very difficult to establish any effective organisation at the grass roots, particularly as enterprise Directors became more rigorous in denying access to outsiders. Most Strike Committees were very short-lived, although a few, such as that of the tram drivers established in 1990, were longer-lasting. Although the Rabochii newspaper, *Rabochoye Slovo*, gives the impression of an organised mass movement, publishing lots of information on strikes and planned strikes, the fact is that they are all very weak, with very few contacts between them, and lack political organisation and political direction.

Rabochii faced many of the same difficulties as confronted the miners' committees through 1990, as an organisation which had emerged from the workplace, and which had been drawn into political activity to further its aims. The cost was that it had cut its links with its roots in workplace organisation, and been drawn into conflicts within the ruling stratum,<sup>4</sup> as the price that had to be paid for achieving some political influence, and for enjoying some political protection and material support. Like the miners, Rabochii focused on building its organisation upwards, even at the expense of eroding its base. It participated in the

<sup>3</sup>In Magnitogorsk Rabochii was torn apart by allegations of KGB collaboration (Kotkin 1991, pp. 89–95, 101–2). There is no evidence of direct collaboration or infiltration of Rabochii by the apparatus, but only of a convergence of interests.

<sup>4</sup>Although politically Rabochii was vehemently opposed to the neo-liberals, most members of Rabochii voted for Yeltsin in the 1991 Presidential election

elections of 1989 and 1990 on a non-party basis, as part of the Popular Front. In May 1990 Viktor Burtnik was elected as the Urals representative on the Coordinating Committee of the Confederation of Labour. In December 1990 he led the move to demand that informal organisations should be represented in the new Union of Labour Collectives.

## 6.2 The Workers' Movement in Leningrad

During the early 1980s Leningrad was the main centre of the independent workers' organisation SMOT, which was virtually destroyed by intense repression, including the incarceration of most of its leaders in psychiatric hospitals, but was reconstituted when its leaders were released in 1987.<sup>5</sup>

The starting point for the contemporary workers' movement in Leningrad was the Club for the Democratisation of Trade Unions (KDP), formed in February 1989 with the declared aim of building on the example of Solidarity in Poland.<sup>6</sup> The Club was mainly an organisation of intellectuals, closely linked with the Democratic Union and the Social Democratic Party, but it did provide concrete support for the emerging workers' organisations in Leningrad. Its very broad base meant that it fell apart at a conference in June 1989, at which it had been intended to form an independent trade union. The conference split over a range of fundamental issues, most notably that of the class basis of workers' organisation and the participation of representatives of the Communist Party and official trade unions. The most important independent workers' organisations to emerge were the independent trade unions *Nezavissimost* and *Spravedlivost*.

*Nezavissimost*, which split from the KDP, was in favour of creating a union for workers only, without the participation of ITR, and without any bureaucratic organisation, but only a mutual assistance fund. *Spravedlivost*, which retained its association with the KDP, was in favour of an all-professional or inter-professional union of workers and ITR, excluding the administration. Each was formed as a loose association of enterprise-based primary groups, providing information and mutual support.

Between the meeting called by the KDP in June and the formal establishment of *Nezavissimost* and *Spravedlivost* in July a number of representatives from Leningrad attended the All-Russian Congress of Informal Workers' Organisations, called jointly by the new-born *Sotsprof* and the official union centre, VTsSPS, for 8th and 9th July 1989. This meeting was controversial, in accepting official union sponsorship, and in sending its resolutions to the Central Committee of the CPSU, but it provided a forum in which the fundamental debate between those who favoured the creation of independent unions and those

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<sup>5</sup>SMOT was close to the Christian Democratic NTS and represented mainly intellectuals and technical workers. It has had some impact on the new workers' movement in Minsk as well as in Leningrad.

<sup>6</sup>See Temkina 1992, for an account of the various workers' institutions and organisations in Leningrad. The original programme of the Club was published in *Soviet Labour Review*, 2, 6, August 1988.

who favoured the democratisation of the official unions took place, ironically the very day before the miners' strike broke out.

Leningrad representatives of the Confederation of Anarcho-Syndicalists, who were also active in the KDP, played a prominent role in this conference. The Anarcho-Syndicalists' position was that ownership of the means of production should be transferred to the labour collective as the basis of self-management in production and in society, and stressed the necessity for the trade union movement to be independent of the state and political organisations. They distinguished themselves sharply from the neo-Stalinists in counterposing to state power not the 'political dictatorship of the party of the proletariat', but the 'economic dictatorship of all workers'. The Confederation of Anarcho-Syndicalists provided Spravedlivost with facilities and published its programme and appeals, although the two organisations soon moved apart as Spravedlivost focused on trade union demands, and moved closer to liberal democratic political positions, eventually joining the Democratic Russia bloc, which provided it with limited support.

The impact of the Moscow conference was reinforced by the miners' strike which started the following day. A number of representatives of the Leningrad democratic movement went to Donbass and established links with the miners there, although the latter resisted the patronising attempts of Leningrad intellectuals to 'politicise' them. Representatives who went to Kuzbass, as 'independent trade unionists', received a more positive response (Maksimova 1989). The immediate impact of the miners' strike was to give a further impulse to the formation of independent workers' organisation, but in the longer term it re-opened the divisions between the radical intelligentsia and workers' organisations. The Leningrad intelligentsia looked to workers' organisation to provide their politics with a mass base, and particularly to counter the neo-Stalinist United Front of Workers (OFT).

The OFT was set up in the wake of the 1989 elections, primarily in those places where the Party leadership had lost its political position following electoral defeat, and sought to develop alternative political roots in the apparatus-controlled workplace organisations of trade unions and STK. Thus it has been best organised in those places in which the conservatives had a strong industrial base, but were politically weak. It had its roots in Leningrad, linked up with the conservative opposition in the Baltic states, and held its founding conference in Sverdlovsk. The democrats response to the conservative counter-offensive was to seek links with independent workers' groups mobilising against the official apparatus. However, these links did not last long.

As genuinely independent workers' organisations began to develop, the limitations of the outlook of the bulk of the intelligentsia became apparent, and there was soon a parting of the ways, the split being provoked by the refusal of the Popular Front to back the political strike in Vorkuta in the autumn of 1989, which Nezavissimost and Spravedlivost supported very actively (the Democratic Union and the Confederation of Anarcho-Syndicalists, the only political groups with significant representation among the workers' organisations, were the only ones to give such support). With their political victory in the elections of March

1990 the democrats largely lost interest in building a working class base, looking instead for an accommodation with the apparatus of the military-industrial complex, leaving the small workers' groups to struggle against it on their own.

Both *Nezavissimost* and *Spravedlivost* retained their links with the miners, sending delegates to the conference in Novokuznetsk which established the Confederation of Labour in May 1990, and *Spravedlivost* was represented at the Second Miners' Congress in Donetsk. However, neither of the trade unions enjoyed significant outside material or political support, and through 1991 their activists were systematically victimised and their primary groups put under considerable pressure. The result was that the workers' movement in Leningrad remained very fragmented, with literally dozens of tiny groups, most of which were confined to one enterprise, or even one shop, struggling independently of one another. The most important such group was the workers' committee at the giant Kirov plant.

### 6.3 Sotsprof

A more ambitious attempt to build an independent workers' organisation was launched by the Moscow-based 'Association of Socialist Trade Unions' (*Sotsprof*) which was founded in April 1989, and which co-sponsored the Congress of Informal Workers' Organisations with the VTsSPS in July. *Sotsprof* was initially based on an uneasy alliance between a small number of socialists, who formed the Socialist Party in December 1989, and a larger group of Social Democrats, who were themselves divided, with the right becoming ardent supporters of Yeltsin and the transition to the market economy. This led to acrimonious struggles during 1990, from which the right wing of the Social Democrats emerged victorious.

*Sotsprof* was one of the first of the 'informal' organisations to register legally with the Interior Ministry, on 28 July 1989, apparently with at least the tacit support of the authorities. Registration was the key to *Sotsprof's* initial success, since it allowed it to provide an umbrella under which other independent organisations could establish their legal status, without going through expensive and time-consuming legal formalities on their own account. This was particularly attractive for those working outside the state sector, and the bulk of the independent trade unions that affiliated to *Sotsprof* in 1989 and 1990 were those representing intellectuals and professionals, as well as groups of workers in the co-operative sector. Registration was also exploited by those seeking a roof for commercial and political activity, since trade unions enjoyed tax exemption, and were able to nominate candidates for election. Meanwhile *Sotsprof's* main energies went into the formation of commercial enterprises, providing facilities such as health insurance, to service the members and to make money to finance *Sotsprof's* activities. The socialists, not surprisingly, found themselves increasingly marginalised in *Sotsprof*, as they tried to build up solidarity and information work.<sup>7</sup> *Sotsprof* split in the summer of 1990, with one faction setting

<sup>7</sup>It was at this time that *Sotsprof* sent representatives on a speaking and fund-raising tour

up a separate Russian Sotsprof in September, and expelling Sergei Khramov, the President of the All-Union Sotsprof, in December 1990, only to be expelled in their turn by Khramov at the Second Congress of Sotsprof in February 1991. Meanwhile the more active Ukrainian Sotsprof also set up its own independent organisation in March 1990.

Sotsprof, like other independent trade unions in Russia, was organised on professional lines, and not according to the branch principle. However, unlike most other independent unions, Sotsprof was willing to accept affiliations from organisations of managerial and professional workers. Unlike other groups, it was also willing to work with the official trade unions, and permitted dual membership, which was very risky for the members since, although it provided access to union-administered benefits, it enabled the official union to authorise the dismissal of activists.<sup>8</sup>

In 1990 Sotsprof claimed to have the affiliation of around 50 organisations, with its main centres of activity being Moscow, Kiev, Novosibirsk and Vladivostock. However, many of these affiliations were 'paper affiliations', using the legal status of Sotsprof as a means of registering for the elections of March 1990, in which in Moscow alone about 300 people were nominated under the Sotsprof umbrella. Its most significant trade union activity, before the end of the year, was limited to its role in establishing the 'Moscow Professional Organisation of Priests and Monks', following the visit of a number of priests to the mining regions to declare their 'support for the spirit of the miners' strikes'. Although it established an information agency, it confessed that this aspect of its work was poorly organised.

Meanwhile the conflict in the Coordinating Committee came to a head, with the socialists finding themselves in a minority, accusing the liberals of having 'bought' the organisation by bribing members of the Coordinating Committee to get it to support the government's proposed 'austerity programme', to oppose strikes, and to purge the socialists from its ranks (Kagarlitsky 1990, p. 11). At the same time the growing commercial activity of Sotsprof brought with it allegations of corruption. Its leadership claimed 200 affiliated organisations at the beginning of 1991, but in fact it was moribund.

Sotsprof owed its survival through 1990 not to its organisational activities, which were negligible, but to its political alliance with the emerging liberal camp.<sup>9</sup> During 1990 the Sotsprof leader, Sergei Khramov, was appointed to the Commission of the Supreme Soviet of the Russian Federation responsible for drawing up the Russian Law on Trade Unions. There were also convincing allegations that the liberal leaders of Sotsprof were receiving substantial funding from outside. Most importantly, Sotsprof established a close working

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to Britain. This visit was later the subject of acrimonious argument within Sotsprof, the liberal leadership claiming that it was not officially authorised.

<sup>8</sup>In theory the official union is supposed to distribute benefits to all workers, whether or not they are union members. The practice, of course, is very different.

<sup>9</sup>Sotsprof is formally a non-political non-Party organisation. However, its leadership has signed a treaty with the Social Democratic Party, which defines Sotsprof as the trade union wing, while delegating political rights to the Social Democratic Party. This does not seem to be common knowledge amongst Sotsprof members!

relationship with the Commission on Workers' Affairs of the Moscow City Council (Mossoviet), which was formed by some of the few working class deputies elected to Mossoviet in March 1990, and which was a consistent backer of the Moscow Mayor, Gavriil Popov, against the majority of Mossoviet. This relationship provided Sotsprof not only with office space in the Mossoviet buildings, but above all it provided it with powerful political support, and access to legal services.

Its legal and political resources enabled Sotsprof to develop an active trade union base from the beginning of 1991, as groups of workers, failing to make any headway through the official unions, turned to Sotsprof for support. Before the August coup about two dozen Sotsprof active primary groups were established in Moscow, including bus, truck, railway and metro drivers, and groups of workers in a textile factory, a watch factory, and two auto plants, although none had more than a handful of members. In December 1991 Sotsprof claimed to have 70 primary groups in Moscow, including a large influx of construction workers (Sotsprof claimed to represent 30% of Moscow construction workers), and restaurant musicians, with fears about privatisation and unemployment stimulating a growth in workers' organisation. There were also a few groups outside Moscow, most notably at a defence plant in Novosibirsk, where the Sotsprof group with 60 members proposed an alternative draft of the annual collective agreement, which was adopted by the management in August 1991. This draft agreement was widely circulated by the Sotsprof centre as a model for other Sotsprof groups to use, and used as the basis for a similar move by the Sotsprof groups at the AZLK car factory in Moscow in 1992.

It was the legal, political and material resources at the disposal of Sotsprof, rather than its liberal politics and its conciliatory trade union rhetoric, that gave it its appeal to workers seeking to organise outside the official structures. Because Sotsprof is legally registered, it can provide immediate registration for constituent groups. The office can then advise the workers of their legal rights, transmit their demands to the management on imposing writing paper, and, if necessary, provide legal representation for the workers in court. However, leaders of the Sotsprof primary groups complain that the office does not provide effective support or guidance in their struggles with the enterprise administration, because it is preoccupied with politics, and in general its primary groups are tiny and short-lived, with no more than half a dozen being active at any one time.

Although the total active membership of Sotsprof groups was probably numbered in the hundreds, it advanced rapidly in 1991 as a result of its political connections. In Moscow it was brought into the negotiations between Mossoviet and the official Moscow Federation of Trade Unions, and following Yeltsin's counter-coup in August 1991 the Sotsprof leaders moved into the corridors of Republican power.

## 6.4 Politics and Economics: The Limits of the New Workers' Movement

We have seen that the problem of the relationship between economic and political demands has been a recurrent one in the new workers' movement. While the organisations which seek to represent the workers beyond the enterprise are highly politicised, the rank and file looks primarily for economic results. In the West this is regarded as a perfectly normal situation, which is dealt with through an institutional differentiation within the workers' movement between trade unions and political organisations. However, the orthodox Soviet conception of trade unions, according to which the trade union was a 'school of communism' and the 'transmission belt of the policies of the party' persists within the new workers' movement,<sup>10</sup> and this has been a major barrier to the development of trade unions that can articulate the aspirations of the workers themselves.

The majority of Soviet commentators regard the dominance of economic motivation and the low level of political commitment among workers as a consequence of the 'lumpenisation' of the population, the majority of whom will supposedly support any force which can promise an improvement in their immediate economic conditions. This fear underlay the reluctance of Gorbachev's governments to introduce effective reforms, and their willingness to make costly economic concessions at every turn. It equally underlay the fears of a populist (or even a fascist) reaction to Yeltsin's reform programme and legitimated the demands of many liberals for the suppression of democratic rights. This analysis, which was never supported by the evidence, disintegrated in the face of the passive support of the majority of the population for Yeltsin's programme through 1992, reaffirmed in the referendum of April 1993, despite promises of continuing hardship, and the sustained fall in the level of strikes and social unrest. Nevertheless, the absence of any effective institutional channels through which workers could articulate and negotiate their economic demands continued to underlie the risk of social explosion.

The persistent problem was that no institutional forms had been developed in which workers had confidence and through which they could express their demands. There had been some renewal of the official trade union apparatus, but the official unions were increasingly marginalised within the enterprise, being preoccupied with welfare and distribution. The STK had never developed as representative bodies, and their powers had been sharply reduced in 1990. The miners had attempted to develop an independent trade union, the NPG, but it had failed to set down roots, and remained an arm of the Workers' Committees. Where it was established at the level of the enterprise, it merely worked alongside the official union performing the traditional union functions. Sotsprof was the most successful independent trade union body, but the leadership had a purely instrumental attitude to its primary groups, providing them

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<sup>10</sup>Yeltsin's close associate Burbulis has announced that trade unions should now be the 'school of the market economy'.

with no more than a legal shell and some political support. There was also a number of small regional private sector unions, with extensive commercial activity, but none had recruited any significant numbers of workers in the dominant state sector. Nevertheless, despite the limited organisational development of the movement, there were small groups of independent activists in almost every enterprise, and a growing discontent among the workers, although this was expressed in the negative form of an alienation from all their self-appointed leaders and representatives, and a growing preoccupation with individualistic survival strategies.

Weak as it was, the independent workers' movement was also internally divided over a number of fundamental principles. The most significant division was that between the 'syndicalist' organisations, which stressed workers' self-management as their basic mobilising principle, and the 'economistic' organisations, which stressed the development of a Western style of trade unionism, in which workers' organisations would restrict themselves to representing the interests of workers as wage-labourers, negotiating collective agreements covering wages, hours, employment and working conditions.<sup>11</sup> In practice the differences are not as fundamental as they might appear, since the 'syndicalists' have formed political organisations, while the 'economists' have not established any clear line between trade union and political activity. At the level of the workplace, both types of organisation face the same constraints, having to respond to the economic grievances of the workers while facing an administration which is willing to make concessions to the workers, but is unwilling to concede power or even to enter serious negotiations.

This convergence is most marked in relation to strike action, which for syndicalists is the primary form of workers' action, but for the 'economists' is legitimate only as the last resort, when collective bargaining breaks down. In practice there is no institutional framework within which genuine collective bargaining can take place, and neither management nor the official unions have shown much interest in conciliation, so that independent workers' organisations of every political complexion have regularly been forced into militant action, which is why syndicalist tendencies are so strong in the workers' movement. Moreover the liberals, until Yeltsin's victory, regularly looked to the strike as a means of exerting political pressure on the government.<sup>12</sup>

<sup>11</sup>This position is shared by the neo-liberal organisations (such as Sotsprof) and the 'reformed' official trade unions, both of which claim to limit their ambition to representing the economic interests of workers without challenging their subordination to exploitative relations of production. The tiny, but noisy and well-financed, Confederation of Free Trade Unions (KSPR) is an ultra-liberal organisation which nevertheless gives a political role to trade unions. Its position is close to that of the more or less defunct Democratic Union, in welcoming a transition to a liberal capitalism, while denying legitimacy to all state bodies and seeing liberal trade unions as the foundation for the development of a liberal democratic politics in providing the basis for the creation of a 'civil society'.

<sup>12</sup>Sotsprof supported the miners' strikes of 1991, but declared that 'permanent strike committees change the workers' movement into a destructive force' and 'hinder the achievement of a reasonable agreement' (*Rabochaya Sila*, 2, 1991). The pages of RS well exemplify the hypocrisy of the liberals, with editorial denunciations of the strike weapon alongside news reports celebrating the heroic militancy of Sotsprof strikers.

The independent trade unions are also divided over their organisational principles. The private sector trade unions (organising so-called 'free labour') are closest to the official unions in their structure, but not in their politics. Most of the other independent unions exclude members of the administrative and managerial apparatus from membership, but draw the line at different points, some admitting only manual workers, others including white collar and technical workers, others organising different professional categories in different unions. Some seek to organise on a professional basis, across branches of production, others adopt the syndicalist principle of one enterprise—one union. Most insist that members leave the official unions, although this requirement is often not enforced. Most of the independent unions are federative bodies, nominally constructed from the bottom up, with primary groups having control of branch funds (although many have only one primary group!). Most of the independent unions also engage in 'commercial activity', which means particularly the provision of health and social insurance and the acquisition of scarce goods for distribution, while a few ban such activity. In principle most of the independent unions reject any ideological or political affiliation, and many banned CPSU members either from membership or from office, but in practice each organisation has a relatively specific political and ideological position, determined by its leadership and usually embedded in its constitution.

The liberals have certainly made the running in the independent workers' movement, but this is more a consequence of the sponsorship derived from their political and commercial connections than of the strength of their base in the working class. None of the independent unions or local workers' committees has more than a handful of members. Membership claims have to be taken with a large pinch of salt. None of the independent unions has an effective system of registration of membership or collection of dues, so that the formally paid up membership is negligible. The Sotsprof leadership officially claimed 250,000 members at the beginning of 1991. In September 1991 the Moscow leadership gave us more realistic figures of 10,000 across the Soviet Union, with 3,000 in Moscow, which is certainly still a substantial overestimate.<sup>13</sup> In the spring of 1991 the NPG was claiming publicly that it had about 80,000 members, 4% of the workforce (Ashwin 1991, p. 3), although its President gave Jonathan Aves a total figure of 3,500 at the same time (Hosking et al. 1992). Even this is probably an overestimate - in Karaganda the union acknowledged a membership of only 6, while the official unions claimed that the total NPG membership in Vorkuta at that time was 16! In March 1992 Spravedlivost claimed, probably fairly accurately, to have 1,500 members of affiliated groups. Nezavissimost solved the problem by declaring that all workers who were active and who subscribed to its principles were automatically members, but it is unlikely that its three factions together had more than 100 members. Rabochii was a similar size.

The effective basis of independent workers' organisation remains the workplace. The vast majority of worker activists remain outside any organisation

<sup>13</sup>Our own estimate, based on a retrospective survey of Moscow primary groups carried out in early 1993, is that total Moscow membership in September 1991 was probably around 400, with a total membership in Russia of about 1,000.

extending beyond their workplace, and even those workplace groups which do affiliate to wider organisations usually have only a loose and tenuous connection with them. This means that the workers' movement continues to be very unstable. The mass of workers owe allegiance to no institutional forms of representation, while workers' organisations have a very limited workplace base. On the other hand, the number of workers willing to follow a lead in appropriate circumstances is very much larger than the membership of workers' organisations.

The small size of the independent workers' movement has to be seen in the context of the formidable barriers which it confronts. The official unions enjoy extensive management support, command a pervasive patronage network, and provide a wide range of social and welfare benefits, including food and consumer goods. Membership of the official unions is automatic, and workers can only leave by submitting a written request to management and to the official union to transfer their membership. Trade union legislation is pluralistic, more by accident than design, so that independent unions enjoy equal rights and protection, at least in theory, but are unable to provide the benefits offered by the official unions. Workers can maintain dual membership, but this then lays them open to victimisation, since the official union can validate their dismissal if they remain members. The biggest problem the independent unions face is that of overcoming the 'passivity' of the mass of the workers, and of persuading workers that there is any need for a union at all, since the record of the official unions has discredited trade unionism in general in the workers' eyes.

Workers' passivity is a complex phenomenon, which is often regarded derisively as a feature of the culture of dependence and of fatalism, but which clearly has its roots in the structural characteristics of hierarchical Soviet production relations, and in seventy years of systematic repression of any manifestation of autonomy on the part of workers. This repression has not changed: the collapse of the administrative and political centre, the threat of unemployment, and the increased role of the enterprise in distribution, mean that the enterprise administration is more powerful than ever, and is more than willing to use that power to 'discipline' workers. However, once an issue comes to a head, Russian workers are as ready as those in the West to stand up for their rights. In our experience, and that of other Western researchers, Soviet workers are by no means the lumpen mass depicted by the Russian intelligentsia, but are extremely articulate and sophisticated in their understanding of their situation, and very realistic in their responses.

The general pattern of development of the workers' movement between 1989 and 1991 was very similar across the whole country. It was most dramatic in the mining areas, followed by the cities dominated by the military-industrial complex, but on a smaller scale the same pattern can be seen in other cities. On the one hand, small groups of activists formed Workers'(Strike) Committees or independent trade unions in many of the larger enterprises, which struggled against very strong pressure to provide some independent leadership to articulate the workers' aspirations. On the other hand, the 'democrats' and 'conservatives' looked to the working class for support in their own political struggle, provid-

ing organisational and material resources which enabled independent workers' organisations to survive, but only at the risk of becoming involved in political conflicts that were remote from the practical concerns of most workers, perpetuating the gap between embryonic workplace organisations and the wider political structures. Between these forces, in many cities small groups of working class People's Deputies, elected in March 1990, formed themselves into workers' factions on local councils, and/or formed town Workers' Committees, to press the interests of workers, usually in loose alliance with the democratic movement, and sought to establish a base in enterprises.

Despite attempts to broaden workers' organisation, beyond the mines most such organisation did not extend outside the individual workplace or even, and more often, a small group of activists in an individual shop or brigade, while rudimentary links were offered by wider political organisations. Because workers looked to these organisations for resources rather than political leadership, the political identity of the groups to which they found themselves affiliated was often arbitrary. The most successful political organisation in recruiting workers at the grass roots over this period seems to have been Travkin's Democratic Party of Russia, with pockets linked to smaller organisations, such as the Confederation of Anarcho-Syndicalists, the Marxist Workers Party of Proletarian Unity (Bolshevik) and the Marxist Workers Party—Party of the Dictatorship of the Proletariat. However none of these parties was making the political running.

While workers' levels of dissatisfaction with their pay, working and living conditions were steadily rising, they had little confidence in any of the leaders who purported to represent them. The workers had been brought into play, but they remained pawns in the political game. Gorbachev had tried to mobilise them to attack the bureaucracy; management had tried to use them to break free from ministerial control; neo-liberals had tried to use them as shock troops; the official unions had tried to use them to break free from the party; the neo-Stalinists had tried to use them to block reform; but the mass of workers still had no effective forms of organisation through which to articulate and express their own aspirations. The result was that there was a substantial gulf between the working class and those organisations jostling to secure their support and to channel their demands in their own interests.<sup>14</sup>

Although the liberal leaders Yeltsin, Popov and Sobchak scored high ratings in the polls, levels of political commitment and political participation remained very low. This situation, sometimes characterised as the 'lumpenisation' of the working class, gave rise to a growing fear on the part of the democratic intelligentsia that the workers would fall into the hands of populist demagogues or neo-Stalinist apparatchiks. In December 1990 the apparent reconciliation of Gorbachev with the conservative forces in the Party and the military-industrial

<sup>14</sup>A poll in the late autumn of 1990 found that half the respondents answered 'nobody' when asked 'who in your opinion can best of all defend the interests of ordinary people in the present time?'. The trade unions, Soviet organs, party organs, the press and independent organs all had ratings of between 9% and 13%, with the forces of law and order scoring 15% and People's Deputies 19%. (*Political Sociology*, 2, Information Bulletin of the Centre for Sociological Research, Academy of Social Sciences of the CC of the CPSU, Moscow 1991).

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complex only reinforced these fears. The result was a renewed concern within all sections of the democratic movement to strengthen their links with the base by building rank-and-file support. The widening gap between the 'liberal' and 'conservative' factions of the ruling stratum forced a political polarisation on the workers' movement, in which the fledgling workers' organisations found themselves, willingly or unwillingly, forced into alliance with Yeltsin and the liberals.



## Chapter 7

# The Strikes of 1991 and the Collapse of the Soviet System

Simon Clarke and Peter Fairbrother

By the end of 1990 the economic environment had changed fundamentally. Free market prices were rising rapidly, shortages getting progressively worse, and production difficulties cutting workers' bonuses and threatening the solvency of self-financing enterprises. In this situation workers' interests focused increasingly on the demand for increased wages to match increased prices, and for wage indexation, and they were beginning to show that they were ready to take matters into their own hands. The economic demands of the workers and the political demands of the Workers' Committees came together once again in the massive strike wave of 1991 which eventually brought down the whole system.

This strike wave raises fundamental questions about the political direction of the workers' movement. Most Western and Soviet liberal commentators have acclaimed the new workers' movement as a powerful political force supporting the transition to liberal democracy and a capitalist economy. However, while the leaders of the movement unequivocally backed the neo-liberal opposition to the Union government in 1991, the relationship between the political leadership of the movement and the demands of the rank and file was by no means straightforward, and the neo-liberal position was by no means secure.

### 7.1 The 1991 Miners' Strikes

Whereas in 1989 the miners insisted vehemently, for fear of retribution, that their strikes were purely economic, and that they had no political aims, in 1991 the strike leaders were equally insistent that the strikes were primarily political,

and their political demands were unequivocally aligned with the political ambitions of Yeltsin. The leaders of the Kuzbass and Vorkuta Committees took the position that there could be no purely economic demands, since the miners' economic aspirations could only be realised on the basis of fundamental political change. The Donbass and Karaganda Committees, while concentrating on the political issues, linked political to economic demands, without substituting one for the other. The fundamental question is whether the leaders of the Workers' Committees represented the views of the miners in this regard, or whether they were functioning in the best Bolshevik tradition of harnessing the workers' economic demands to their own political aspirations. This is not simply an academic question, because the political orientation of the working class may again prove decisive in the next phase of political development in the former Soviet Union.

Most Western commentators, together with Soviet liberals, take the view that the political positions of the Workers' Committees represented the miners' own views. They therefore believe, on the one hand, that there has been a progressive politicisation of the miners between the economic strikes of 1989 and the political strikes of 1991 and, on the other hand, that there is a contrast between the more politicised miners of the Kuzbass and Vorkuta, and the more economically oriented miners of the Donbass and Karaganda. However, the evidence does not support this interpretation. We have already noted the evidence of the gap which opened up between Workers' Committees and the miners in 1990. More directly, we find a consistent pattern running through the disputes in all the coalfields between 1989 and 1991. In general, the miners only responded to strike calls when the latter expressed their immediate economic demands, and were prepared to return to work once those demands had been met.<sup>1</sup>

This pattern appears clearly in the miners' strikes of 1991, despite the fact that the Workers' Committees put forward predominantly political demands, and despite the dramatic political impact of the strikes, which contributed in no small way to the political polarisation of the spring and the political disintegration of the Soviet Union itself. Nevertheless the workers themselves showed by their response to the strike calls that they were primarily concerned with their economic conditions.

We have already noted the limited response to strike calls during 1990, and the ignominious failure of the political strike called by the Kuzbass Committee in January 1991, in which no more than 300 people took part. In February the NPG and Regional Workers' Committees began to plan for a strike, scheduled for the late spring, since the government had refused to discuss the miners' draft collective agreement, presented to the government in November 1990 (Mandel 1991b; Mandel, interview with A. Sergeev, May 4 1991, mimeo.). However,

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<sup>1</sup>Even the intensely political Vorgashorskaya strike in November 1989 was settled with the concession of full economic independence to the mine, and Vorgashorskaya, like other privatised mines, did not join the 1991 strike. The motivation of the workers in the patchy July 1990 strike was also economic, despite the political demands of their leaders (Marples 1990).

discontent was growing in the coalfields, particularly in the Ukraine where the transfer to Republican sovereignty had provoked an immediate financial crisis. The Donbass Regional Committee called for a strike on March 1st, with the principal demand of wage increases of between 100% and 150%, while leaving it to the individual mines to decide its duration (RFE/RL *Report on the USSR*, 3, 8, 1991). The Ukrainian government claimed that it could not afford to meet the pay claim, and the strike went ahead, although the response was limited and patchy.

The Kuzbass leaders were caught on the hop by this development, since they were in Moscow negotiating the long-delayed transfer of their mines to Russian jurisdiction at the time, and initially they opposed the strike. However, the Kuzbass miners were called out for a one day token strike on March 4th, the Committee putting forward predominantly political demands, which met with a limited and uneven response, although some mines stayed out for longer.

On March 10th Yeltsin met the Kuzbass strike leaders in Moscow, and effectively gave them his endorsement, as a result of which they declared an unlimited political strike in the Kuzbass.<sup>2</sup> Backing was also received from the AFL-CIO in response to the appeal of the NPG.<sup>3</sup> Meanwhile the Soviet and Ukrainian governments, observing the relatively weak response to the strike call, sought to detach the politically motivated strike leaders from the mass of the miners, whom the government presumed had purely economic demands. Both governments took an increasingly intransigent position, offering talks with the official union and non-strikers, while refusing to talk to strikers and threatening them with legal action and pay stoppages, while official unions in other branches of production appealed to the miners to go back to work.

The impression towards the middle of March was that the strikes were spreading steadily, but unspectacularly. The various Regional Committees put forward different and varying sets of economic and political demands, with little sign of co-ordination among one another (the Ukrainian and Kazakh mines were now under Republican jurisdiction, and so the strikes were not even directed at the same government). The number of mines on strike was gradually increasing, although some mines went back as others came out, without any apparent pattern, but giving an impression of a high degree of spontaneity. The Kuzbass leaders represented this as a tactic of a 'rolling strike', to maintain supplies, but there is no evidence that the Kuzbass Committee had any control over the course of the strike, and it certainly did not have the organisation required to implement such a sophisticated tactic (it didn't even know which mines were on strike).<sup>4</sup> The miners had political support from Yeltsin, and gold and asbestos

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<sup>2</sup>There are those who suspect that Yeltsin directly encouraged the politicisation of the struggle by the Kuzbass Committee. More tangibly, in April Yeltsin sent 41 million rubles of Russian government money to the NPG in Vorkuta, which at that time had a very low level of organisation and membership. The money, which was channelled through the FNPR, was demanded by the NPG as the price of resuming coal deliveries to the Cherepovets steel complex.

<sup>3</sup>A delegation of leaders of the 'democratic workers' movement of the USSR' signed an agreement with the AFL-CIO on February 1st 1991 in Washington (*Rabochaya Sila*, 1, 1991).

<sup>4</sup>Sarah Ashwin relies on this dubious claim to assert that 'the success of the strike is

miners also came out, while collections of food and money for the strikers, particularly in Moscow and the Baltics, demonstrated solidarity. But overall the strike wave lacked organisation, momentum or direction.

The attempt to split the leadership from the miners failed, and from the middle of March the strike escalated as it became increasingly politicised, seeming to confirm that the miners' motivation was political. However, this is a misreading of the situation. It was not the politicisation of the strike that underlay its escalation, but the announcement of economic measures by the government. On March 10th Pavlov, the Prime Minister, spoke of impending price increases, having previously promised that no such rises were proposed, and this, on top of the earlier withdrawal of higher denomination banknotes, was the last straw. The proposed rises were confirmed by Gorbachev's order of March 19th, and implemented on April 2nd, with only the vaguest promises of compensation.<sup>5</sup> It was only when the issue of prices moved to the top of the agenda that the mood in the coalfields changed, and the strikes spread rapidly.<sup>6</sup> Within ten days half the coal mines in the Soviet Union were out, and the strike was spreading to other branches of production, the giant Uralmash in Sverdlovsk striking for two hours.

Meanwhile the Workers' Committees and NPG leaders had met in Moscow to establish an Interregional Co-ordinating Committee, which finally presented a set of common economic and political demands at the end of March. The Deputy Chairman of the official Federation of Independent Trade Unions of Russia (FNPR) sensed which way the wind was blowing, and threatened a general strike if Gorbachev did not meet with the miners' representatives. Three days later the Government agreed to open talks with the miners' leaders.

The government had been forced to negotiate by the reaction which it had itself provoked. It still believed that it could force a wedge between the politically motivated leadership and the economic aspirations of the rank and file, but the government had itself politicised the strike with its price increases. At the end of March the Supreme Soviet tried to regain the initiative. It suspended the strike for two months by decree, and appealed to key workers not to strike until the end of 1991, in view of the grave economic situation. In return it

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attributable at least in part to the skill with which it was organised' (Ashwin 1991, p. 3), indicating that the local workers committees were 'in close touch with the workforce'. It was only after the strike that the Regional Committee widened its membership to improve coordination by including a representative of each City Workers' Committee.

<sup>5</sup>The timing of the price rises was extraordinary (and was widely regarded as an All Fools' Day joke, appropriate to a government as jokers, ruling the circus which the USSR had become). Price rises had been the underlying cause of all the major civil disturbances since the war. Plans to raise prices had been repeatedly postponed through the 1980s for political reasons, and fears that they would provoke a wave of strikes had already led to their being dropped three times in the previous two years. The government must have been able to anticipate their impact in the inflammatory atmosphere of March, despite the patchy response to the strike calls. There must be a suspicion that the price rises (which were too modest to have much impact on the economic situation) were designed as a provocation.

<sup>6</sup>Even then the miners did not display the enthusiasm and solidarity of the 1989 strike. There were no great meetings in town squares. Instead the majority of miners simply stayed at home, or took a vacation.

instructed the Cabinet and Republican governments to consider the demands of the Regional Workers' Committees and to look at measures to improve working conditions and the economic situation with representatives of mining collectives and the miners' trade unions, calling a conference for the beginning of April to this end.

These steps proved unsuccessful. Far from the miners going back to work, more miners came out on strike. The Vorkuta miners declared it pointless to put forward economic demands, since their fulfilment is completely dependent on political changes (*Kommersant*, 25th March 1991). The Kuzbass strikers refused to attend the Cabinet conference in early April, on the grounds that their demands were political. One Kuzbass mine declared its participation pointless, since only economic demands would be discussed 'and we have none' (*Izvestia*, 29th March 1991). The conference proved to be a farce, since only a small minority of the participants represented the striking miners. The miners were offered a doubling of wages in 1992, but only if they met impossible production targets, and the right to sell some of their coal abroad (which would raise an estimated \$2 billion per year), although without any guarantees that this revenue would not be taxed away.

The limited concessions offered, and the vagueness of the government's promises, did not satisfy the miners or their leaders, and the strike continued, although it did not grow. The miners' leaders attempted to extend the strike to other sectors, on the basis of their political demands. The Donbass Committee called for a general strike on April 16th, to coincide with the opening of Parliament, which met with some response in Kiev. The Ukrainian government promised to meet the miners' economic demands, within the limits of their resources, and the Donbass miners were reported to be ready to call off the strike. The Kuzbass miners called an all-union general strike for April 17th to force Gorbachev and the Union government from power, but the strike call met with a negligible response, except from the Urals where a token strike was called with the support of the official unions.

By the middle of April the striking miners seemed to have come up against a deadend. They had not secured any of their political demands, and had only vague promises of economic concessions. They had failed to extend the strike significantly beyond the mines, although an independent strike wave had exploded in Belorussia, with the demand of 'market wages for market prices', in response to the price rises of April 2nd. The strike was holding, but still fewer than half the miners were out, and there were growing divisions emerging between miners and non-miners as the impact of the strike began to bite in other branches of production, between striking and non-striking miners, and amongst the strikers themselves. Meanwhile the striking miners were facing rapidly deteriorating material conditions as their money was exhausted, and food supplies to the striking areas were cut. There was a growing fear in the Kuzbass that the army would be sent in if the strike lasted much longer and coal deliveries, which had been maintained throughout the strike, were cut. However, there was no basis on which the strike could be called off without admitting defeat. The Union government was still not willing to make realistic

economic concessions to the miners, while the political polarisation, forced by Yeltsin, was growing by the day without any sign of a solution.

Nevertheless, behind the scenes the foundations of a face-saving resolution of the dispute were being laid in the negotiations between Yeltsin and Gorbachev, which culminated in the '9 + 1' agreement, which was to be the basis of a new Union Treaty, at the end of April. The significance of this agreement for the miners lay in the transfer of the Russian mines to Republican jurisdiction, under which the mines would be granted financial autonomy, which would then allow them to respond to the miners' economic demands. This government strategy drew on the lesson learned by the miners' strike in Karaganda, which had been brought to a rapid conclusion as Nazarbayev, the President of Kazakhstan, backed the miners' economic demands, while rejecting their political demands as unconstitutional, and used them to get rapid agreement to the transfer of the Kazakh mines to republican jurisdiction.

Suggestions had been made early in the strike that the privatisation of the mines would make it unprofitable to strike, and the government now took the suggestion on board, proposing to enterprise managers from Kuzbass and Vorkuta a restructuring of the mines, partly to increase the collective's stake in the result of its labour. The centre had resisted handing over the mines in the past because of the loss of hard currency revenue, but political developments by now made it clear that such a transfer was ultimately inevitable, and its immediate implementation had the appeal to the centre of passing the buck to Yeltsin's Russian government.

Although Yeltsin had ridden the strike wave, by mid April there was a danger that it would prove counterproductive in pushing political polarisation to the point of decisive confrontation, and in the devastating impact it would have on the Russian economy if it continued much longer, and there is little doubt that these considerations played their part in forcing an agreement between Yeltsin and Gorbachev. A resolution of the strikes became possible with the agreement signed between the centre and the Republics, in which price increases and compensation, the transfer of the mines to the republics, and the call for an end to strikes, played a central role. Just as he had appealed to the miners to end their strike in 1989 (Mandel 1990b, p. 394), Yeltsin went to the Kuzbass at the end of April to sell the deal directly to the miners, by-passing the Inter-Republican Committee, but the miners rejected it until it was amended and enshrined in a joint resolution of the USSR Cabinet and the Russian Council of Ministers. Although Yeltsin gave the miners very little on paper, beyond the transfer of the mines to Russian jurisdiction, this allowed the miners to secure enormous pay rises, and Yeltsin's visit provided them with a 'green exit' from what had come to appear to be a blind alley. If the miners achieved little, for Yeltsin the strike was a triumph from which he emerged holding all the cards. In the Presidential election in June Yeltsin received almost 60% of the popular vote on a 70% poll. In only one region did he fail to secure an overall majority, Kuzbass, where the head of the Regional Executive Committee, Tuleev, who had opposed the miners' strike, secured 42% of the vote, a result which brought sharply home to the Workers' Committees how effectively the government had

managed to isolate the miners from the rest of the working class.

The miners' strike of 1991 had a decisive impact in bringing the crisis of the Soviet system to a head. It was the miners' strike which forced the realignment within the ruling stratum in which the balance of power shifted decisively in favour of the reformist faction as Gorbachev ended his vacillation, and Yeltsin showed a willingness to compromise. This realignment was embodied in the '9 +1' agreement, whose planned signature in August has been widely regarded as the primary reason for the August coup. Perhaps even more significant, however, was the split between Gorbachev and his prime minister, Pavlov, which came to a head just before the August coup over the central issue of support for the military-industrial complex and the ministerial system of administration.<sup>7</sup> The eventual outcome of the miners' strikes was the collapse of the Union, the replacement of Gorbachev by Yeltsin, and the introduction of the neo-liberal 'shock treatment' at the beginning of 1992. The miners backed all these developments, but to what extent did they support the politics of the neo-liberals, and to what extent was their support simply bought with high wages and economic privileges? This question brings us back to the broader issue of the relation between politics and economics in the workers' movement.

## 7.2 Politics and Economics in the Workers' Movement

We have already discussed the relationship between the politics of the Workers' Committees and the economic demands of the mass of the miners in a previous chapter. Despite the assertion of many commentators, this relationship did not change in 1991.

The common liberal view is that the 1991 strikes were essentially political strikes in support of Yeltsin, Republican sovereignty and the transition to the market economy, revealing the miners to be 'a vital component of the reform movement' (Ashwin 1991, p. 2). However, although the strikes were politicised, the division between the political ambitions of the Workers' Committees and the economic demands of the rank and file persisted throughout the strike. As we have seen in detail in the last section, the miners failed to respond to calls for political strikes, only coming out in response to the government's price increases,

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<sup>7</sup>In June Pavlov had tried to launch his 'palace coup', demanding that the Supreme Soviet give him extra powers, only to be slapped on the wrist by Gorbachev, who proceeded to erode the powers of his own Cabinet. At the end of July Gorbachev held a secret meeting with Nazarbayev and Yeltsin, about which Kryuchkov was informed by his KGB, at which it was agreed that Nazarbayev would replace Pavlov, and Yazov and Kryuchkov would be removed from the government, immediately after the signing of the Union Treaty. On August 3rd Gorbachev issued a decree which gave priority to consumer-goods production, against the Pavlov government's insistence that priority should remain with the 'basic' industrial branches. On August 5th planning for the coup began. On August 10th Gorbachev issued a decree creating the State Property Fund, which would be accountable only to the President and the Supreme Soviet, and so would bypass the Cabinet and take control of all state property out of the hands of the ministries (CDSP, 43, 25; 43, 32; 44, 32).

and they returned to work once the workers' basic economic demands had been met, despite the failure to secure any of their Committees' political demands. Similarly every attempt to generalise the strike on a political basis failed.

### 7.2.1 Regional differences in the miners' movement

It is instructive to compare the development of the strike movement in the different regions from this point of view. Most commentators have identified a difference between the Donbass miners, who are most concerned with economic demands, and the miners of the Kuzbass and Vorkuta, whose primary concerns are supposedly political. However this impression seems to arise because little information reaches Moscow, let alone the West, about the situation on the ground in the more remote coalfields. The same gap between the increasingly highly politicised Workers' Committees and the persistence of economic motivation on the part of the rank and file exists in all the coalfields.

The postulated differences in motivation are linked to supposed differences between the coalfields in their relation to the market economy. The Donbass is an old coalfield, with antiquated equipment, low productivity and appalling working conditions. Most of the mines are on the verge of bankruptcy, and could not survive without subsidies, so that the 'transition to the market' provides no solution for the workers. The Kuzbass, by contrast, is supposed to have 'rich coal deposits' and 'a relatively modern industrial infrastructure' (Ashwin 1991, p. 3; cf. Rutland 1990). However, although there are some rich and easily worked deposits, productivity in the Kuzbass is still low and falling fast. The technology in the Kuzbass can only be called modern relative to the Donbass, and there is a huge backlog of investment in maintenance and repair and in the social and economic infrastructure, while transport costs are high. A few of the Kuzbass mines enjoyed a spurt of prosperity by selling coal at world market prices, while paying state prices for inputs, but very few are likely to prove competitive on world markets if they have to pay market wages and prices themselves. By the middle of 1992 transport costs (and taxation) made coal exports unprofitable even for the most productive pits. The General Director of Kuznetskugol estimated in July 1992 that two-thirds of the Kuzbass pits would close if they had to compete in free markets. The Kuzbass is no less dependent on state support than is the Donbass.

This argument is reinforced by the example of Vorkuta, which is supposed to be the most politicised region, but where conditions are such that the mines could not possibly survive without massive subsidies.<sup>8</sup> If the Vorkuta miners are more highly politicised it is most likely to be a result of the fact that Vorkuta retains some of both the living and working conditions and the radical cultural traditions inherited from its years as a prison colony. The high level of politicisation of Vorkuta, as of the Kuzbass, is a feature of the leadership, while the

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<sup>8</sup>This can lead to a reversal of the explanation conventionally applied to the comparison between Donbass and Kuzbass: according to the President of the NPG of Russia, Alexander Sergeev, dependence on subsidy is the reason for the politicisation of Vorkuta.

source of the Vorkuta miners' militancy is the appalling living and working conditions, and the extremely authoritarian style of management inherited from its prison past.<sup>9</sup>

The most important factor in accounting for the different balance between economic and political demands in 1991 has nothing to do with the economic conditions of the different coalfields, or the motivation of the workers, but the fact that the different coalfields were operating in different political circumstances. The mines of the Donbass and Karaganda had already been transferred to Republican authority and self-financing, whereas the Russian mines had not. This meant that the political demands directed at the Union government by the former were largely irrelevant to the economic aspirations of the miners, and the strikes in Kazakhstan and Ukraine were resolved by purely economic concessions. On the other hand, the economic demands of the Russian miners were caught up in the struggle between Yeltsin and Gorbachev, and could only be addressed once that struggle was resolved one way or the other.

### 7.2.2 The Belorussian strikes

The division between the 'economic' aspirations of the working class and the political orientation of its leadership, and the influence of local and regional political factors, are found not only among the miners, but have been a general feature of the independent workers' movement, which appears clearly in the development of the Belorussian strike movement in 1991.

The Belorussian strikes have generally been presented as a spontaneous outburst in response to the price rises, and this was certainly the immediate source of the outbreak. The wave of price increases that were introduced at the beginning of April created widespread indignation because the promised compensation proved inadequate and slow in coming. This was particularly the case where enterprises did not have the funds to cover the cost of required wage increases. This was generally the case in Belorussia, considered the most stable and conservative Republic, which had fared well in the Brezhnev period, and which had no workers' movement, but where the economic crisis had struck hard and deep. The price increases were a particular blow in Belorussia, since there was more available in state shops than in most parts of the Soviet Union, so that the rise in official prices had a bigger impact than elsewhere.<sup>10</sup>

The main reason to doubt the spontaneity of the Belorussian strike wave is the speed with which the strike spread, and the high level of discipline and organisation it displayed, compared with the much more experienced miners. Mihalkisko notes that 'perhaps the most impressive aspect of the events in April is the high degree of organisation among new factory strike committees, in addition to the speed with which those committees sprang up' (Mihalkisko

<sup>9</sup>It is also noteworthy that in Vorkuta the pure mining towns, such as Mezhdurechensk, have proved much more militant than cities like Kemerovo and Novokuznetsk with a more diversified industrial base.

<sup>10</sup>Roy Medvedev, *Washington Post*, 11th April 1991. Mihalkisko (1991b) doubts this explanation.

1991a, p. 22), and it is difficult to see how this could occur spontaneously. All the evidence would suggest that the strikes were in fact called and organised on the initiative of the Belorussian Popular Front (BPF),<sup>11</sup> a liberal-democratic organisation which had hitherto made little headway in a Republic marked by a sharp cultural and political division between workers and intellectuals.<sup>12</sup> It was only when the BPF turned to the workers for support, linking its political platform to the economic demand of 'market wages for market prices', that it made any headway.<sup>13</sup>

The strike wave erupted in Minsk, starting at an electrical engineering factory where one shift walked out when they found that prices had been increased in their canteen. The workers gathered outside the factory, where they were joined by workers from a neighbouring plant, and by activists from the Popular Front and the Workers' Union who addressed the workers and offered to lead them on strike, but the meeting broke up without a decision. The next day the workers walked out, visiting other plants and calling them to join the strike. Over the day the strike spread to most of the major factories in Minsk and to four other cities. The strikers gathered in a mass meeting in the central square, where members of the Popular Front and the Workers' Union dominated the podium, putting forward their political demands, in addition to the economic demand of 'market wages for market prices', and securing the election of a strike committee, co-chaired by two more members of the Popular Front. The government had meanwhile been consulting with enterprise Directors and union Presidents from around the city, and as a result the Belorussian Prime Minister agreed to meet the workers, and declared his sympathy for their cause. The strike was suspended, giving the government a week to respond to the workers' demands, but negotiations broke down as the government claimed that it simply did not have the funds to meet their demands. A week later, by which time strike committees had been established in 52 enterprises, a one day strike call received overwhelming support, with a massive demonstration in the central square.

Meanwhile ministers went scuttling around the labour collectives talking to

<sup>11</sup>Including David Mandel, interview with Nikolai Belanovskii, 23.05.92, and our discussions with Andrei Vardomatski, Institute of Sociology, Minsk.

<sup>12</sup>Two days before the strikes began the Belorussian Confederation of Labour (BCL) was founded at a congress attended by 115 delegates, on the initiative of members of the Belorussian Popular Front, prominent among whom were activists of SMOT and the Democratic Union. The Confederation of Labour was set up as a trade union, in succession to the Workers' Union of Belorussia, which had been established by the BPF in September 1989 in response to conservative moves to organise a neo-Stalinist workers' organisation. The leader of both was Mikhas' Sobol', who had just returned from the United States as a guest of the AFL-CIO, and who was also one of the three co-chairmen of the Union-wide Confederation of Labour that had been established in May 1990. The BCL declared US unions as its model, and committed itself to democracy, the free market and free trade unionism. The two co-chairs of the Minsk Strike Committee, elected at a huge rally the day after the strike began, were also prominent members of the BPF. RFE/RL *Report on the USSR*, 2, 52, 1990. Mihalkisko 1989, 1991b.

<sup>13</sup>A precedent for political strikes in Belorussia had been set by the strikes and demonstrations around the issue of Chernobyl in 1990.

the workers, enterprise directors conceded wage increases and compensation for price rises, and the government negotiated a greater range of protection with the trade unions, but the strike leaders declared their lack of confidence in the leadership of the Byelorussian trade union federation, and pursued their demands, including 15 minutes a day live air time on TV. A Republic strike committee was established on April 13th.

Ten days of discussions between the government and the strikers, and a meeting between the Presidium of the Supreme Soviet and the whole City strike committee, only resulted in further polarisation, and a renewed strike call on April 23rd. However, the government announced the same day that it had conceded the strikers' economic demands, including substantial pay rises, but could not accept its political demands, most of which were beyond its competence. The following day, the anniversary of Chernobyl, only two enterprises struck, although many sent representatives to a large meeting in the square at which the strike was suspended. Although some enterprises stayed out, and subsequent victimisation of strike leaders later provoked renewed conflict, the economic concessions cut off the movement as abruptly as it had begun. With the effective end of the strike the Belorussian Workers' Committee decided to continue in existence, orienting itself to political work and the extension of organisation to further enterprises, but subsequently made little progress as it fell victim to political divisions.

Despite their limited political impact, the Belorussian strikes did eventually lead to a more radical restructuring of the official trade union movement than in any of the other Union Republics, as strike committee activists in a number of enterprises took over the official unions at enterprise level through elections. A radical leadership had already taken over the Radio-Electrical and the Auto and Agricultural Machine Workers' Unions of Belorussia, forming an Independent Association of Trade Unions in December 1991, while retaining membership of the official Federation. Many of the enterprise strike committees, and primary groups of various official unions they had captured, meanwhile came together to form the Free Trade Unions of Belorussia in November 1991, which also co-operates selectively with the official unions (David Mandel, interview with Nikolai Belanovskii, 23.05.92).



## Chapter 8

# After the Coup: The Workers' Movement in the Transition to a Market Economy

Simon Clarke and Peter Fairbrother

The conclusion of the last chapter, that the workers' commitment to the programme of the liberal reformers was by no means unconditional, is confirmed by the response of the miners to the August coup. In Kuzbass only 41 mines struck in response to Yeltsin's call, against almost 200 which had spent up to two months on strike earlier in the year, supposedly in support of Yeltsin, and many of those which did strike were following the instructions of the mine Director, many of whom explained to their workers that the independence of the mine and the workers' hard-won prosperity was at stake. The general feeling among the miners was one of exhaustion. They opposed the coup, but they were not willing to come out on strike on their own yet again, and so the majority chose to wait and see how workers elsewhere would respond to Yeltsin's call. The Kuzbass sent representatives to defend the White House, but by the time they arrived it was all over, although many of the Kuzbass miners believed that the mere threat of a strike was sufficient to have doomed the plotters.

The failure of the coup, followed by Yeltsin's counter-coup, did not lead to fundamental changes at the level of the enterprise, but it transformed the wider economic and political situation. On the one hand, it brought the liberal democratic opposition, which had dominated the independent workers' movement, into government. On the other hand, the liberalisation of prices and collapse of production intensified the deterioration of workers' living standards. This led, on the one hand, to a widening of the gap between the leaders of the independent workers' movement and the workers they claimed to represent and,

on the other hand, to a renewed opportunity for the official trade unions to put themselves at the head of the working class. However, this new polarisation between the radical liberals, who dominated the political structures at the centre, and the reform conservatives who dominated the economic institutions and many regional political structures, closed down the space within which workers' organisations had been able to achieve some independence. As the two wings of the ruling stratum closed ranks at local and regional level through 1992 the independent workers' movement found itself marginalised and vulnerable.

Independent workers' organisations took the lead in mobilising resistance to the coup, backing Yeltsin's strike call.<sup>1</sup> Strike Committees were hurriedly established in enterprises to give support to Yeltsin, often on the initiative of local People's Deputies and activists in the democratic movement. However, the immediate response from workers was not substantial and, when it became clear which way the wind was blowing, representatives of the official structures suddenly became enthusiasts for worker activism. Leningrad and Sverdlovsk saw some of the most extensive workers' action in opposition to the coup, but much of this action was sponsored by enterprise administrations and official trade unions, prefiguring the post-coup alliance between the old and the new apparatuses at local level. Many Strike Committees set up during the coup remained in existence after the coup, but most only ever existed on paper, and their only function was to defend against the threat of a further coup.

In the wake of the coup the liberal leadership of the independent workers' movement finally achieved its political aims (and its personal ambitions). The leader of the Kuzbass Workers' Committee, Golikov, moved into Yeltsin's administration, while Mikhael Kislyuk, who had been the intellectual leader of the Kuzbass Workers' Committee at the beginning of the movement, and had managed to be alongside Yeltsin in the White House, was appointed as the latter's Chief of Administration in Kuzbass. The entire Sotsprof leadership moved into government as nominees of the Social Democratic Party, helping to draft new trade union and social legislation. Sotsprof managed to secure three of the fourteen trade union seats on Yeltsin's Tripartite Commission for the Regulation of Social-Labour Relations, compared with nine for the official FNPR, and only one for the Independent Miners' Union and one for the independent pilots' union.

Now that it was in government, supporting Yeltsin's reform programme, the liberal leadership of the workers' movement saw its role as one of containing worker unrest in order to prevent a populist backlash. In the Kuzbass unrest soon grew among the miners as they saw their wage gains once more eroded by inflation. The situation was exacerbated by an acute shortage of cash, which meant that some workers went unpaid, and many workers received the bulk of their wages in kind. By December 1991 tension in the coalfield was mounting, several mines threatened to strike, and a number of City Workers' Committees declared a pre-strike situation, with a call for strikes to start on December 25th

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<sup>1</sup> Among the first to respond were the Leningrad dockers, amongst whom Spravedlivost was active, who came out on strike at their change of shift at 6 a.m. on the morning of the coup.

if all money due was not paid. However, on December 24th a meeting of the Kuzbass Workers' Committee, attended by Kislyuk, persuaded the miners to hold back from strike action, with Kislyuk promising to secure a further wage increase from Yeltsin. Following a short strike in the Vorkuta mines, and further strike threats in Kuzbass, a massive increase was duly achieved in January, linked to the promise of future indexation of wages and substantial subsidies for the Russian mines.

The fact that 'price liberalisation' was accompanied by the tripling and indexation of miners' wages, and by continuing guarantees of subsidies for the mines, certainly eased the pain for the miners, but it still did not satisfy them. The deepening crisis of the coal industry threatened to bring all the issues to a head. For all the changes at the centre, virtually nothing had changed in the coal mines themselves. The collapse of managerial authority,<sup>2</sup> without any provision for the active participation of workers in managing their mines, had led to a collapse of labour 'discipline'. On top of this, investment had been slashed and maintenance and repair neglected, so that in Kuzbass mines productivity fell by up to half in only three years (except in those pits which were privatised to the labour collective, where productivity rose substantially). Increased taxes, continued control over prices, and soaring freight costs meant that even exports were proving unprofitable to the mines. The cash shortage, engineered by the government as a crude means of controlling inflation, meant that many miners went unpaid for three months at a time. The mines continued to simmer through 1992, with the Workers' Committees and NPG trying to keep the lid on the situation. Meanwhile, the miners' massive wage increases only exacerbated the divisions within the working class, particularly in the mining areas, where other workers had to pay prices inflated by the demand of the miners, without enjoying the miners' wages.

The political manoeuvring of the Sotsprof leadership was also arousing the antagonism of its members. Khramov, the leader of Sotsprof, declared his full support for both the Russian and Moscow governments, without securing any concessions for his members. Over a third of the delegates walked out of the chaotic Sotsprof Congress in February 1992, at which the powers of the central Coordinating Committee were strengthened, and at which Khramov announced the preparation of a moratorium on strikes, except in support of victimised Sotsprof members. Meanwhile activists in Sotsprof primary groups were showing growing dissatisfaction with the political and commercial preoccupations of the centre, and pursued their own increasingly independent line. In September 1992 Sotsprof tried to compensate for the loss of its popular base by signing an agreement with Konstantin Borovoi's 'Party of Economic Freedom', while moving closer to the official FNPR. The result was to alienate itself from both official and alternative workers' organisations, which united to exclude Sotsprof from membership of the Tripartite Commission in January 1993.

While Sotsprof and the miners' leaders aligned themselves with the govern-

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<sup>2</sup>In some cases workers forced out shop chiefs and even mine Directors whom they did not like.

ment, there was a large number of other independent workers' organisations which did not. However, these local organisations, as in Leningrad and the Urals, came under increasing pressure after the coup as the warring factions of the ruling stratum were reconciled and sought to realise their common interest, which certainly did not include accommodation with independent workers' organisations. The collapse of the centre also meant that enterprise management was no longer subject to political or administrative control, and was able to act with a free hand in containing and eliminating independent workers' organisation, where the latter did not enjoy strong support or powerful political backing. Enterprises were quick to take advantage of Gorbachev's anti-strike law, which had been passed in 1989 but was rarely used before the coup. Moreover, the growing reliance of workers on the enterprise administration and the official trade unions for access to essential food and consumption goods distributed through the enterprise gave the latter a greatly increased leverage over the workers. All these factors made conditions extremely difficult for independent workers' organisation.

In Leningrad *Nezavissimost* split into three factions, two of which came under Trotskyite influence,<sup>3</sup> while one retained its anarcho-syndicalist orientation, but the organisation was virtually destroyed. *Spravedlivost*, with its links to the Democratic Russia movement, barely survived. In the Urals *Rabochii* also split as it found its remaining organisation at enterprise level squeezed, and decided at its conference in February 1992 to co-operate with the neo-Stalinist Russian Communist Workers' Party (RKRP). By the autumn of 1992 *Rabochii* was also linked to the national-patriotic group *Otechestvo*, the official trade unions, and enterprise directors, while its leader *Burtnik* was heavily involved in commercial activity.

It was not only the 'syndicalist' organisations which were under pressure. Even the independent workers' organisations which had so strongly supported Yeltsin, the miners and the air traffic controllers, began to come under growing pressure whenever they showed signs of representing the interests of their members. The Yeltsin government soon showed that it was no more willing to meet the workers' demands for fundamental reforms than had been those of Gorbachev.

## 8.1 The Independent Miners' Union

The Independent Miners' Union (NPG) had been a negligible force before the strikes of 1991, but with the new government in power trade union organisation assumed a greater importance for the miners' leadership. The NPG also had to respond to the break-up of the Soviet Union, forming national unions within the framework of what became the Inter-Republican NPG. However, the biggest danger facing the NPG was the risk of isolating itself, both within the industry and beyond. The potential membership of the NPG, which represents

<sup>3</sup>One faction, *Workers' Democracy*, is under the influence of the British organisation *Militant*, the other reconstituted itself on the basis of Tony Cliff's analysis.

the interests of underground miners, covers only about one third of the total number of employees of the industry, all of whom are eligible to join the official union. The differences between the NPG and the official union are therefore not only political, but also sectional. Thus, when surface workers in Vorkuta struck in September 1991 for pay rises to match those secured by the underground workers, their strike was denounced by Vyacheslav Tukan, the leader of the Vorkuta Workers' Committee, as 'anti-Yeltsin and anti-Russia' (*TASS*, 20 September 1991).

The miners are similarly vulnerable in the face of the growing antagonism of the non-mining population in the mining areas, particularly pensioners and those such as teachers and medical workers in 'budget organisations', who pay miners' prices without receiving miners' wages. This danger became evident with the waves of strikes of teachers and medical workers from September 1991 to April 1992, which were most militant and long-drawn-out in the mining areas of Vorkuta and Kuzbass.

The miners saw the danger this posed, and made strenuous efforts during 1992 to extend the base of their organisation. On the one hand, the NPG has sought to broaden its membership to take in workers in all forms of mining, and not only coal, and from the beginning of 1993 to look to broaden their base further. On the other hand, the Workers' Committees have sought to draw in representatives of other categories of workers, and particularly of the teachers and medical workers, sharing barter goods acquired in exchange for coal with the latter, although both these moves have had only limited success.

In Kuzbass the NPG had some infrastructure and a respectable number of members, but it did not have any effective trade union organisation, and was not able to pose an effective challenge to the official union in the pits. The Kuzbass miners were in a difficult position because despite their economic gains, and their political influence in Moscow, they were politically very weak in Kuzbass itself. Although Yeltsin had appointed Mikhael Kislyuk, former leader of the regional Workers' Committee, as chief of the regional administration, Kislyuk had very little power, and even less popularity. Politically the region was dominated by the reconstituted apparatus, led by the chief of the regional executive, Aman Tuleev, which was able to exploit the divisions opened in the working class by the differential impact of inflation.

The isolation of the miners was perhaps most starkly demonstrated by the decision of the official miners' union to identify itself with the call for a general strike in Kuzbass in March 1992, despite the fact that the strike programme included demands for the restoration of pay differentials, the general distribution of goods acquired by barter for coal, and a freeze on fuel prices, which would have bankrupted about 30 pits, all of which the miners saw as an attack on their interests. This led to a new influx of members into the NPG. However, although the NPG had primary organisations in a few mines in Kuzbass, which were included in the various joint commissions and which participated in the traditional union activities, the NPG was in practice largely ignored by the mine administration, and any strength it had continued to depend on its political influence in Moscow.

In Vorkuta, where the NPG had barely existed before the 1991 strike, the task of building it thereafter was eased by the receipt of 41 million rubles from the Russian government during the strike, which enabled the NPG to build its organisation and develop a wide range of commercial activities, on the basis of which it could attract members. By the middle of 1992 the NPG in Vorkuta owned a fleet of refrigerated lorries, which are dispatched in search of food supplies, and was planning a fish factory in the Far East to guarantee supplies of fish. The NPG had grown to dominate the City Workers' Committee, which it now financed, and controlled workers' representation in a number of mines. However, its involvement in commercial activity also led to sharp internal conflicts. On the one hand, it was attracting members not on the basis of independent trade union activity, but on the grounds that it could offer better barter goods than could the official union. In its everyday trade union activity it was virtually indistinguishable from the official union in its structure and functions. The NPG marked itself out with a militant workerist rhetoric and a strong sectionalism, but this merely served to strengthen the position of the official union among the surface workers, managers and ITR who form the majority of the labour force. In effect the division between the NPG and the official union in Vorkuta had become a sectional one. On the other hand, in its commercial activity the NPG in Vorkuta was deeply implicated with the infamous Kazan mafia through its commercial subsidiary companies (it also has close links with the equally infamous Union of Democratic Miners in Britain), and there were widespread allegations of corruption which divided the Workers' Committee.

These developments led to growing internal divisions within the NPG, particularly between the Kuzbass and Vorkuta, over the two fundamental issues of eligibility for membership and commercial activity. According to the NPG Constitution ITR are not permitted to join the union, but in parts of Kuzbass this prohibition was ignored and the NPG admitted all categories of workers (but not management) to membership, while in Vorkuta it only admitted underground workers at or below the level of brigadier. The issue came into the open at the December 1992 NPG Congress, at which the formation of a separate section of NPG for ITR was announced. However, the leaders of the Rostov miners even proposed that senior management should be admitted to NPG, on the grounds that this would allow the NPG access to financial information with which to check the activity of the administration.

This proposal linked to the even more fundamental issue of the involvement of the NPG in 'commercial activity'. As a result of this activity the President of the USSR NPG, Pavel Shushpanov, was accused of embezzlement and dismissed in 1991, and the Vorkuta President was dismissed in 1992. The new Vorkuta leadership was not opposed to the involvement of the union in commercial activity, because with a very small membership this was the only source of revenue, but demanded that commercial activity be brought under democratic union control.

Although the NPG was not strong on the ground, it had had high hopes of its prospects under a Yeltsin government. However, it was soon brought down to earth with a bump as the Yeltsin government tried to marginalise it

in favour of Sotsprof (which was by now little more than a front for the Social Democratic Party), and, more discreetly, the official trade unions. In December 1991 the NPG got only one of the fourteen trade union seats on the Tripartite Commission, while Sotsprof, with a much smaller membership, got three seats. In January 1992 the NPG was brought into the miners' pay negotiations with the government but had to take its place alongside the official union, and to accept a settlement which, while extremely generous, was applied across the board, and not just to the underground workers represented by the NPG. The NPG was also dismayed by the Yeltsin government's decision to leave the administration of social security, which was the basis of the power and patronage of the trade unions, in the hands of the official unions.

In August 1992 the NPG looked on in shock as the government orchestrated its savage campaign against the Independent Union of Air Traffic Controllers. In September 1992 the NPG leaders went into negotiation with the government, soon after their offices in Moscow, Vorkuta and Kuzbass had been mysteriously burgled and documents removed, and after the leaders of the Air Traffic Controllers had been served with warrants charging them with 'conspiracy to commit economic sabotage', and had had all their documents removed by court order. At the end of November 1992 the independent unions, including the NPG, met together to discuss solidarity action in the face of the government's renewed attack on the Air Traffic Controllers, whose anti-victimisation demands were backed by the large delegation of Kuzbass miners who had come to Moscow to picket the Congress of People's Deputies. Although this support led the government to agree to the main demands of the Air Traffic Controllers, it nevertheless continued to pursue their union through the courts, demanding that it should be 'liquidated' (the phrase of Prosecutor Stepankov, not used officially since Stalin's days) because its demand for the enforcement of the tariff agreement signed by the government in May was illegal!

At the beginning of 1993 the NPG faced a series of further blows to its standing as an independent trade union. As in the previous year, the government gave it only a minor role in the negotiations over the industry's collective agreement, and to add insult to injury the NPG also lost its seat on the Tripartite Commission. Meanwhile Yeltsin announced a privatisation programme for the mines which gave only limited concessions to the workers, while keeping controls on coal prices and threatening to cut subsidies, so that a large number of mines were faced with bankruptcy and closure. The dilemma faced by the NPG was summed up in the strange position in which it found itself through the spring of 1993, with one pre-strike situation declared against the government's privatisation programme and refusal to free coal prices, and another simultaneously declared in support of the government against the Congress of People's Deputies.

In practice the NPG had found itself neutralised as a trade union and marginalised politically, so that its 'commercial' activity had come increasingly to dominate its development from a trade union to what looked by the middle of 1993 more like a trade association. The NPG had originally become involved in commercial activity acting as an agent for the mines in selling coal, primarily

for export, in exchange for hard currency and barter goods which it would provide for its members. On this basis the NPG became enmeshed in the conflicts between the mines, the coal concerns and Moscow over the marketing of coal, in which the NPG's political connections in Moscow gave it a privileged role.

By the end of 1992 the NPG and the Workers' Committee in Vorkuta had effectively become the coordinator of the interests of the regional coal industry as a whole, linking regional and local government, individual mines and the concern, and the official and independent unions, to represent the interests of Vorkuta in Moscow, lobbying both for continued subsidies for the Vorkuta mines, and for the implementation of the promised Northern Programme of social development and resettlement, in which the NPG itself already had a large investment. In Kuzbass similarly the NPG played a leading role at the beginning of 1993 in building an effective coal lobby. The NPG was reproducing the traditional forms of Soviet trade unionism with a vengeance.

The weakness of independent workers' organisations, and the identification of their leadership with the Yeltsin government's reform programme, opened the door to a resurgence of the official trade union movement, which was now free to express the growing dissatisfaction of workers in the face of rapid inflation, the threat of unemployment, and persistent shortages. Although strategically located workers, such as miners, airline pilots, air traffic controllers, dockers and some transport drivers, had been able to force substantial pay rises by the threat of strike action through their independent organisation, others had seen their pay lagging far behind. Workers in 'budget organisations' in the public sector, such as teachers and medical workers, fared the worst, with local authorities often lacking the funds to meet their wages bill. Workers in the military sector had fared little better, but the threat of widespread unemployment limited their militancy. Pensioners and students saw their allowances fall behind, although they were regularly promised that their benefits would be indexed against inflation.

## 8.2 The Resurrection of the Official Unions

### 8.2.1 National union organisations

The All-Union Central Council of Trade Unions (VTsSPS) had asserted its 'independence' from Party and government as early as 1987, not as a progressive but as a conservative force. The VTsSPS increasingly stood out against government plans to introduce market reforms, insisting on very substantial social guarantees, high levels of unemployment pay etc., as preconditions for any agreement to new legislation. This rearguard action was extremely ineffective, and simply meant that the unions lost what little impact on policy they had once enjoyed. The VTsSPS was replaced by a new General Confederation of Trades Unions (VKP) in October 1990, although the change had no real substantive implications until the collapse of the Soviet Union in the autumn of 1991.

In response to the 1991 miners' strikes the VKP co-ordinated its activity

closely with Pavlov's government, stressing the need for a new system of collective bargaining within a corporatist tripartite framework, and reaching an agreement with the government in April, which included a no-strike pledge. However, the agreement was not worth the paper it was written on, because the programme presupposed the existence of a system which had already disappeared and the authority of a body which was entirely discredited. The unions themselves were disintegrating *pari passu* with the system itself, as union bodies at every level asserted their independence from higher levels. Following the disintegration of the Soviet Union at the end of 1991 the VKP was reduced to an empty shell, although it still had ambitions to create an international trade union federation.

From the spring of 1990 the official branch unions began to set up separate Republican organisations, including the Federation of Independent Trade Unions of Russia (FNPR), and to reconstitute their regional committees. The formation of the FNPR marked the attempt of the branch unions to distance themselves from the Party and the Union government, and to weaken the grip of the former trade union centre, and so was really another expression of the attempt of the enterprises, associations and concerns, with which the official unions identified, to establish their economic independence. The FNPR was soon involved in a struggle with the VKP, as a result of which the FNPR allied itself with Yeltsin in his struggle with Gorbachev on the basis of a common interest in undermining the central powers and establishing Republican sovereignty. While the VKP backed Gorbachev in resisting the miners, the FNPR threatened a general strike if Gorbachev did not back down, and later backed Yeltsin in the Russian Presidential elections. The FNPR also called a one-hour strike on April 26th, with support from Democratic Russia, to protest against higher prices and worsening living conditions, and claimed that 50 million workers had responded, although very few enterprises actually struck, and it is most likely that at best the 'representatives' of 50 million workers had attended meetings. The split between the VKP and the FNPR meant that the official unions which were affiliated to both had their options well covered.

The August coup accentuated the division between the VKP and the FNPR, with the FNPR denouncing the VKP's failure to distance itself from the plotters, although the FNPR had also sat on its hands at the time, and taking the opportunity to establish its position as the dominant union body in Russia. Following the coup the FNPR was cautious in its opposition to the Yeltsin government. Its leader, Klochkov, visited Japan and decided to launch an 'autumn offensive' under the well-tryed slogan of 'market wages for market prices'. However, its attempted display of strength back-fired when its demonstrations attracted a derisory turn-out, and a warning strike called for November was cancelled, supposedly on the grounds that Yeltsin had accepted the FNPR's main demands. The demonstrations also proved counter-productive, since they risked identifying the FNPR with the 'red-brown' Communist-patriotic opposition.

Following its abortive display of militancy the FNPR became more muted in its criticism of the government, just as the government was launching its neo-liberal programme of 'shock therapy'. The FNPR leadership insisted that

it supported the general direction of reform, but differed over its details. The difference over the details amount to a comprehensive programme of opposition to the Yeltsin programme, issued in March 1992, involving demands for the full indexation of wages and benefits, the provision of a comprehensive social security safety net, controls on the prices of essential food and consumption goods, subsidies for unprofitable enterprises, and maintenance of health and education budgets in real terms. Although the FNPR continued to make veiled threats through its frequent references to the dangers of rising social tension, its criticism was largely rhetorical, not least because the official unions were anxious to retain their considerable legal privileges, their control over enormous amounts of government money, and their very substantial property holdings.

The official trade unions were in a very vulnerable position. Lacking the confidence and support of their membership, they had always depended on the power of the party-state for their authority and for their prosperity. The unions enjoyed considerable legal rights and protection against both the enterprise administration and their own members. Moreover, the unions were enormously wealthy bodies. In addition to the 1% of the wage bill checked off by every employer as membership dues, the unions owned large and prestigious office buildings in the centre of every city, they owned the bulk of the tourist and holiday facilities throughout the country, in addition to the sanatoria, sporting and cultural facilities which had been assigned to them. Over the years of perestroika the trade unions had also become increasingly involved in 'commercial activity', nominally to provide food and consumer goods for their members, but also augmenting the wealth of the unions, and the fortunes of their leaders. Finally, the unions administered the bulk of social security payments, the funds for which had simply been assigned to the unions by the government without any effective monitoring or accounting, and could be used by the unions at their discretion.<sup>4</sup>

The leaders of the independent trade union movement saw Yeltsin's victory as their opportunity to challenge the power and prosperity of the official unions in three important ways. First, they pressed for a re-registration of unions, which would give workers the opportunity to choose which bodies would represent them, in the hope that workers would throw out the official unions in favour of new bodies. Second, they pressed for a re-distribution of union property on the basis of membership following re-registration. Third, they pressed for the removal of the administration of social security funds from the hands of the official unions, and their replacement by a system of state and/or private social insurance. In practice the independent unions did not press too hard for immediate re-registration because they were afraid that the official unions would be able to use their massive organisation and resources to prevail in the process, which would then give them a powerful legitimisation. The priority was therefore to weaken the official unions financially and politically before attacking their mass base.

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<sup>4</sup>The mass of the population had always assumed that social security benefits were paid for by their union dues, not realising that the latter did no more than support the bureaucracy.

The leaders of the FNPR and of the official branch unions were only too aware of their vulnerability, and were finding themselves in increasing financial difficulties as branch unions at enterprise and regional levels reduced their affiliation fees to the centre. However, the Yeltsin government was also aware of the danger that the official unions could present if they were to provide the focus of an effective campaign of mass opposition to the 'reform' programme. The result was a tacit compromise between the government and the official unions, in which the unions confined themselves to rhetorical attacks on the government, and the government confined itself to rhetorical attacks on the unions.

The FNPR was given the bulk of the union seats on the Tripartite Commission, established in November 1991, but just short of a blocking two-thirds majority. Amendments to the trade union legislation in the course of 1992 merely extended the rights accorded to the official unions to any properly constituted union. The official unions lost control of the tourist industry, but otherwise kept their property intact. The administration of social security was modified, so that social security funds remained nominally the property of the state, although still administered by the official unions. This simply implied that in future, at least in principle, the unions would have to account to the government for the use of these funds.

In contrast to the continued patronage enjoyed by the FNPR, the independent unions received virtually nothing from the Yeltsin government, and had to struggle along with minimal resources. Sotsprof received offices from the Moscow City Council, but Popov, the Mayor of Moscow, refused to give offices to the NPG (Independent Miners' Union), which, like the pilots and air traffic controllers, worked from offices in the buildings of their respective Ministries provided by the employers. While the FNPR was assigned nine seats and the chairmanship of the union side of the Tripartite Commission, and Sotsprof, with virtually no members, was assigned three seats, the Independent Pilots' Union (close to the official union) and the NPG received one each, and the Air Traffic Controllers none.

It soon became clear to all concerned that the Yeltsin government was using the Tripartite Commission as a means of neutralising workers' organisations by playing the new unions off against the old, primarily to the advantage of the latter. The initial result of this was to bring the new unions into closer collaboration with one another, where the other new unions had formerly kept their distance from Sotsprof on the grounds of its authoritarian leadership, its willingness to admit employers to membership and to allow dual membership with the official unions, its commercial activity, and its lack of trade union activity. However, as the Sotsprof leaders sniffed the way the wind was blowing they showed themselves willing to collaborate with the official unions, leaving the genuinely independent unions increasingly isolated.

Having abandoned its half-hearted attempt at popular mobilisation, the FNPR threw in its lot with the 'production nomenklatura', becoming actively involved in the formation of a 'loyal opposition' around Arkady Volski, which rapidly expanded its network, and which steadily increased its influence on the government. The FNPR continued to hold occasional demonstrations, with a

national mobilisation in October 1992 as part of the run-up to the December Congress of People's Deputies, but these demonstrations continued to attract a derisory turnout, almost entirely confined to apparatchiks, pensioners and peasants, many of whom were bussed in for the purpose.

Despite their sometimes militant rhetoric, the official unions' opposition to the Yeltsin government was in practice equivocal and ineffective. This was not only because of their dependence on government patronage to retain their legal and property rights. The trade union apparatus was still popularly, and in many cases accurately, identified as the rearguard of the former Communist Party apparatus, so that, while polls indicated that its demands had growing popular support, it had little success in mobilising that support. With the disintegration of the hierarchical relationships imposed by Party control, the central bodies had lost their authority over lower levels, which made it impossible for them to back their threats with concerted action. For this reason the FNPR, almost all the regional committees (the exceptions being the Moscow and St Petersburg regional committees), and the branch unions maintained their support for Yeltsin and his reforms, backing price liberalisation, privatisation, and even the curtailment of the legal rights of workers, although their rhetoric became more conservative through 1992 as popular dissatisfaction with the reform process grew. The regional and republican union bodies had become essentially political organisations, which rhetorically espoused the interests of the working class in the attempt to defend themselves and their property from political or legislative attack, but which had no trade union functions left to perform. An effective reform of the trade union movement could only come from below.

### 8.2.2 Regional trade union organisations

The pattern of development of the official unions at regional level was very similar to that at the centre, without the complication of independent unions, which had very little regional organisation. Like the central organisation, the regional federations had considerable property at their disposal, and faced financial difficulties with a sharp fall in affiliation fees. They therefore tended to be even more concerned than the FNPR was at national level with consolidating their political position and defending their property. In many regions the local executive bodies remained under the control of the old nomenklatura, and worked hand in glove with the official union federation in the attempt to create a regional power base in opposition to the Yeltsin government and Yeltsin's appointed Chiefs of Administration.

In Moscow and St Petersburg, where the local councils were in the hands of the 'democrats', the official union federations had been taken over by a new generation of leaders in the course of their reformation during 1990 and 1991 (although Mikhail Schmakov remained chair of the Moscow Federation). These bodies pursued a more active oppositional line, attempting to mobilise popular opposition to the 'reform' programmes of Republican and municipal authorities, and linking up with other oppositional forces, including the organisers of the 'Party of Labour' (Schmakov also had more dubious links with various ultra-

Right groups). The latter was eventually established in September 1992, after a series of splits, without formal trade union participation since the official unions had declared themselves 'apolitical', but the latter continued to hold a watching brief over the Party.<sup>5</sup> The radicalism of the Moscow and St Petersburg Federations achieved only a limited success in securing popular support, but it brought them into opposition with the FNPR leadership in a conflict which erupted at the FNPR Congress in the spring of 1992.

The most effective attempts by the official unions to mobilise grass-roots opposition to the Yeltsin government were the mobilisations of workers in 'budget organisations', primarily teachers and health workers, in the spring of 1992. The pay of these workers had lagged far behind inflation as municipal authorities found themselves faced with a growing fiscal crisis. These mobilisations were most successful in the coal-mining regions, where the enormous pay increases secured by the miners exacerbated local shortages of both cash and goods and pushed local prices up to levels 50% higher than in neighbouring regions. Workers in industry enjoyed equivalent wage increases, which enterprises could cover by raising prices, but workers in budget organisations, which means principally teachers and health service workers, had no compensating pay increases, and during 1992 were earning one tenth or less of the wages of the miners whose children they taught.

The strikes of teachers and health workers over the winter and spring of 1991–92 were localised and sporadic. Their precise form differed from place to place. In many cases they began spontaneously, with the formation of an 'initiative group', and spread from one school or hospital. However, in most cases the conservative branch unions and local union federations took up the cause on a city or a regional basis, often with the tacit or active support of medical and educational administrations and local authorities, who saw the strikes as a means of extracting increased funding from the central government.

In Kuzbass and Vorkuta protests rapidly developed among transport drivers, teachers, medical workers, shop and public catering workers, demanding pay rises to compensate for price increases. In Vorkuta the teachers' strike began unofficially with a small group of teachers who formed a strike committee and took their demands around the schools, talking to parents. Once the strike began it got the support of the official union, which helped set up a co-ordinating committee, and removed the more radical demands of the teachers for a purge of the educational administration, and the teachers got the promise of a pay rise in February.

In Kuzbass the issue came to a head with a call for a general strike in the middle of March. The strike call met with a limited response, predominantly from teachers, who had already struck in September and December 1991, and who now stayed out for a month. The demands of the public sector workers were backed by Tuleev, the Chairman of the oblast executive, while the teachers were vehemently denounced by Kislyuk, Yeltsin's Chief of Administration. Kislyuk

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<sup>5</sup>Despite the large publicity given to the Party of Labour in the West, it is a tiny organisation dominated by a handful of intellectuals, which will only become significant if the official union apparatus, which covets the name, decides to take it over.

negotiated with the Russian government for a tripling of wages outside the mines and a promise of one and half billion cash rubles to be supplied by the end of March, but it was Tuleev who got the credit for the successful resolution of the dispute.

Although the pay of workers in budget organisations continued to lag far behind that of industrial workers, the strike wave of the spring taught Yeltsin to be more attentive to their needs, and the government eventually produced a plan for the indexation of the pay of public sector workers, although it did not provide the resources for municipal authorities to pay for the increases. At the same time the government put forward a new hierarchical pay scale for all public sector workers which promised sharply to increase differentials in the hope of exacerbating divisions among public sector workers along professional lines. Such divisions had already been opening up, as such groups as doctors and teachers and researchers in higher education sought to pursue their own sectional interests, leading to splits within the health and education unions, which began to fragment along professional lines.

The demobilisation of the public sector workers deprived the regional trade union federations of an effective mobilising lever, and on the whole through 1992 they confined themselves to commercial and political activity, with few trade union functions left to perform. Within the FNPR the nucleus of opposition to the leadership provided by the Moscow and St Petersburg Federations progressively expanded to embrace most of the Federations of the Urals and Volga regions, so that by the autumn of 1992 there was a majority in favour of the official unions pursuing a strategy of more militant opposition to the government, which underlay the increasingly conservative tone of the rhetoric of FNPR, undermining the conciliatory position of Klochkov. However, at the same time the concentration of the FNPR on political and commercial activity at national and regional levels had largely cut it off from its trade union base, for which it seemed to have no functions left to perform.

### 8.2.3 The branch unions

The branch unions were monolithic and unwieldy bodies. The branch principle of organisation was ill-adapted to articulating and expressing the diverse interests of a membership spread across a wide range of occupations and industries, and this was a major reason for the rise of the new independent unions, the most successful of which organised strategically important workers, such as underground miners and transport drivers, who had a strong bargaining position which the branch unions did not and could not exploit. In response to this challenge a tendency to reorganise the official unions along professional lines gathered momentum through 1992. During 1992 some of the largest unions, including those of agricultural workers, education workers, and metallurgical workers began to split up.

The reorganisation of the official unions along professional lines was most advanced in the union of civil aviation workers, which had been divided administratively into different sections in 1990, with air traffic controllers, pilots and

ground staff organised in sections corresponding to their different professional interests. The independent unions of pilots and air traffic controllers are explicitly sectional unions, organise workers who compare their conditions with their professional colleagues in other countries, and use their bargaining strength for their own ends, rather than in support of other cabin crew and ground staff. This raises the possibility of the emergence of sectional unions, representing particular categories of skilled workers. There is certainly a tendency in this direction, not only in the division of the branch unions along professional lines, but also in the development of independent unionism among particular categories of privileged male workers, such as the underground miners, dockers and bus and train drivers.<sup>6</sup>

In practice sectional unionism has not made much headway. The miners found themselves isolated and under growing pressure as a result of their large pay increases in 1992. The Air Traffic Controllers overplayed their hand and were soundly beaten in August 1992, with the full resources of the state mobilised against them. There are a number of reasons to expect that the possibilities of sustaining such sectional unionism are limited. First, such unions have no control over access to their occupations. Second, the skills of the workers in question are by no means in short supply. Third, the relative 'homogenisation' of the Soviet working class means that there is not, in general, a secure basis on which to constitute these workers as a privileged 'labour aristocracy'. Fourth, the solidaristic and egalitarian ideology of the Soviet working class still provides a powerful basis of opposition to such sectionalism. For all these reasons, although the independent unions organise privileged groups of predominantly male workers, they are also well aware of the importance of maintaining a degree of solidarity with other workers to avoid the risk of isolation.

A more likely pattern of restructuring is one in which the official unions are restructured along lines which more closely reflect the occupational hierarchies within the sphere of production, which would then open up the possibility of their developing forms of workplace trade unionism. Again the civil aviation industry shows a possible way forward. In October 1992 the process of reincorporation of the pilots' union into a federation with the official union began, in connection with a restructuring of pay scales in the industry which put the pilots on the top rung, in a move which clearly sought to constitute the pilots as a 'labour aristocracy' in both the union and the job hierarchy. Similar patterns of restructuring are emerging in health, education and the civil service in connection with the introduction of new pay scales for public sector workers. However, the significance of such initiatives should not be overemphasised, since union restructuring had more to do with political and personality struggles than with the development of more effective forms of trade unionism.

During 1992 the differential impact of the reform process introduced growing political tensions between the different branch unions within the official trade union movement. While workers in budget organisations found their pay lagging

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<sup>6</sup>It is one of the idiosyncrasies of Soviet life that bus drivers are regarded as far more skilled than tram or trolleybus drivers, being much better paid and almost exclusively male.

far behind as public authorities lacked the tax revenue to meet their salaries, the pay of workers in other branches of industry was held back by the inability of employers to pay, which many blamed on the crushing burden of taxation. Meanwhile, other groups of workers found their relative economic situation improving in the new conditions of the market economy. The FNPR had based its conservative political strategy largely on the plight of the workers in budget organisations, to the relative neglect of the interests of workers in other branches of production. As a result various branch unions began to establish new federations on a sectoral basis, to act essentially as trade associations representing the interests of their sectors of production, leaving open the question of their continued participation in FNPR.

The FNPR strike call in October 1992 brought these divisions to a head, with the official miners' union and the metallurgists withdrawing from the Federation as a result. The miners' union, chastened by its humiliation in Kuzbass in the Spring, was no doubt looking over its shoulder at the NPG. The metallurgists had only voted narrowly to affiliate to the FNPR in the first place, and had been courted by Yeltsin's close aide Burbulis ever since the autumn of 1991. There was an element of conflict of personal ambition in the withdrawal of the metallurgists, and in many regions the union did not withdraw from FNPR bodies. However, the miners and the metallurgical workers had objective reasons for wanting to distance themselves from the opposition of the FNPR to the Yeltsin government, however rhetorical that opposition might be, since both groups of workers were heavily dependent on the favour of the government, since their closely related industries could not survive without massive government support, and their leaders had a realistic appreciation that the government's strategic economic priorities would be determined politically.

### 8.3 Enterprise Unions in the Transition to a Market Economy

Although there has been very little change in the structure and activity of the official unions at enterprise level, there is a number of factors which might lead us to expect a reform of the official unions from below to take place. A new generation has moved into many trade union offices, motivated by a commitment to perestroika and democracy. Until 1991 such activists found their aspirations thwarted by the higher levels of the bureaucracy, but with these effectively removed it might seem that there is a chance of an effective reform of the official unions, to make them genuinely responsive to workers' aspirations at enterprise level.

The end of the administrative-command system has also created the framework within which normal forms of trade union activity can develop in the workplace. Enterprises now have the freedom to set wages and define the terms and conditions of work, while we would expect that competitive pressures would lead to a considerable restructuring of production, to say nothing of the threat

of mass redundancies. Workers desperately need effective trade unions to defend their interests in the transition to a market economy, but employers also need unions with which to negotiate changes if they want to avoid disruptive conflict.

On the other hand, two considerations tend to weigh against such an optimistic prognosis. First, the perspectives with which the new generation of leaders entered the trade unions were predominantly those of perestroika, which continued to be based on a presumed common interest of progressive management and workers in the restructuring of production within the administrative-command system. In the new context of a market economy such perspectives are at best divisive, representing an alliance between management and younger, skilled male workers and technicians at the expense of older, unskilled and women workers, and at worst lead to collaboration with management against the workforce as a whole. The former tendency underlies the possibility of the emergence of a sectional unionism, which was discussed above.

Second, and more fundamental, the structure of the union at enterprise level is unchanged, and this is still a structure adapted to monitoring, regulating and controlling the workers through the network of patronage and inspection, which has thoroughly discredited the union in the eyes of its members. Trade union leaders are aware of this dilemma, and some of them express a desire to restructure the union so that it can function as a 'real' trade union, rather than as a welfare and distribution agency, handing the latter functions over to the administration or to state authorities. However, such a restructuring is easier said than done. The problem the union faces is that if it gives up its welfare and distribution functions it gives up the patronage network which is the only basis of its existence, for without those functions it has no usefulness either for the administration, or for its own members.

In practice, far from the union detaching itself from the enterprise administration, the collapse of the Party has driven the union at enterprise level more firmly into the arms of the administration. Although they may now face some internal opposition, union Presidents identify themselves completely with the enterprise administration, operating as a branch of the administration, in complete and supine dependence on the enterprise Director. The union collaborates with the administration in attempts to prevent the emergence of any democratic workers' organisation within the enterprise, approves the dismissal of worker activists, often illegally, and subverts any independent organisations which arise. Far from democratising themselves, in a number of cases the official union has switched to a five-yearly cycle of elections, to avert the danger of democratisation.

This tendency has been strongly reinforced since August 1991 as enterprise Directors have lost their direct access to political power, which has made them politically vulnerable, particularly if there are conflicts within the enterprise which their opponents can exploit. It is primarily for this reason that enterprise Directors have sought to preserve the social relations within the enterprise intact, and to prevent the emergence of independent workers' organisation, by defending the authority of the official union, awarding pay increases in line with inflation, and doing everything possible to avoid laying off workers.

Ideologically the alliance between employers and trade unions is expressed in the idea of 'social partnership'. Politically it is expressed in threats of strikes made jointly by management and unions on behalf of their workers, and by the formation of the 'Assembly of Social Partnership' in July 1992, which linked the trade unions to Volski's Association of Industrialists and Entrepreneurs (the unions could not join Volski's 'Civic Union' because of their insistence that they were 'apolitical'). Indeed, while enterprise Directors have been celebrating their independence at the expense of their common interests as a class, it has been the trade unions who have played the most active role in forging the class unity of the industrialists and entrepreneurs. We have found trade union leaders to be much more enthusiastic about Volski's organisation than are the enterprise Directors he supposedly represents. In many cities and regions committees of union Presidents of large enterprises have emerged to press employers and the state to develop and implement a regional industrial strategy. Similarly, as noted above, branch unions have come together in new federations to press the interests of their particular sectors of the economy.

Far from giving up their welfare and distribution functions to concentrate on issues of wages and working conditions, the unions have concentrated increasingly on their welfare and distributive role. With the growth of barter relations, and the increasing prevalence of the distribution of consumption goods through the enterprise, the unions have enormously increased their role in distribution. In some enterprises the union simply distributes goods acquired by the administration, but in others the union takes on responsibility for fixing barter deals itself, often using commercial contacts which have developed out of the old Party networks. Most trade union officers now define their primary function as 'serving the welfare of the workers', or 'supporting those in need'. They defend their concentration on these activities on the grounds that 'the administration is not competent to do these things', 'only we know the workers' real needs', or simply 'somebody has to do it'. An unpublished survey of Presidents of enterprise trade union committees in the spring of 1993 found that 95% considered themselves to be a part of the management team. At the same time the overwhelming majority considered their organisations to be dying. This is reflected in the tendency, which gathered momentum at the end of 1992, for the trade union functions to be taken over directly by the enterprise administration, with the trade union President being appointed a Deputy Director with responsibility for social and welfare questions, leaving the union as an empty shell. Such a development represents an attempt on the part of the administration to take credit directly for its paternalistic activities, but it does run the risk of undermining its means of controlling the union, and so opens the possibility of the latter showing more independence.<sup>7</sup>

The growing distribution function of the union has further strengthened the control of the administration over the union. On the one hand, distribution absorbs an enormous amount of the time of union officials, and leads to con-

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<sup>7</sup>It is also a result of the form of privatisation, the move of the trade union President to a management position enabling him or her to benefit from managerial privileges in the privatisation process.

flict between officials and workers. On the other hand, by withholding and withdrawing supplies to the workers, or to a particular shop or section, the administration has a very powerful lever of control over the activities of union officials and workers alike.

The unions have usually tried to avoid any active involvement with questions of pay and working conditions, primarily because they do not want to get involved in conflict between workers and the administration. Until the end of 1991 pay increases were always awarded on the initiative of the administration, sometimes motivated by a concern to overcome labour shortages, and sometimes in response to a strike threat. Almost every documented strike, until that of the Air Traffic Controllers in August 1992, has been settled by a substantial pay increase, but we have not found a single case in which the official union has backed workers striking against the administration, and in the vast majority of cases the union identifies itself completely with the administration in the dispute. Similarly, we have not found a single case in which an increase in pay has been awarded in response to an unprompted demand from the official union against the administration. Where the union backs pay demands, as in the cases of the teachers and medical workers, we find that it has picked up demands presented independently by groups of unofficial worker activists and/or presses its demands in collusion with the administration, for whom the threat of strike action provides useful backing for the administration's demand for higher allocations from national and municipal budgets. Most union officials we have interviewed continue to regard pay as a matter for the administration, and workers find it inconceivable that the union should represent any interests other than those of the administration.

Since January 1992 many enterprises have established Commissions to consider pay, which include representatives of the administration, the trade union, the Labour Collective Council (STK), and occasionally representatives of Workers' Committees or independent trade unions. However, the terms of reference of the Commissions, including the money available for pay, are defined by the administration, so that the Commission considers only the allocation of the available resources, including such matters as the choice between lay-offs and short-time working or extended vacations, between wages and social and welfare expenditure, or the impact of redundancy. The formation of such Commissions enables the administration to legitimate its actions, while enabling the union to distance itself from unpopular policies of the administration by avoiding having to endorse them in its own name. The unions' aversion to conflict is well exemplified by one mine in the Kuzbass, which is exceptional in being effectively under the control of the Workers' Committee. In this mine a division of functions has been arranged, in which the official union handles welfare and distribution, while the Workers' Committee deals with wages and production disputes. Elsewhere the STK has often been revitalised to handle the latter issues.

The trade unions have similarly tried to avoid getting involved in conflicts around privatisation, passing the issue to the STK or to special Commissions established by the administration. Resistance to attempts by managers to pri-

vatis for their own benefit has been mobilised by unofficial Initiative Groups and Workers' Committees, while the unions have usually given active or passive support to the plans of the administration.

Underlying these tendencies is the fundamental fact that the union is structurally incapable of separating itself from enterprise management. First, the dependence of the union on the enterprise administration means that the administration can simply cut the ground from under a union committee or official opposing it. Second, the collapse of the Party has driven the union even more firmly into the arms of management because the trade union no longer has any higher authority to which to appeal. Third, the union is unable to appeal to its members for support, because in their eyes it is simply an arm of the administration. The official unions are so discredited that most workers do not see any need for a union at all.

Many people in Russia look to Japanese enterprise unionism as a model for the future of the Russian unions, on the basis of the superficial similarity of the Soviet industrial enterprise and the Japanese corporation. However, while this is a possible future development, it would be wrong to see Russian unions as enterprise unions, because although they are in the pocket of the administration, they do not perform any of the functions normally identified as lying at the heart of trade unionism, and so are unable to perform the mediating role expected of a union, even on management's terms. The formation of enterprise unions depends on the establishment of a particular configuration of class forces which does not exist at present in Russia. As many union officials explicitly recognise, their organisations are not trade unions, but a particular form of welfare administration.

Against the argument that the unions remain a tool of the administration, there are widespread complaints from both politicians and enterprise administration that the trade union right to veto dismissals is presenting a serious barrier to restructuring and reform. This argument is even accepted by the leadership of the FNPR, which is willing to support the removal of this legal right (which would, of course, enable enterprise administrations to break the independent trade unions). However, although we have encountered cases in which the union has refused to endorse particular dismissals, we have not found one case in which the union has effectively prevented, or even resisted, either the fact or the scale of redundancies proposed by the administration. If anything we have found that the union is more enthusiastic about redundancy than the administration. For the former, the sacking of some workers (invariably women, the unskilled and the old) can free resources to raise the pay and security of those who remain, while for the latter redundancy removes the 'internal reserve army' which is an important source of its power.<sup>8</sup>

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<sup>8</sup>Although cuts have hit auxiliary manual and clerical workers disproportionately, redundancies so far do not seem to have removed this 'internal reserve army'. In all the cases of large scale redundancy that we have examined up to the summer of 1993 cuts in employment have been at most in proportion to the fall in production. Even in enterprises in which the labour force has been cut by a half to two thirds the management claims that they are still overstaffed by around 40%, and anticipates further cuts.

The evidence suggests that the official unions will retain the patronage of the enterprise administration, but will remain confined largely to their welfare and distribution functions. The enterprise administration will continue to do its best to avoid conflict with the workers by trying to deflect workers' demands towards the state, on the basis of an ideology of 'social partnership', and will continue to use the official unions as the means of institutionalising this 'partnership'.

'Social partnership' is designed to defend the existing social relations of production, and is premised on the neutralisation of any tendencies to the restructuring of those social relations which might threaten the privileges of the enterprise administration and its trade union partners. It is this conservatism that makes the unions the most ardent advocates of the ideology of social partnership, and the most determined representatives of the class interests not of the workers, but of the established forms of rule of the existing ruling class. Nevertheless, the possibility cannot be excluded that the disintegration of the system will free the elements on which a transition to capitalism might be based, through which there will be a fundamental restructuring of class relations in which the unions will be forced to take on the role of defenders of their members' interests against the exploiting class.

Many union officials argue that class collaboration is in the best interests of their members while their enterprises remain in the ownership of the state, so that there is no clearly defined employer. Such an argument is justified in the eyes of the mass of the workers, who, in the absence of any effective collective organisation of their own, look primarily to their foreman, shop chief and enterprise director to represent their interests. From this point of view, the emergence of independent workers' organisation can only be expected with the progress of privatisation, which is expected to draw a clear dividing line between owners and wage-labourers, so that the unions will then be able to function like proper trade unions. We might doubt such arguments, since trade unions in privatised enterprises operate in exactly the same way as they did before privatisation, but the argument should not necessarily be dismissed out of hand.

## 8.4 The Struggle Continues ...

Although workers' living standards suffered drastically as a result of the collapse of the economy during 1992, they were protected from sustained assault by the political divisions within the ruling stratum. On the one hand, the industrial nomenklatura sought to retain the workers' allegiance by doing all in its power to maintain wages and employment, while avoiding any confrontation with the workers on the shop floor. On the other hand, the competing branches of the state sought to maintain the workers' political support by protecting employment through the inflationary expansion of credit, and with promises of handouts through its privatisation programme. Nevertheless, behind the fierce ideological and political struggles between the 'reformers' and the 'conservatives' at national level, and between the centre and the regions, the ruling

class was united in its opposition to independent workers' organisation. Moreover, although the 'industrial nomenklatura' lost its class organisations with the collapse of the party-state, and was fragmented by the disintegration of the economy, moves towards its reunification at regional and national level, in which the official trade unions played an active role, made steady progress.

During 1992 the independent workers' movement reached a low ebb. Although there were small groups of independent activists in almost every large enterprise, they were very weak and fragmented, and found themselves on the defensive. While they could mobilise workers around specific demands, the willingness of the government and enterprise administration to accede rapidly to those demands, the wealth and power of the official unions, and the absence of clear lines of class division, made it impossible for independent activists to develop any effective organisation. The fragmentation of workers' organisation, often being confined to one or two shops within an enterprise, and rarely having effective links with one another, meant that sectionalism was a constant danger, particularly as class divisions were being torn open by marketisation and threatened to polarise with privatisation.

Even the miners were unable to develop any effective workplace organisation. Where the NPG managed to challenge the position of the official union, as in some mines in Vorkuta, it also found itself taking on the functions of the official union, and soon reproduced both their structure and their mode of operation. The air traffic controllers' union, which was the one independent trade union which succeeded in building an organisation which embraced virtually the whole of the eligible membership, whose interests it pressed against both administration and government, found itself fighting for its existence against massive opposition.

Although the situation might appear bleak, the demobilisation of the working class was the result not of defeat, but rather of stalemate. Perestroika was, from its inception, a strategy to restructure the relations of production in order to intensify the exploitation of the working class. The project failed because workers' resistance opened up divisions within the ruling stratum, which workers were able to exploit to block any attempt to restructure the forms of class rule at their expense. The growth of the workers' movement paradoxically served to reinforce the existing social relations of production, as the state and enterprise administration sought to defuse and contain conflict, and so contributed to the deepening of the crisis of the system. The threat of worker opposition blocked the restructuring of the social relations of production, whose preservation was then the principal barrier to the development of independent workers' organisation.

During 1992 there were signs that new forms of working-class organisation were emerging, based on new attempts to capture the apparatus of the official union at shop and enterprise level. This happened once before, with the activists of the perestroika generation who believed that they could capture the union apparatus and reform it from within, seeing the failure of the official unions as a matter of personnel and not structure. The new generation of activists are motivated not so much by the intention of using the political apparatus of the

union, as by the intention of capturing its resources. Typically victory in union elections is immediately followed by a declaration of independence from higher union bodies, to set up an independent enterprise union. Whatever may be the immediate demands around which activists mobilise, the fundamental question with which they are concerned is that of control.

The issue of privatisation is fundamental to the future development of the workers' movement, because it focuses conflict on the fundamental question of control. Worker activists are overwhelmingly in favour of privatisation as a means of breaking the control of the enterprises by political and administrative apparatuses, but are also overwhelmingly opposed to any privatisation which hands power unchallenged to the old administration. This means that the issue of privatisation presents a stark and immediate conflict of class interests, which is the principal reason why privatisation has been stalled for so long. While the ruling strata take a formalistic approach to privatisation, seeking to change the forms of ownership without affecting control, worker activists insist that the controlling interest in privatised enterprises should be in the hands of the workers who have built up the enterprise, and insist that financial arrangements have to be such as to allow the workers to take up (and retain) their share, whether by a free distribution of shares, deferred payment, or cheap extended credit.

Activists are not so naive as to believe that worker share-ownership will lead spontaneously to workers' control, but they are concerned to establish worker share-ownership as the most favourable basis on which the struggle for democratisation of the enterprise can be conducted. This means that the struggle for control of the enterprise begins even before the process of privatisation gets under way, since the first priority of worker activists is the democratisation of the forms of workers' representation through which privatisation plans are considered and approved. If there is a basis for the development of a progressive and democratic workers' movement in Russia, it seems to us that it lies here, in the struggles opened up by the process of privatisation.



## Chapter 9

# Privatisation and the Development of Capitalism in Russia

Simon Clarke

### 9.1 The Development of Capitalism in Russia

To see Yeltsin's privatisation programme as marking the transition to capitalism is to adopt a very superficial understanding which focuses on juridical and political changes, without reference to the development of the social relations of production. This is not a dogmatic theoretical point, emanating from an outmoded Marxism.<sup>1</sup> It is merely the conceptual expression of a very obvious social reality.

Capitalist private property appears in the form of ownership of a thing. However, things do not become capital simply through their transformation into private property and their sale to private owners. They can only become capital if they can become the basis for the production and appropriation of surplus value. Since 1989 it would appear that the fundamental elements of a transition to capitalism have been put in place. The disintegration of the administrative-command system has led to the growth of market relations and of

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<sup>1</sup>The question of the relationship between the transformation of social relations of production, the exercise of state power and juridical regulation has been a matter of debate among Western Marxists for the past two decades. Marxists have traditionally argued that the juridical transformation of property forms is only an expression of the more fundamental transformation of the social relations of production. Post-Marxists, drawing on the Weberian tradition, have argued that the state has to be regarded as a relatively autonomous social power, so that the exercise of state power can transform the social relations of production through the juridical transformation of the forms of property (Clarke 1991b). The dominance of this post-Marxist orthodoxy has prevented even the left from understanding the process of social change in the former Soviet bloc.

capitalist forms of activity, while the programme of crash privatisation promises to transform the means of production into private property. However, the social foundations of capitalism do not lie in either markets or the private ownership of the means of production, which exist to some degree in all modes of production, but in social relations of production within which the production of things is subordinated to the valorisation of capital (Clarke 1991a). In Russia there is as yet little sign that the transformation of the social relations of production is under way, let alone that it is nearing completion.

Privatisation in the capitalist world involves the restructuring of production and the transfer of ownership of assets, but does not involve any fundamental transformation in either the juridical or social form of property, for even publicly owned assets have long been subsumed under the form of capitalist private property, in the public corporation, and nationalised industries have been subjected to the law of value by subordinating them to criteria of profitability. In the former Soviet bloc, however, privatisation presupposes the transformation of both the juridical and the social form of property.

The foundation of the process of privatisation in the former Soviet bloc is the disintegration of the administrative-command system, which has left independent enterprises, associations and concerns. This has correspondingly resulted in the differentiation and distribution of state property into discrete and independent units which can act as juridical subjects, in a process often referred to as the 'de-statisation' of property. However, while the de-statisation of property expresses the disintegration of the administrative-command system, it cannot in itself constitute the basis for a new social form of production and reproduction. Privatisation gives 'de-statised' social property the juridical form of private property, but this form has not yet been filled with any social content: private property has not yet been constituted as capital. It is the contradiction between the juridical form of private property and the social form of production that is expressed in the 'technical' barriers to privatisation, which make it impossible to define the value or the ownership of the property which has been freed from the state. It is a contradiction that cannot be resolved juridically or politically, but only through a struggle over the social form of production, and this is a struggle that in Russia has barely begun.

The fundamental barrier to privatisation lies in the fact that there has been no fundamental change in the social relations of production, on the basis of which productive assets can be transformed into capital. Capitalist elements have undoubtedly emerged in Russia, but these remain in the interstices of the former administrative-command system, and are largely parasitic on it. The disintegration of the administrative-command system has not been accompanied by any transformation of production relations at the enterprise level. The growth of the market has not been associated with the development of competition, through which enterprises would be subjected to the law of value, but to the consolidation of monopolies and cartels through which enterprises suppress competition, and resist pressures for fundamental change. The liberalisation of prices has not provided the basis for the growth of the capitalist sector, but for its absorption by the state sector, in its removal of the dualistic price system

which was the basis of the most profitable forms of entrepreneurial activity. The growth of a banking sector has not subjected enterprises to a 'hard budget constraint', but has removed all constraint by fuelling an explosion of credit. However, although there is no evidence to support the argument that Russia is in transition to capitalism, most commentators simply assume that such a transition is inevitable.<sup>2</sup>

In his chapter above, Michael Burawoy draws an analogy with the transition from feudalism to capitalism. Feudalism saw the emergence of money and commercial capital at a very early stage in its development, but this capital was for a long time parasitic on, and subordinate to, feudal social relations of production and so played a conservative rather than a revolutionary role. I would go further than Michael in arguing that money and commercial capital in Russia is subordinate to, and dependent on, the reproduction of the existing social relations of production, and so would not agree with Michael's characterisation of the outcome of the disintegration of the administrative-command system as 'merchant capitalism'. The question of whether or not capitalist activity will inevitably dissolve the Soviet social relations of production raises the question posed by the original project of perestroika: is 'state socialism' compatible with a market economy? This is not so much an economic as a political question. Perestroika failed not because it was inherently unviable, but because it destroyed the state through which it was to be imposed. The future of Russia will be determined by the form and class character of the state that can be constructed on the ruins of the old system. In this chapter I will explore this issue more closely by looking at the privatisation programme in the context of the development of capitalism in Russia.

## 9.2 The Law on Co-operatives and the Development of Capitalism

Commercial activity had always existed in the Soviet system, and was to some extent functional to it in helping to iron out some of its irrationalities. The bulk of petty commercial activity was involved in supplying food and consumer goods and services, while larger scale commercial activity, which was closely integrated into the system, helped to overcome the supply difficulties of enterprises. During the Brezhnev years a growing proportion of this latter commercial activity was of a purely speculative or criminal character, based on the monopolisation and diversion of resources, and assumed an increasingly capitalist form. However, this capitalist activity did not constitute the germs of a capitalist mode of production, any more than did the trading activity of the great merchants of the middle ages. It was rather a form of 'nomenklatura capitalism', in which profits depended not on the productive employment of capital, but on the exploitation of the irrationalities of the administrative-command system, the abuse of official

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<sup>2</sup>Don Filtzer makes this assumption, although his own work substantiates the argument that the social relations of production are not changing (Filtzer 1991, 1992b, 1993).

position and the control of state assets. Far from being a progressive force, these capitalist elements were closely linked to the bastions of reaction, were most developed in the 'Party fiefdoms' of Central Asia, and provided the most determined opponents of even the most modest reforms of perestroika.

The basis of the transformation of the administrative-command system lay not in its capitalist elements, but in the contradictions of the system itself, whose development underlay the reform project of perestroika, which sought to integrate the market into the administrative-command system as a positive force. The first stages of perestroika accordingly involved an emphasis on discipline and an attack on corruption, in the vain attempt to purge the system of its criminal elements in order to prepare the way for productive entrepreneurial activity, but the emphasis soon moved towards the positive encouragement of private enterprise.

The programme of perestroika envisaged an increased role for small-scale private enterprise in the new economic order. The 1986 Law on Individual Labour Activity and the 1988 Law on Co-operatives were designed to legalise small-scale activities in the spheres of retail trade and distribution, the service sector, and craft production, where state enterprises were notoriously inefficient. The Law on Individual Labour Activity aimed to give legal recognition to existing activities, while subjecting them to close supervision to ensure that they were socially beneficial. The Law was not very effective, since registration brought entrepreneurial activity to the attention of the authorities, subjecting it to regulation, taxation and bureaucratic obstruction.<sup>3</sup> The Law on Co-operatives was much more significant because, despite its title, it marked the first stage in the juridical recognition of capitalist production relations. A registered co-operative could have as few as three members, and in practice could employ any number of non-members as workers. Thus the Law could be used to give juridical form to a variety of capitalist activities.<sup>4</sup>

Co-operatives grew rapidly, despite considerable bureaucratic impediments to their activity. Although registration procedures were supposed to ensure that co-operatives were socially useful, in practice they provided a further opportunity for the corruption of officials, on the one hand, and for official obstructionism, on the other. Co-operatives also faced the problem of securing supplies, since they had no legitimate access to the system of state distribution. This meant that co-operatives faced high costs, and had to charge correspondingly

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<sup>3</sup>By September 1987 only 200,000 people had registered under the Law, of whom 109,000 were involved in handicraft production, 64,000 in consumer services and 2,500 in medical services. Against this it was estimated that 18 million people were involved illegally in individual labour activity. In the service sector the shadow economy was estimated in 1987 to have a turnover of 14–16 billion rubles, against the state sector's turnover of 40 billion (CDSP, 39, 36, 1987; 39, 51, 1987).

<sup>4</sup>The 1990 revision of the Law required a co-operative to admit all its full-time workers as members. However, this was not an effective restriction. As a juridical subject a co-operative could own other co-operatives. The workers could thus be full members of the subordinate co-op, while profits were appropriated by the members of the co-op which owned it. Surveys and official figures showed that between a third and two-thirds of co-op workers were wage labourers (CDSP 43, 32, 1991; Malle 1992).

high prices. On the other hand, in a shortage economy with a mushrooming monetary overhang and growing inequality, there were plenty of individuals and enterprises willing and able to pay such high prices, so that many of the co-operatives made very substantial profits, and they were able to pay wages on average at least double those in the state sector. For ordinary consumers, on the other hand, the distinguishing feature of most co-operatives was the high prices they charged, their large profits, and the corrupt practices in which they engaged, and they soon became very unpopular. Tax levels on co-operatives were gradually increased, and they were subjected to increasingly strict regulation, culminating in the 1990 revision of the Law on Co-operatives which stopped the development of the co-operative movement in its tracks.

Although the co-operative movement got a lot of publicity, and was acclaimed as the herald of the enterprise economy, private co-operatives were largely confined to the service sector, construction and retail trade, and had only the most marginal impact on the productive sphere, where most co-operatives were subsidiaries of state enterprises. At the peak of the co-operative movement in the middle of 1990, 97.5% of productive assets of the USSR were still in the hands of state enterprises and kolkhoz, while only 1.4% were in the hands of co-operatives and 0.9% in private hands (Hanson 1990, p. 100). In January 1990 just under 200,000 co-operatives in all branches of the economy employed 2.9 million out of a total labour force of 135 million, and about as many again had second jobs in co-ops (CDSP 43, 44, 1991). However, over 80% of co-operatives were not private enterprises, but had been created under state enterprises, where they had the advantage of political and administrative protection, and of access to the system of state supply, and 80% of their sales were destined for state enterprises (CDSP 43, 12, 1991). Moreover, the numbers employed in both the co-operative sector as a whole and in joint-stock companies actually declined between 1990 and 1991, co-op employment falling to 2.4 million by September 1991 (Tedstrom 1992, p. 23; CDSP 43, 44, 1991), while the number of co-ops fell from 200,000 to 150,000. Ironically the decline in private capitalist activity accelerated over 1992, squeezed by state enterprises freed from price and wage controls, leading private co-operatives to seek to protect themselves by forging closer links with state enterprises. Like the illegal forms of capitalist activity, the co-operative movement depended for its profits primarily on the imbalances created by the restrictions on state enterprises and on the irrationality of the administrative-command system.

Private entrepreneurial activity, while it appeared flourishing to those who saw the new street markets, co-operative restaurants, and advertisements for consumer and financial services, was never more than marginal to the development of the economy as a whole, and had little impact on production relations in the commanding heights of the socialist economy. The co-operative movement threw up some large personal fortunes, but it provided no basis for a transition to capitalism, and this was in accordance with the original purpose of the Law on Co-operatives, which was not so much to extend the sphere of capitalist activity, as to attempt to integrate petty capitalist activity into the 'socialist' system.

### 9.3 The ‘Destatisation’ of the State Enterprise

If we cannot find a capitalist dynamic in the illegal or legal forms of private capitalist enterprise, perhaps such a dynamic can be located at the heart of the system, in the state enterprise. There is no doubt that since 1987 the enterprise administration has acquired a steadily increasing degree of control over the assets of the enterprise, and has developed ways of exploiting those assets for the private benefit of management and the collective benefit of the enterprise. In this section I will explore in more detail the forms of ‘destatisation’ of the state enterprise.

State ownership in the Soviet bloc was not defined on the basis of bourgeois property forms, but took on a qualitatively different juridical form, which was the expression of the centralised system of forced surplus appropriation. According to the Soviet legal doctrine of the ‘unitary fund’ all social property was owned exclusively by the state (apart from consumer and agricultural ‘co-operatives’). As such, state property was absolute and undifferentiated, expressing the principle of the absolute centralisation of authority within the administrative-command system of production. Although the state delegated ‘rights of possession, use and disposition’ to particular bodies, including Ministries, enterprises, municipal authorities, trade unions or the Communist Party, user-rights did not imply any rights of proprietorship. This meant, for example, that the state could transfer assets between different institutions at will, without any question of compensation arising. It meant that the ‘profits’ of an enterprise did not belong to that enterprise, but were at the disposal of the state, which could redistribute them at will.

At the centre of Gorbachev’s reform programme lay the attempt to replace ‘administrative’ by ‘economic’ methods of regulation. This programme involved the de-centralisation of decision-making within the administrative-command system, with the replacement of gross output by financial indicators, and an increased reliance on the market regulation of contractual relationships between enterprises. This implied the general application of the principles of self-financing, the juridical autonomy of the enterprise as an accounting unit, and its constitution as a juridical subject able to enter into commercial and financial contracts. This in turn implied the transformation of the unitary form of state property into the differentiated form of private property.

The development of the system of ‘self-financing’ from the 1970s tried to give the enterprise an incentive to increase productivity by giving it a right to retain a share of above-target ‘profits’. The contract brigade system applied the same principles within the enterprise, establishing a contractual relationship between the brigade and the enterprise in which workers were given discretion in the allocation of the wage-fund and bonuses related to above-plan production. However, neither the brigade nor the enterprise had any juridical rights to their residual earnings, and in practice the impact of these reforms was constantly negated as norms were redefined, and as surplus profits were appropriated by the ministries. Such repeated violations led to growing demands on the part of enterprise management and of reformers that the rights of enterprises should be

juridically recognised.

The 1987 Law on State Enterprise (Association) defined the enterprise in contradictory terms, characterising it as juridically independent at the same time as defining its activity as being 'built on the basis of the state plan of economic and social development as a highly important instrument of implementing the economic policy of the Communist Party and the Soviet State' (Article 2.1).<sup>5</sup> The state enterprise 'is the socialist commodity producer', which produces and sells 'on the basis of full economic accountability, self-financing and self-management and the combination of centralised management and the independence of the enterprise' (Article 1.2). But at the same time management of the enterprise is carried out 'on the basis of control figures, state orders, long-term economic normatives and ceilings' handed down by higher authorities (Article 9.1), which meant that the enterprise's 'economic accountability income', which was at its own disposal, was simply what the higher authorities chose to allow the enterprise to retain. This contradictory characterisation of the rights and duties of the enterprise expressed the contradictions inherent in the attempt to develop a form of 'socialist commodity production' which combined market principles with a rigid plan, which in turn reflected the balance of political forces in play at the time.

Although the Law was contradictory in its definition of the rights of the enterprise to make contracts and retain its revenues, it appeared less ambiguous in its definition of property rights. The principles of self-management implied that the enterprise was the effective proprietor of the assets at its command, able to dispose of them at will, with rights which could not be violated by political or administrative intervention. This is indeed how the Law characterised the rights of the enterprise. 'The enterprise is a juridic person, it enjoys the rights and performs the duties connected with its activity, and it possesses a specific part of public property', so that the labour collective produces 'using public property as its proprietor' (Article 1.2). According to Article 4.1, 'the enterprise's . . . property consists of fixed assets and working capital, as well as other physical assets and financial resources. The enterprise exercises the rights of possession, use and administration of this property'.

In some respects the 1987 Law was simply another paper reform, allowing the centre to take back with one hand what it had given away with the other. Whatever the juridical changes, the Ministries still held the power. The Ministries had the right to appropriate the bulk of profits, they still controlled the bulk of supplies, they could fix prices, and they could impose state orders, which covered over 90% of industrial output in 1988, but which fell thereafter (Johnson and Kroll 1991, p. 286). Although the Ministries constantly thwarted the

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<sup>5</sup>In the course of revision of the draft law the emphasis on enterprise independence was considerably strengthened. For example the draft law stated that 'in accordance with control figures, state orders [etc.] . . . the enterprise works out plans and concludes contracts', while the final version stated that 'guided by control figures, state orders [etc.] . . . the enterprise independently works out and confirms its own plans and concludes contracts' (Art. 2.1). The final law provided state guarantees of the rights and independence of the enterprise, which were lacking in the draft (Art. 2.5). The Law is published in CDSP, 39, 30 and 31, 1987, indicating changes between draft and final versions.

provisions of the Law, this led to growing demands for the de-statisation and formal privatisation of property as the only means of securing the juridical independence of the enterprise, while the reform itself defined the basis on which ministerial power was rapidly eroded. As market prices diverged increasingly from state prices it became more and more profitable for enterprises to produce for the market and to cut back on their state orders, even if they had to buy supplies at market prices.<sup>6</sup> The result was that contractual deliveries began to make headway at the expense of state orders, and a growing proportion of transactions took place at market prices rather than state prices, rapidly eroding the administrative-command system. The 1990 revision of the Law on Enterprises (the term State was dropped in the course of revision of the Law) replaced state deliveries of supplies entirely with contractual relations, allowing enterprises to choose with whom to trade, although this provision was not to come fully into force until 1993. Nevertheless, three months later Gorbachev was forced to issue an emergency decree compelling enterprises to maintain established economic links for the following fifteen months, although allowing them to maintain such links at contractual rather than state prices.

The 1987 law not only gave the enterprise the rights of possession, use and administration of its assets, but also the right to transfer its assets, and this provided a loophole through which enterprises could escape from central control by transferring productive activities to subsidiary enterprises which were not subject to ministerial regulation or control. This sub-contracting relationship could simply involve an extension of the principle of the contract brigade, through which a brigade, shop or department of the enterprise would lease its plant, buildings and equipment from the parent enterprise, or it could involve the establishment of an independent co-operative within the state enterprise. The system of leasing (*arenda*) was formalised with a law of November 1989, according to which the labour collective of a shop or a whole enterprise could decide, by a two-thirds majority vote, to lease their production facilities from the state, and become the owner of the assets subject to lease. The law on leasing included the provision for the labour collective to buy the enterprise outright, and a few leased enterprises turned themselves into 'people's enterprises', collectively owned by the workers, while others were bought by their managers.<sup>7</sup>

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<sup>6</sup>The ideal was to acquire supplies at state prices on the basis of state orders, but to use those supplies to produce for the market, either above or in place of the state orders. Some state enterprises found it worthwhile using state supplies to produce for the market, simply paying the fine for non-fulfilment of state orders (Johnson and Kroll 1991, p. 294). On the devastating impact of the loosening of control on the supply situation, see Filtzer 1991.

<sup>7</sup>Enterprises were valued for privatisation on the basis of the written-down book value of their fixed assets. In the early stages some enterprises were so highly valued as to thwart attempted buy-outs (Filatotchev, Buck and Wright 1992, p. 277). However, escalating inflation meant that by the end of 1991 leased enterprises were being handed over for virtually nothing. Johnson and Kroll 1991, p. 287, n. 20 reported an estimate of 200 such buyouts, most of which were carried out on the initiative of management, with employees' cooperation bought with promises of pay rises and job security. These buy-outs were usually financed by borrowing from a parent or customer enterprise, from a 'pocket bank', or on the basis of trade credit, all of which preserved some control by the state enterprise. Following the coup of August 1991 leasehold enterprises privatised themselves on a large scale, usually through the sale of

Many leased shops and enterprises found themselves in financial difficulty, particularly as leasehold charges tended to be high, but leasehold continued to expand as a means of evading ministerial control.<sup>8</sup>

Within the enterprise the co-operative form of organisation seems to have proved more flexible, and more attractive to managers, than leasing to the labour collective, since it could be used to establish the managers as owners of the co-operative, which gave them greater scope for self-enrichment and for managerial control. Typically, a state enterprise would assign the productive assets of a particular shop or department to a co-operative, would sell the co-operative the raw materials it required, and sometimes purchase some or all of the product so that the enterprise could meet its obligatory plan deliveries, and the co-op would sell the rest on the open market. Typically the directors of such a co-op would be managers (or former managers) of the state enterprise, or their representatives, and its workers would be recruited from the enterprise. Some co-ops would only operate between shifts and at weekends, but others took over the entire activity of a shop or department. The advantages of such an arrangement were various. It enabled enterprise management to evade a whole range of regulations, particularly those relating to wages and prices, allowing them to attract the best workers by paying high wages, and to raise revenue by charging market prices. It had tax advantages, since co-operatives enjoyed an initial tax holiday, and it enabled the enterprise to salt away its profits, out of ministerial reach, and to spend them freely on higher wages and social expenditure, on investment and, of course, on bonuses, commissions and perks for the managers.

The transfer of assets to a privately controlled subsidiary looks like the plundering of state property, but it was not illegal. Although the 1987 Law on State Enterprise defined the enterprise as proprietor of its assets, this property did not have the capitalist form, so that productive assets did not have an objective monetary value. The monetary value of productive assets was defined as their written down book value, but more importantly their use value was conventionally defined in physical terms, as their contribution to production defined by production norms; provided that the enterprise maintained its deliveries, the state lost nothing if the enterprise assigned the user-rights to its assets to a co-operative. Juridically this was no different from the traditional relationship between the Ministry and the enterprise, in which the Ministry assigned productive assets to the enterprise in exchange for deliveries of the product. From this perspective the profits of the co-operative or leased enterprise did not derive

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shares to their workers, while in already privatised enterprises a process of concentration of share-ownership in the hands of management, and dilution of workers' holdings by new share issues, could be observed, often leading to conflict between management and workers.

<sup>8</sup>At the end of 1989 approximately 4% of industrial enterprises were leased (Filtzer 1991, p. 993), but by October 1st 1991, 11% were on leasehold (Johnson and Kroll 1991, p. 283). By this time there was a total of 20,000 leasehold enterprises in all sectors of the economy, producing 160 billion rubles worth of output in the first nine months of 1991, and employing 9 million people (Johnson and Kroll 1991, p. 283; Tedstrom 1992, p. 23). This was four times as large as the private co-operative sector in terms of output, and 50% larger in terms of employment. On the limitations of leasing, see Filtzer 1991.

from plundering the state, but from the ability of its workers and managers to produce above the 'scientifically' determined norms.

The attempt to regulate co-ops led to the proliferation of regulations, and levels of taxation were progressively increased to punitive levels, which merely provided further scope for corruption, and made life still more difficult for legitimate co-operatives. The 1990 revisions to the Law tightened up controls on 'anti-social' activities. However, by this time the property laws had become more differentiated, reflecting the variety of forms of property which had emerged, and the co-operatives went into decline as many transformed themselves into small enterprises or joint-stock companies.<sup>9</sup> The various laws and decrees on property were consolidated in the Property Law of March 1990, which also included for the first time the legal right to employ hired labour (Article 1.4), although this was tempered by a prohibition on the 'alienation of the employee from the means of production and the exploitation of man by man' (Article 1.6).<sup>10</sup>

Small enterprises were legitimated by a temporary law introduced in September 1989, which was followed by a decree in August 1990. A small enterprise is defined by the size of its labour force (a maximum of 200 in industry and construction, and 15 in the retail sector). The legislation gave the small enterprises considerable tax advantages, over both state enterprises and, particularly in the consumer goods sector, over co-operatives. Some co-operatives transformed themselves into small enterprises, although the cost of registration (around 10,000 rubles) was a disincentive to such a change in status. By October 1st 1991 Russia had 10,696 small enterprises, of which 9,299 were state property, 1,358 were in collective ownership, and only 39 were privately owned. As was the case with the co-operatives, many of these small enterprises are in repair and construction, trade and services, with relatively few engaged directly in production (Johnson and Kroll 1991, pp. 288–9).

The co-operative, *arenda* and small enterprise all provided more differentiated forms of property, through which state enterprises could shelter activities from central control. The final step in the 'destatisation' of state enterprises was the freeing of the enterprises themselves through their conversion to the form of joint-stock and limited companies which was provided for by the 1990 Law on Property, implemented by a decree of June 1990. The conversion of a state enterprise to joint-stock form was conditional on the decision of an authorised state body, which would normally be a Ministry or the Council of Ministers, and subject to the approval of the labour collective. By August 1st 1991, 347 joint-stock companies and 793 limited liability companies had been registered, although few of these were industrial enterprises (Johnson and Kroll

<sup>9</sup>The 1977–78 Constitution had strengthened the ownership of personal property. In the 1936 Constitution personal ownership was merely 'permitted by law', but in the new Constitution it was 'protected by the state'. The only legitimate basis of personal ownership was labour income, and this led to considerable ambiguity as the law expanded the sphere of private property, without a corresponding expansion in the rights of ownership. The article of the Russian Criminal Code prohibiting private entrepreneurial activity was only actually removed in December 1991.

<sup>10</sup>The text of the law is printed in CDSP 52, 12, 1990, pp. 21–5. The Law distinguishes citizen's property, collective property and state property.

1991, p. 290).

Meanwhile, the disintegration of the administrative-command system progressively loosened the grip of the Ministries over state enterprises. Interbranch State Associations (MGOs), Concerns and State Associations were authorised by an amendment to the Law on State Enterprise in August 1989, renewed in the 1990 Law on Enterprises, which gave enterprises the right to choose their own affiliation. Unlike the ministerial system, these forms of association are built from the bottom up, the powers and property of the association being delegated from its component enterprises, which enter or leave the association voluntarily. The most important feature of these forms of organisation was that they permitted enterprises to escape from the direct control of the Ministry, without losing the advantages of the ministerial system in its provision of access to supplies and its maintenance of the monopolistic control of enterprises over production. The formation of associations proceeded relatively slowly at first, but as privatisation loomed on the horizon, and Ministries were faced with break-up in the wake of the disintegration of the Union, Ministries rapidly transformed themselves into Concerns and Associations, which were in effect giant holding companies for the branches they had formerly supervised. By the middle of 1991 it was estimated that over half the industrial Ministries had privatised themselves in this way (*Izvestia*, 28.6.91), and most of the rest did so in the wake of the August coup, although some were brought back under central control with the formation of Republican Ministries. On the other hand, the formation of concerns and associations transferred juridical rights to the component enterprises, and the final disintegration of the administrative-command system gave increasing substance to these rights as the association was no longer able to guarantee supplies to its component enterprises. It would therefore be wrong to see the conversion of Ministries into Associations as no more than a change of name, since it also marked a real shift in the balance of power from the Ministry to the enterprises.<sup>11</sup>

## 9.4 From Destatisation to Privatisation

The process of destatisation prepared the way for privatisation by defining juridical forms within which state property could be assigned to the differentiated forms of private property. This process of destatisation was a necessary part of the decentralisation of the administrative-command system and the transition from 'administrative' to 'economic' forms of management, and as such was implicit in the decision to transfer to a 'market economy' which, according to Gorbachev's close adviser Petrakov, was taken at the plenary session of the Central Committee of the Communist Party as early as June 1987 (*Komsomolskaya*

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<sup>11</sup>Burawoy and Krotov see these monopolistic associations as the basis of the emergence of a 'merchant capitalism'. However, these associations owe their monopoly power to their continued close connections with the state, and retain that power only so long as the state controls access to supplies and finance. With the disintegration of the state they have become much more unstable as enterprises which are well positioned in the market are able to break away, bartering for supplies on their own account.

*Pravda*, 19.1.91 p. 1; CDSP 43, 4, 1991).<sup>12</sup> It was equally inevitable that once state property came to assume the juridical form of private property the question of ownership would arise, and destatisation would give way to privatisation.

The consolidation of the laws and decrees on property in the course of 1990 paved the way for privatisation. Rapid privatisation lay at the heart of the 500 days programme which was adopted by the Russian government in the autumn of 1990. Although the programme was rejected by the Union government, and no more than lip-service was paid to it by its Russian sponsors, Gorbachev reaffirmed the centrality of privatisation to the programme of perestroika in his notorious speech to industrial executives in December 1990, which supposedly marked his turn to the right. Gorbachev argued that ‘property relations are the core of radical economic reform. It was necessary to awaken people’s interest, to give them some motivation for increasing production . . . There is no other way. Therefore, by the way, planning had to be relaxed in order to give enterprises oxygen and economic freedom . . . Once there are owners, there must also be space in which they can operate . . . a market’ (CDSP 42, 49, 1990).

Soon after, *Izvestia* reported the conclusion of a study by unnamed Soviet economists that ‘privatisation of enterprises was regarded as a necessary precondition for imposing financial limits on them. The general opinion was that only private property, understood as any form of non-state property, can guarantee strict financial limits’ (*Izvestia*, 31st January 1991, CDSP 43, 5, 1991). Even the appeal to the people by the plotters of the August coup reaffirmed support for private enterprise and a mixed economy. The momentum towards privatisation was unstoppable, if only because the destatisation of property meant nothing until the ownership of that property was defined. Just who was to own this property was another matter.<sup>13</sup>

The strategy of the Pavlov government in 1991 was that ‘privatisation should skirt the mighty state “nuclei”, filling in the niches and pores’ of the economy, while large state enterprises would be transformed into collective property on the basis of the issue of ‘people’s shares’ (Pavlov interview in *Trud*, 12th February 1991, pp. 1–2, CDSP 43, 6, 1991). However, the government was opposed to the demands of radicals, on both the left and the right, that state property should be given to the people free of charge, a proposal widely condemned as displaying a Bolshevik mentality of ‘levelling’ which would only reinforce the culture of dependency expressed in the expectation that ‘the state will provide’. Quite apart from political objections, there was a realistic fear that a free distribution of shares would prove inflationary, as workers sought to cash their gains, while the revenue from the sale of shares was central to Pavlov’s April 1991 anti-crisis programme of reducing the budget deficit, which envisaged that all small

<sup>12</sup>In the previous month the debate had been publicly opened by a letter written by Larisa Piyasheva, published pseudonymously in *Novy Mir*, which argued that planning and the market were incompatible. Shatalin responded by proposing that the market should rule light industry and consumer services, while heavy and military industry should remain subject to the plan (CDSP 39, 35, 1987, pp. 9–12). This remained the orthodox reformist position until 1991.

<sup>13</sup>For a survey of the 1990–91 debate over privatisation see Flaherty 1992. The most sophisticated (and utopian) liberal theorist of privatisation is Vitalii Naishul’ 1990a, 1990b.

enterprises would be privatised by the end of 1992. This approach was reaffirmed in the Yavlinsky plan, drawn up with his Harvard collaborators and approved by the IMF, which did not envisage that the privatisation of large-scale enterprises would get under way before 1994.

The All-Union Law on destatisation and privatisation, which was approved on July 1st 1991, allowed the conversion of state enterprises to leased, collective, cooperative, joint-stock or private ownership. The labour collective was given a preferential right to shares, and had the power to determine the form and procedure for privatisation. However, the Law was not so much about the transfer of state assets to private ownership, as about the transformation of state property into other forms of corporate property, and particularly to the form of the joint-stock company. The government's expectation was that about half the fixed assets of Union enterprises would be removed from direct state management by the end of 1992. However, the bulk of shares would inevitably remain in the hands of the state for the foreseeable future, not least because the government estimated that the maximum amount that the population had available to buy shares was between 100 and 120 billion roubles, with up to 100 billion to pay for future instalments, against the book value of fixed capital assets alone estimated at 2,000 billion roubles at 1984 prices (Hanson 1991, p. 100). According to a decree issued by Gorbachev a week before the coup, all union property was to be transferred to the USSR State Property Fund, which would act as lessor of state property and would direct the process of privatisation, and, most importantly, which completely by-passed the Pavlov cabinet and the ministerial system (CDSP 43, 32, 1991).

At the same time the various Republics passed their own privatisation laws, which conflicted with the Union law. The Russian law was as vague as that of the Union, but it did include a greater emphasis on private ownership, with provision for voucher sales, auction and buyouts. Perhaps more significantly, the Russian government's anti-crisis programme, launched to counter that of Pavlov, reversed the relation of priority between privatisation and the market which had been a feature of all previous programmes. For all its rhetorical commitment to privatisation, the Russian programme gave priority to the rapid liberalisation of prices and the 'transition to a market economy', a priority which its critics regarded as giving a blank cheque to monopolistic state enterprises. This issue simmered on through the summer and autumn of 1991, before being confirmed with Yeltsin's appointment of Gaidar at the end of the year.

The main barrier to privatisation was not so much opposition to the fact of privatisation as disagreement about its form. In itself the juridical definition of the form of property does nothing to change the social relations of production. However, different forms of privatisation express quite different strategies of social and economic development and so become the focus for intense debate and growing struggle.

For all the laws, plans and programmes, culminating in the Privatisation Laws of July 1991, and despite the growing consensus on the importance of privatisation within the ruling stratum, very little progress was made during 1990 and 1991. Only a handful of state enterprises were privatised. Meanwhile inde-

pendent capitalist activity was expanded rapidly, particularly in commerce and finance, construction and consumer services, and parts of state enterprises were being handed over to co-operatives and small enterprises. Many commentators have seen this activity as the basis of a process of 'spontaneous privatisation' through which capitalist activity displaces and absorbs the state enterprise.

## 9.5 Spontaneous Privatisation and the Development of Capitalism

The disintegration of the administrative-command system passed power into the hands of enterprise management, and provided managers with the opportunity to turn their position to their own advantage. This created the possibility of 'spontaneous privatisation' through which they could appropriate state assets for their own benefit. Much has been made of this process, which many see as the basis of a transition to capitalism. However, the extent to which the means of production have passed into private hands has been much exaggerated.

Much of the attention in the discussion of 'spontaneous privatisation' has focused on the straightforward plundering of public assets, which has been most dramatically demonstrated in the private appropriation of the property and financial assets of the Communist Party and the Komsomol by Party officials, on the one hand, and the extensive involvement of the 'new democrats' in the private appropriation of urban property, particularly in Moscow and St Petersburg, on the other. However, while this kind of theft has produced a handful of multi-millionaires, it has no significant implications for the development of the social relations of production.

A second form of 'spontaneous privatisation' develops out of the formation of co-operative and small and leasehold enterprises as subsidiaries of state enterprises, which were originally set up to bypass central controls, particularly over wages and financial flows, and to evade taxation. Many commentators have seen these subsidiaries as a stage in the privatisation of state assets, as enterprise managers hive off the profitable parts of the enterprise into subsidiaries and then abandon the unprofitable shell of the state enterprise to set themselves up as independent private capitalists. This has certainly happened, but its scale and its implications have been greatly exaggerated. Most of these enterprises are very small. Moreover, the vast majority remain subordinate to the state enterprises on which they rely for supplies, labour, financial resources and political protection.

A third form of 'spontaneous privatisation' is through the siphoning off of profits from state enterprises through private commercial and financial intermediaries, which have been the basis of most of the private fortunes created under perestroika and have been acclaimed as the harbingers of the new capitalist order. However, like the production co-operatives, commercial and financial enterprises also had very important functions for state enterprises seeking to break out of the restrictions of the administrative-command system. Commer-

## 9.6. THE INDUSTRIAL NOMENKLATURA, PRIVATISATION AND THE DEVELOPMENT OF CAPITALISM

cial enterprises provided a channel through which state enterprises could sell their products (or even their raw materials) at market prices, or secure scarce supplies. The fortunes of these private enterprises were therefore dependent on their contacts in the state sector.

Co-operative banks played a vital role in the laundering of bank credit. A state enterprise could not spend the money it held in the bank at will, since the money was merely money of account held in earmarked funds. A co-operative was subject to no such restrictions, so the enterprise could transfer bank credit to the co-operative, which could then withdraw the funds in cash and return the money to the state enterprise, or make purchases on its behalf. This was the basis of the early growth of co-operatives in the banking and financial services sector.<sup>14</sup> This activity was banned by the 1990 Law on Co-operatives, but by then banks had switched to the joint-stock form. The vast majority of the commercial banks today are owned (individually or in consortia formed on an industrial or a regional basis) by enterprises and associations; their boards are dominated by the managers of state enterprises, who provide the overwhelming bulk of their deposits and take the vast majority of their loans (around half of all bank lending is to the enterprises which own the bank) - hardly the independent financial sector which is supposed to subordinate enterprises to the law of value.<sup>15</sup>

Despite the well-publicised cases of 'spontaneous privatisation' private ownership made very little headway in the productive sphere. At the beginning of January 1992 in the Russian Federation there were 21,945 state-owned industrial enterprises, of which 3,042 were leased, and only 992 non-state industrial enterprises, of which 272 were collectively owned, 162 were joint stock companies, and only 70 in private ownership. State enterprises still accounted for 96% of industrial production. In terms of their turnover the collectively owned enterprises were relatively small, and the private ones minute, while the joint stock companies were relatively large, accounting together for 1.5% of industrial production, but the bulk of the shares in the joint-stock companies are owned by the state or by other state enterprises (*Ekonomika i Zhizn'*, 14, April 1992).

## 9.6 The Industrial Nomenklatura, Privatisation and the Development of Capitalism

Although the new millionaires have flaunted their wealth, the main beneficiary of the process of perestroika has been the 'industrial nomenklatura' of directors of enterprises, associations and concerns, who have been able to wrest control

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<sup>14</sup>Many of the early commercial banks were established using Party and Komsomol funds, because at the time these organisations were tax exempt, and were effectively the only organisations permitted to dispose freely of money balances. This accounts for the continued dominance of this sector by former senior Party and Komsomol officials.

<sup>15</sup>Half the 1,500 banks at the beginning of 1991 had been founded by enterprises in the same business, or by regional branches of the state banks, simply to lend to themselves (*Economist*, 4th January 1992, p. 39).

of their enterprises from both the Party and the state apparatus, and who have often managed to find ways of enriching themselves without necessarily overstepping the law. These are the people who have appropriated the basis of power in Russia. If capitalism is to develop in Russia it can only be through the transformation of the industrial nomenklatura into the spearhead of the capitalist class.

There is no doubt that members of the industrial nomenklatura have been able to enrich themselves by exploiting their positions, whether by taking 'commissions', establishing their own private commercial and financial companies to siphon off resources, or accumulating substantial shareholdings. However, the primary concern of this stratum is not ownership but control, and its primary motivation is not so much financial gain, since there are far easier ways of making money, but a combination of professionalism and power, expressing its functional role within the Soviet system.<sup>16</sup>

There is no realistic possibility of enterprise managers expropriating their enterprises directly for their personal benefit, either legally or illegally, on a significant scale. Schemes for highly levered management buy-outs, borrowing at low rates of interest from pocket banks, were common in the early stages of privatisation, but in general such schemes were nebulous and implausible, and risked handing control over the enterprise to outsiders (cf. Johnson and Kroll 1991, p. 308). Moreover, the scandals raised by such ventures as the Kolo privatisation,<sup>17</sup> and the conflicts with the workforce unleashed by attempts on the part of managers to carry through anything smacking of a 'nomenklatura privatisation', showed that politically such schemes were at best highly risky.<sup>18</sup> Virtually all of the well-publicised attempts at the spontaneous privatisation of productive assets were blocked.<sup>19</sup>

Enterprise managers are strongly in favour of privatisation, which gives them juridical guarantees of their independence from state control, particularly over the disposal of their profits. However, they are not willing to allow control to pass to outsiders. The most attractive form of privatisation to the industrial nomenklatura is one in which shareholding is diversified, but a controlling interest remains in the hands of the labour collective. This is not because of any commitment to workers' self-management on the part of the apparatus, but because management has in the past been able to keep a firm grip on the organs of

<sup>16</sup>This is probably why it is mainly middle managers who have been active in setting up small private enterprises, since they are trading one subordinate position for another more lucrative one.

<sup>17</sup>The Kolo privatisation was an operation in which 18 prominent individuals valued their own 'intellectual capital' at 220 million roubles, giving them 20% of the shares in the Kolo conglomerate, which combined profitable fragments of diverse state enterprises. Although approved by the deputy chair of the privatisation agency, who was sacked for his involvement, the deal was blocked by the anti-monopoly committee.

<sup>18</sup>Conflict over management's 'privatisation' plans, which were in fact plans to transform the enterprises into joint-stock companies, arose in many large enterprises during 1991, including Electrosila, Polygrafmash and the giant Kirov plant in St Petersburg, and the car producers VAZ in Togliatti, and AZLK in Moscow. All these plans were blocked.

<sup>19</sup>However, the Law is still so vague that once such a privatisation has secured the authorisation of the appropriate official nothing can be done about it.

## 9.6. THE INDUSTRIAL NOMENKLATURA, PRIVATISATION AND THE DEVELOPMENT OF CAPITALISM

workers' representation, while the ownership of the enterprise by the labour collective provides the material base for a strategy of 'social partnership' through which the management hopes to reproduce the subordination of the labour force in production, motivating the workers and reducing labour turnover, while consolidating the political allegiance of the workers to the enterprise administration. Minority shareholdings equally have a specific part to play in linking particular interests to the fate of the enterprise. Shares in the hands of local and Republican government bodies retain connections with the state apparatus. The sale of shares to outsiders can consolidate links with customers and suppliers, as well as providing a source of funds.<sup>20</sup> The ideal way of achieving such a pattern of share ownership is through the initial transfer of a controlling interest to the labour collective, by means of which the administration can then control the allocation of further holdings to its partners, through sale and share swaps, their sale to outside investors, and to themselves.<sup>21</sup>

Privatisation to the labour collective only serves the administration's interest if it can control the representation of the workers' shareholding. The administration has no problem in maintaining such control through the traditional methods, ensuring that workers place their proxies in reliable hands. However, such traditional methods of control are based on the traditional social relations of production, within which workers look to their line managers to defend their interests. Any attempt to transform the social relations of production in order to subordinate labour to the valorisation of capital runs the serious risk of undermining the traditional forms of control of the labour force.<sup>22</sup> In the last analysis the barrier to the transformation of the ruling stratum into a capitalist class remains today what it always has been, the barrier of the working class.

This barrier is not constituted by the working class as a self-conscious force, but is an expression of the existing social relations of production, within which management controls the enterprise not on the basis of ownership, but as the personification of the labour collective. Moreover, the strength of the existing social relations and of their legitimating ideology has been strengthened, not

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<sup>20</sup>This was the pattern established by the pioneering KamAZ privatisation in July 1990. 50% of KamAZ shares remained in state hands, with voting rights on half of them assigned to the labour collective; 45% were sold to outsiders, mostly taken by 1,200 enterprises and organisations, which were its suppliers and consumers. 5% of the issue was allocated for purchase by KamAZ workers and pensioners, who received a discount of between 20% and 60%, depending on length of service, but this was financed from KamAZ's own resources, and was also subject to tax and social insurance payments. By May 1991 just over half of KamAZ's 150,000 workers had bought shares (down by 20,000 since privatisation, with most of the job losses women and working pensioners). The KamAZ board was, of course, dominated by KamAZ management (*Izvestia*, 17th August 1991, 22–23 May 1992). By the middle of 1992 the gilt had worn off. Although KamAZ shares had appreciated eightfold on the exchange, the price had not kept pace with inflation, and industrial conflict was growing.

<sup>21</sup>Privatisation to the labour collective includes substantial privileges for management. More significantly, once shares have been sold to workers it is fairly easy for management to induce workers to sell their shares at low prices, so that the concentration of shareownership after privatisation is very rapid.

<sup>22</sup>This is not simply a matter of workers' shareownership. Management may be able to concentrate a controlling interest in its own hands, but workers do not recognise the legitimacy of control based on ownership, unless such control is exercised on behalf of the labour collective.

weakened, by the collapse of the administrative command system and the Communist Party, which has deprived the enterprise administration of the external bases of its power, so that its role as representative of the 'labour collective' provides the only remaining foundation for its control, and the only basis on which to resist attempts from without or within to displace it.

Workers recognise the legitimacy of managerial control, provided that such control is exercised on behalf of the 'labour collective'. They certainly do not seek to defend the traditional social relations of production, which are associated with managerial autocracy and inefficiency, with low wages and appalling working conditions. Workers would be more than willing to accept a transition to capitalist production relations, if such a transition was associated with new investment, higher wages and improved working conditions. Many core production workers would be willing to accept such a transition, even if the price was large scale redundancy of auxiliary workers. What workers are not prepared to accept is the intensification of their labour, the reduction of their living standards and the pillaging of the enterprise to line the pockets of the existing management and their friends. While workers might welcome the arrival of a dynamic capitalist class, they are not willing to accept the transformation of the existing nomenklatura into a capitalist class by the crude methods of primitive capital accumulation.

Resistance to such methods is not, in general, mobilised by independent working class organisations which, as we have seen, remain extremely weak, but more often by an opposition faction within the management, which is able to advance its position by mobilising the support of the labour force on the basis of its claim to represent the interests of the 'labour collective'. Such an opposition faction is typically based on line managers (from foremen to shop chiefs), who have responsibility for production, who have direct contact with the workers, to whom workers traditionally appeal with their fears and grievances, and whose authority is undermined by management strategies which provoke conflict with the shop floor. The class conflicts opened up by the attempt to subordinate the labour force to the logic of capital are therefore displaced, appearing as conflicts within the managerial stratum, but conflicts in which the passive or active support of the labour force plays the decisive role.

The barriers to the transformation of the social relations of production presented by the working class at the level of the enterprise have dictated that the industrial nomenklatura pursue a strategy which is best characterised as an attempt to reconstitute the Soviet system from below, on the basis of the existing social relations of production. This has involved the attempt to reintroduce elements of administrative co-ordination of production, particular on a regional and inter-regional basis, and to maintain production and employment by state orders and by a free flow of credit. While these initiatives played a crucial role in preventing the collapse of the productive economy in the face of the 'shock therapy' of the Russian government, they intensified both the political and economic crisis, by further eroding the power of the central state and the disintegration of the Russian Federation, on the one hand, and fostering the parallel demonetisation of the productive economy and generation of hyperinflation

in the consumer economy, on the other.

The conservatism of the industrial nomenklatura was primarily dictated not by any antipathy to capitalism on its part, but by the passive resistance of the working class to fundamental change in the mode of its exploitation. However, this conservatism was equally the means by which the fragmentation and demobilisation of the working class as an independent political force was reproduced, so that the working class was unable to exploit the divisions within the ruling stratum to develop and present any effective alternative to exploitative production relations. The result was a political stalemate which could only be broken from above, by the exercise of state power on behalf of a unified class force.

In particular, it became increasingly clear that a programme of privatisation, however radical it might appear, would not challenge the continued reproduction of the existing social relations of production unless it was associated with the subjection of the enterprise to the law of value through the external pressures of the market, enforced by the imposition of a 'hard budget constraint' on enterprises. Only if the enterprise was threatened with extinction would the enterprise administration acquire both the will and the power to confront the labour force in order to subordinate it to the imperatives of capital accumulation. For this reason the issue of privatisation was inextricably linked by the neo-liberal reformers to the issues of financial reform, competition and de-monopolisation, which proved to be the main political battleground through 1992. It was a battle which the neo-liberals had lost before it had even begun.

## 9.7 The Neo-Liberal Programme

The neo-liberals were committed to privatisation as the means of forcing a rapid transition to capitalism on state enterprises. They had two priorities. First, privatisation should be as rapid as possible. Second, privatisation should be closely linked to a policy of de-monopolisation and financial regulation. The form of privatisation is of much less concern to the neo-liberals. Provided that enterprises are subjected to the law of value through competition it does not much matter who is the owner of the enterprise. If those who initially acquire the enterprise do not manage to make it profitable, it will soon pass into the hands of those who can. As Gavril Popov argued, 'it is necessary first . . . to give privileges to the labour collectives. They will be, so to speak, "pre-owners". They will enter the market. Competition will show who is able to conduct business . . . It is not difficult to predict that quite a few of these "pre-owners" will end up having their enterprises go to the auction block' (*Izvestia*, May 20th 1992, p. 4; CDSP 44, 20, 1992, p. 3).

The neo-liberals' confidence in the coercive force of the law of value has led them to back forms of privatisation which offer the line of least resistance. One of the leading neo-liberals, Vitalii Naishul', caused a stir at the end of 1990 by backing nomenklatura privatisation on these grounds, concluding that 'the changeover to a market in our country will be completed when all the most energetic and influential members of the nomenklatura have found themselves

seats in the new structures' (*Izvestia*, 9.12.90, CDSP 42, 49, 1990). However, nomenklatura privatisation did not prove as straightforward as he had hoped, since it provoked widespread political opposition and aroused the indignation of workers. The neo-liberals therefore shifted tack.

Some neo-liberals supported proposals for a voucher privatisation, along the lines of those in Poland and Czechoslovakia, and provision for this was included in the 1991 Russian Law. However, voucher privatisation was administratively extremely difficult to handle, and was full of pitfalls. Yeltsin's initial programme of December 1991 downplayed the voucher system. Chubais, the minister responsible for privatisation, explained that this was because the resources to handle such a form of privatisation were not there: 'When I took my current post I immediately came to understand that we wouldn't be able to quickly fulfil this promise. To finance this effort we would have needed 1,400 million roubles plus 40 million dollars. Where is the office equipment? Where are the premises — to develop a system of inscribed deposits. Would we have to double the floor space of savings banks all over Russia? We decided that the introduction of deposits had to be put off until early 1993' (*Moscow News*, 3, 1992, p. 10). Despite widespread opposition, including that of the World Bank, vouchers were soon resurrected for straightforwardly populist reasons.

By the end of 1991 some of the radical neo-liberals were backing the demand of the industrial nomenklatura, also put forward by the neo-Stalinists and the workers themselves, for the transfer of ownership to labour collectives without charge. The most outspoken proponent of this view was Larisa Piyasheva, who was appointed by the Mayor of Moscow, Gavril Popov, in November 1991 to implement a crash programme of privatisation in the capital.

An initial attempt to privatise housing in Moscow in September 1991 had collapsed in bureaucratic confusion amid popular opposition. A renewed programme to distribute housing free, and then impose a graduated tax on property, was announced in November, but did not get off the ground. At this point Mayor Popov appointed Larisa Piyasheva to implement a programme to privatise all trade and services in the capital within two months, establishing a new privatisation centre, which bypassed the existing privatisation committees, responsible to the Moscow City Council and the Moscow government. Piyasheva proposed that small enterprises should be transferred to the labour collective, renamed the 'entrepreneurial collective', with the sale financed by credit. Medium sized enterprises could buy goods and equipment, and lease the premises with a right to buy, while large enterprises would be converted to joint-stock companies, with shares split between the labour collective, the municipality and sale by auction. Piyasheva's reasoning was that a crash programme was the only way to prevent corruption, by not allowing bureaucrats and their mafia friends the time to subvert the process.

It soon turned out that Piyasheva had been caught up in a struggle for control over privatisation and its proceeds between Popov and his deputy, Luzhkov, who had previously had control of privatisation, and who favoured a slow privatisation process, in which premises could be leased but not sold. The outcome was that Piyasheva's reform was denounced by the Yeltsin government as illegal

and as ‘pure adventurism’, the government insisting that ‘real privatisation is a long process’ (*Moscow News*, 5, 1992, pp. 8–9). Piyasheva was forced to resign, Popov patched up his differences with Luzhkov, got Yeltsin’s political backing, and crash privatisation was put on the back burner.

Piyasheva emerged from this bruising experience as the most outspoken liberal critic of the government’s privatisation plans, which she denounced as fraudulent. She condemned the liberalisation of prices, in the absence of privatisation, as nothing more than monopolistic hyperinflation, and the government’s privatisation plan as a bureaucratic programme in the best Bolshevik style, in which privatisation was subordinated to the need to raise revenues. She insisted, against the Russian government, that privatisation should not involve the sale or transfer of state property, which would simply transfer it to dubious commercial enterprises at knock-down prices, but should be ‘restoring to the people what was taken away from them’. Under the Soviet system the state had owned property in the name of the people, but now the state planned to confiscate that property from the people, claiming the right to sell or redistribute the property that it had appropriated. The primary claim of ownership is not that of the state, but of the labour collective. ‘There is no legal, moral or logical basis for the conduct of competitions and auctions of those places where people work, treasure their property, and do not renounce their right to own it . . . So wherever the work collective is prepared to “redeem” (if it were up to me, I would simply give them gratis), all rights are on its side’ (*Moscow News*, 5, 1982, pp. 8–9).

The neo-liberals were enraged not only by the government’s failure to make progress with privatisation, but equally by its failure to subject enterprises to the discipline of the market. The government liberalised prices at the beginning of 1992 without taking any steps to break up monopolies, or to subject them to the force of international competition. The government committed itself to the elimination of the budget deficit, but continued to hand out subsidies right and left, and did nothing to control the expansion of credit by the banking system. The result of its reforms was not the subjection of enterprises to the law of value, but monopolistic hyper-inflation fuelled by an explosion of credit. There were even suggestions that the opposition welcomed the programme, as it waited ‘till Gaidar’s liberalisation, coupled with commercialisation, brings people onto the street and it becomes possible to ask for support from the army and its tanks in order to restore order’ (Larisa Piyasheva, *Moscow News*, 5, 1992, pp. 8–9).

## 9.8 Privatisation and the State

For all the dramatic political changes following the coup of August 1991, the constraints to which the government was subject did not change, although Yeltsin’s popularity gave it considerably more leeway than its predecessors had enjoyed. The main priorities of the government continued to be dictated by the deteriorating economic situation. Yeltsin’s anti-crisis programme, announced at the end of October, was remarkably similar to that which had been announced by Pavlov in April 1991. The main difference was that Yeltsin was in a position to

implement the programme.

Despite its neo-liberal facade, Yeltsin's reform programme by no means marked a decisive break with the past. Yeltsin himself is a man of the apparatus, and his administration was carefully constructed according to traditional principles to establish a balance of conflicting forces. The government's neo-liberal enthusiasm was checked at all stages by Yeltsin's pragmatic responses both to political pressures and to the representations of the monopoly producers who dominated the economy. Gaidar was allowed to free state enterprises from the shackle of controlled prices, although many restrictions remained, but the plan to freeze wages never got off the ground, the attempt to cut the budget deficit and limit the expansion of credit was severely constrained, and privatisation and de-monopolisation was stalled. This was why the public opposition to Gaidar's programme on the part of the old power structures was so muted.

Yeltsin's main priority was economic stabilisation, and this underlay the pragmatism that led his government to move progressively closer to those who held the reins of economic power, the industrial nomenklatura. The first decision to dismay the neo-liberals was that giving priority to the liberalisation of prices over privatisation and demonopolisation.

Gaidar and his associates argued that giving priority to price liberalisation and financial stabilisation had become unavoidable. In the face of rampant inflation, a soaring budget deficit and a credit explosion the attempt to control prices was merely adding to the dislocation of the economy. Short of the restoration of the full rigour of central control, which was both technically and politically out of the question, there was no alternative but to free prices. Successive governments had shied away from price increases, for fear of the political consequences, but Yeltsin had the political support which made it possible to introduce such a policy, and in Gaidar he had somebody whose political ambition made him willing to be the fall guy.

Gaidar's reversal of the liberal priorities met with vociferous opposition from radical reformers, including Piyasheva, Selyunin and Yavlinsky. Even Yeltsin's closest associate, Burbulis, was still cautioning against liberalising prices too quickly: 'We can't free prices until we create at least some kind of dynamism in basic privatisation. In conditions of economic monopoly freeing prices will yield nothing. We will not release a mechanism of real economic competition between producers' (*Financial Times*, 2nd November 1991).

Burbulis was right: far from hastening the development of a capitalist economy, the rapid liberalisation of prices cut the ground from under the feet of the commercial and financial capitalists, who had been able to exploit their freedom from restraint to make large profits. State enterprises could now consolidate their monopoly powers, establish commercial relations without having to go through intermediaries, and sell directly for market prices. But while the policy undercut the strategy of transition to capitalism, the priority had to be to stabilise the disintegrating economy, and this could only be on the basis of the existing relations of production.

Yeltsin's policy on privatisation was unveiled in his October programme and implemented in a series of 'guidelines' rushed out in December 1991 and

a decree published at the end of January 1992. It was clear that the form of privatisation was not determined by any attempt to foster the development of a capitalist economy, but by the need to raise revenue to support the budget, split between local and federal authorities, and the need for populist measures to attract support for the government's programme. The former objective was to be achieved by selling shares at auction, although it was not clear where buyers would be found. The latter objective was to be achieved by a free or subsidised distribution of shares to the workers.

Although a set of priorities was laid down, these were all subject to amendment in the light of specific proposals drawn up by various government bodies. The programme envisaged the process of privatisation taking a period of three to five years, with the first stage concentrating on the sale of services and small enterprises by municipal authorities. The government expected to raise 92 billion roubles in 1992 and over 300 billion in 1993, as against the 2 billion roubles raised in 1991, split between local and federal authorities.<sup>23</sup>

The privatisation of larger enterprises was to take place relatively slowly. The government's plans anticipated the conversion of state enterprises into joint-stock companies, and included provision for labour collectives to be allocated up to 25% of the authorised capital in the form of non-voting stock, paying a fixed rate of interest, and allowing workers to buy up to 10% of the voting shares available for purchase at a 30% discount. The remainder of the shares would continue to be held by government agencies, to be auctioned as and when appropriate. The Industry Minister Aleksandr Titkin was cautious, warning that with uncontrolled privatisation 'we will quickly find ourselves without high-technology products, in the first place machine tools' (RFE/RL, 1, 2, 1992, p. 38).

The new proposals made it clear, like all before it, that it had no intention of handing ownership of the means of production to those who had created them. The proposals did make substantial concessions to labour collectives, but for pragmatic rather than for any principled reasons. As Anatoli Chubais, the minister responsible for privatisation, told *Moscow News*, in relation to the free allocation of shares to workers, 'our objective today is to set up a social stratum, geared and committed to privatisation. To achieve this corresponding instruments are necessary . . . If we didn't accept that, the work collectives would hardly support privatisation. But now they have "suddenly" shown an interest in the law and started egging on the administration. The state has to pay for this social awakening, otherwise the best bits of property would have been sold without undue noise at the citizens' cost' (*Moscow News*, 3, 1992, p. 10).

According to Chubais, nine tenths of state property would be sold at auction, although there was no indication as to whom the government expected to have the resources to bid at such an auction, apart from other state enterprises, or when they would take place. In effect, the privatisation of the bulk of the productive sector was being postponed indefinitely, while the programme con-

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<sup>23</sup>The KamAZ privatisation, with a capitalisation of 4.7 billion roubles, only raised 400 million roubles for the state budget, corresponding to the 5% of shares bought by the workers.

centrated on the privatisation of small-scale trade, services and housing, which promised the best prospect of cash sales to relieve the budget deficit, and the best prospects for petty corruption. To ensure that privatisation proceeded according to plan, local authorities would be set targets to be achieved, just like in the old days of the five-year plan. But Chubais had a more important priority, to develop a bureaucracy with the resources to manage privatisation. 'We need one employee in privatisation bodies per 3,000 inhabitants. Therefore we must increase the number of privatisation employees at least 15 times', in addition to the immediate allocation of a 500 million rouble bank credit. The privatisation bureaucracy involved three different sets of committees, with overlapping jurisdictions, and planned to employ 92,000 people, to occupy 690,000 square metres of office space, and to take 10% of privatisation receipts.

The first phase of the privatisation programme was primarily the responsibility of local authorities, but it made little headway. In the first two months of 1992, by which time Piyasheva had proposed to privatise 36,000 establishments in Moscow alone, a total of 18 small workshops, 58 eating establishments, and 153 trade outlets had been privatised in the whole of Russia. In the whole of Russia 17,500 apartments were privatised in January, of which 11,400 had been handed over free of charge (CDSP, 44, 12, 1992, p. 31).

Meanwhile privatisation schemes proliferated. At the beginning of February Chubais met with representatives of the Russian trade unions and labour collectives, who demanded that the 25% of the capital allocated to labour collectives should take the form of voting shares, which would effectively give the labour collective control of the enterprise, a proposal rejected by Chubais on the grounds of its inequity. Vice-President Rutskoi at the same time proposed his own privatisation scheme, based on leasing the enterprise to the labour collective or to entrepreneurs. Piyasheva proposed an alternative privatisation scheme in a memorandum, signed by several members of the 'Moscow Economic Council' published in *Izvestia* on 14th February (CDSP, 44, 9, 1992, pp. 5–6), which proposed a restitution of property to labour collectives, in the form of individual shares in the enterprise as a joint-stock company, financed by credit repayable out of future profits of the enterprise, with alternative compensation for government employees and others who would be left out of the scheme.

At the end of February the government announced a revised programme, which sought to revive popular enthusiasm by re-introducing the voucher scheme that Chubais had abandoned as unworkable in December, but reiterated its rejection of the principle of transfer of ownership to the labour collective. However, in response to his critics of Left and Right, Chubais showed some signs of moderating his opposition. He noted that labour collectives had the possibility of acquiring a controlling block of shares under his scheme, and made it clear that his objection was not to ownership by the workers, but to collective ownership, which he condemned as 'the latest resurgence of the Bolshevik mentality . . . that every person should be a proprietor at his workplace . . . No, not everyone should be a proprietor at his workplace, but everyone should have a choice and decide whether or not he is going to be an owner.' According to Chubais 'collective ownership suffers from an incurable congenital disease that

the specialists call wage consumption of revenues' (*Izvestia*, 26th February 1992; CDSP, 44, 9, 1992, p. 7).

His critics might have pointed out that under continued state ownership investment had collapsed, while virtually all of the cash flow of enterprises, and the bulk of hard currency, was being directed to the payment of wages. Voucher privatisation, by divorcing the interests of the individual as shareholder from his or her interests as a member of a work collective, is the greatest of all inducements to the 'wage consumption of revenues', forcing companies to compete on the basis of dividend payouts at the expense of investment, which is one reason why the industrial nomenklatura was so strongly opposed to the voucher system. The appeal of the voucher system to populist politicians is precisely that it feeds the 'Bolshevik mentality' that 'the state will provide' in purporting to give workers something for nothing.

Privatisation receipts for the first quarter of 1992 amounted to less than 300 million roubles, against the target of 3 billion, which was not even enough to cover Chubais's administration costs (CDSP, 44, 12, 1992, p. 31).<sup>24</sup> Chubais cut his target for the year from 92 to 72 billion roubles, and introduced new proposals at the end of March which made some more concessions to labour collectives, with half an eye on the forthcoming Congress of People's Deputies.

Criticism of the privatisation programme mounted. For all its liberal rhetoric, the government was actually doing nothing but issuing more and more bits of paper while investment collapsed and the economy faced ruin. The government had set a deadline of September 1st for enterprises to convert to joint-stock status, which had been identified two years previously as the essential precondition for subjecting the enterprise to any kind of budget constraint, but provided no guidance as to how this was to be done.<sup>25</sup> The productive economy was effectively demonetised, as enterprises placed orders and received deliveries without making any payments, and the shortage of cash meant that there were not enough banknotes even to pay wages. The non-payment of taxes undermined the government's attempt to bring the budget under control, and even with a tight monetary policy money and credit grew rapidly, fuelling inflation and the depreciation of the rouble. Meanwhile hyper-inflation added weight to the criticisms of any scheme to sell off state property in exchange for 'wooden' roubles, and the demand that property be transferred to labour collectives became increasingly widespread.

Gorbachev's former economic advisers, who had kept quiet for some months, began to step out of the shadows and criticise the government's programme, with Petrakov being most active in proposing alternative programmes, the first

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<sup>24</sup>The total receipts amounted to little more than the market price of one of Moscow's suburban apartment blocks, at the then current auction price of 2.2 million rubles for a one room apartment. The rate of privatisation increased from April particularly in Moscow, which accounted for half the total for the country as a whole. Vast amounts of US and World Bank money were poured into the showpiece privatisation programme in Nizhny Novgorod, and some progress was made in St Petersburg.

<sup>25</sup>Enterprises were reluctant to transform themselves into joint-stock companies because applications were subject to anti-monopoly scrutiny. Most proposals to form joint-stock companies in the first half of 1992 were blocked on anti-monopoly grounds.

of which proposed the transfer of a proportion of the assets of enterprises to the labour collective free of charge, with a subsequent plan proposing a system of investment banks to become enterprise shareholders and to ‘organise the entire movement of capital in the economy’ (CDSP 44, 11, 1992, pp. 1–6). These plans culminated in a programme laid before the Russian parliament at the beginning of April by its Speaker, Ruslan Khasbulatov, for which he claimed the support of Petrakov, Shatalin and Yavlinsky, which stressed the need to create a market infrastructure as the basis for liberalisation.

One Russian government economic adviser, Ulyukayev, condemned the increasingly insistent proposals to hand enterprises to the labour collectives as ‘harebrained schemes’ — because ‘collective ownership by labour collectives is extremely inefficient: it is conducive to the eating up of fixed assets and the preservation of a backward production structure’ — and Gaidar reaffirmed the government’s rejection of any schemes for rapid privatisation. However, Yevgeny Yasin, the government’s representative in the Supreme Soviet (and simultaneously head of the Expert Institute of Volski’s Russian Union of Industrialists and Entrepreneurs), signalled a possible reversal of the government position when he noted that ‘the buying out of the means of production by labour collectives is a very promising approach, since it promotes the harmonisation of the interests of various social groups at the same time as it ensures a rather high degree of economic effectiveness’, while privatisation on the basis of the Western model is ‘fraught with the possibility of social explosion’ (CDSP 44, 12, 1992).

## 9.9 The Privatisation Programme

The paralysis of government persisted through May and June, but at the beginning of July, just before the summer holiday, an avalanche of new programmes and decrees emerged from the White House. On 1st July decrees were issued on the formation of joint-stock companies (which included provision for the formation of trusts and holding companies), the creation of privatisation commissions, and the securitisation of debt (which effectively replaced the decree on bankruptcy, issued to a great liberal fanfare two weeks before). On 9th July the decree on privatisation, agreed by the Supreme Soviet a month before, was finally published, and two days later the government’s ‘programme for deepening economic reforms’, written for the Munich meeting of G7, was issued. This package, far from clarifying the situation, only accentuated the contrast between the government’s ambition and its achievement.

The July privatisation programme was a compromise that made some concessions to all parties. On the one hand, as a populist measure to strengthen the government’s support the voucher scheme was to be brought forward, with privatisation cheques to be distributed in the autumn, on the Czech model, in which individuals subscribe to particular companies, rather than the Polish model in which shares are held by holding companies. Voucher sales were expected largely to displace auctions, with the government now expecting only about 10–15% of receipts to come through cash sales. On the other hand, the

programme made substantial concessions to the industrial nomenklatura over the participation of the labour collective, although it continued to prohibit collective ownership and the formation of closed companies. The programme added an alternative to the free distribution of non-voting shares to workers proposed in January, by allowing a period of closed subscription through which workers would be able to purchase a controlling 51% of the voting shares in the enterprise at their nominal price, instead of having to bid at auction (a third variant was basically for bankrupt enterprises, of which there were none). Enterprises were to establish commissions to draw up their privatisation programmes, which were to be submitted to a meeting of the labour collective for approval.

Various measures ensured that workers would have the money needed to buy the shares allocated to them. First, enterprises were permitted to assign all residual funds, plus 50% of their retained profits at 1st January 1992, to personal privatisation accounts for the benefit of their workers. These accounts could be augmented by additions from current profits, and would also receive 10% of the revenue raised from the privatisation itself. Second, commercial banks and local councils were permitted to extend credit for the purpose of privatisation. Third, shares did not initially have to be paid for in full. Fourth, the voucher scheme would provide 10,000 roubles for every man, woman and child to participate in the privatisation exercise. These vouchers could be used to buy shares in one's own enterprise, to subscribe to the purchase of shares at auction, to subscribe to investment funds, or sold for cash. Overall the government now expected 20% of the money subscribed in 1992 to come from private funds, 15% from foreigners, and 65% from enterprise funds, excluding that made available in the form of vouchers.

The valuation of enterprises for the purposes of privatisation was a major problem. First, it was not clear what assets and liabilities should be attached to what units. Enterprises often own large stocks of housing, educational, sporting, cultural and holiday facilities. From a 'socialist' point of view these are an asset, but from a capitalist point of view they are a liability. Similarly enterprises have extensive welfare obligations, and often provide a range of municipal services, including transport, heating etc. The lines of demarcation of property and responsibility for these facilities between the enterprise, the trade union, the central government and local authorities are not clearly drawn. According to the privatisation laws these facilities and obligations should be taken over by municipal bodies, but the latter did not have the resources to run those that made a loss, and enterprises and trade unions were not willing to hand over those that made a profit. The result in practice was that nominal ownership was transferred to municipal bodies, but finance and administration remained in the hands of the enterprise.

Second, enterprises could not be valued until it had been determined what they were being valued as.<sup>26</sup> Were they being valued as the means by which a

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<sup>26</sup>KamAZ was initially capitalised at 4.7 billion roubles. In its first full year of operation as an independent enterprise KamAZ made a declared profit of 2 billion roubles. The proposed sale of VAZ, maker of Lada cars, to Fiat has stalled over, amongst other things, the matter of valuation. VAZ is one of the few manufacturing enterprises which can be valued on the

community could secure its social and material reproduction, or as the basis for the production and appropriation of surplus value? The problem of valuation is not a problem of accountancy, but of anticipating the future course of the class struggle over the form of the social relations of production. In fact, the government side-stepped the issue by valuing enterprises as a collection of physical assets.<sup>27</sup>

Third, in conditions of hyperinflation, monopolisation and gross disproportionalities there was no set of prices at which to value the assets of enterprises. The 1991 privatisation programmes had cut through all the problems by valuing enterprises arbitrarily, on the basis of the depreciated book value of the enterprise's assets at historic cost. Even in 1991 inflation meant that this grossly undervalued the assets of enterprises, but by July 1992 prices had risen between twenty and thirty times. Enterprises, backed by the Central Bank, had been demanding a revaluation of their assets to provide a realistic baseline on which banks could extend credit to them so as to increase their available working capital in line with inflation, while keeping it within determinate limits. However, the government refused to take this step on the official grounds that it would delay privatisation, although its critics argued that it was simply a ploy to make privatisation more attractive. The July plan retained the previous method of valuation, adjusted to take account of various balances, at 1st January 1992 — in other words at the old state prices. An arbitrary multiplier of 1.7 was subsequently imposed by the State Property Committee in the attempt to discourage purchase by the labour collective. The effect was that enterprise privatisation funds plus privatisation vouchers would easily cover the cost of purchase of the labour collective's shareholding in the vast majority of enterprises, sometimes with money left over for workers to buy additional shares through open bidding.

For all its rhetoric the government was in effect giving the controlling interest in enterprises to the workers free. The remaining 49% of shares would remain in state hands, and would supposedly be the subsequent object of competitive bidding with the remainder of the 'funny money', since the main participants would be the investment funds set up with privatisation vouchers and enterprise privatisation funds, which together exceeded the valuation of the enterprises under privatisation many times over.<sup>28</sup>

Workers in industrial enterprises were expected to use their vouchers, and

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basis of its integration into the world market, but valuations, commissioned at great expense from Western accountancy firms, vary widely. VAZ, keen to secure a sale to Fiat, values itself at \$4 billion. The Russian government, anxious to raise hard currency, secured a valuation from Bear, Stearns of \$9 billion. Fiat, meanwhile, insists that VAZ is worth no more than \$2 billion (*International Herald Tribune*, 3rd March 1992).

<sup>27</sup>The Nizhny Novgorod experiment in municipal privatisation minimised the auction guide price of shops and small enterprises by valuing them on the basis of a debt write-off, a five-year lease of property, and the valuation of stocks and physical assets at historic cost.

<sup>28</sup>The government planned to issue about 1.5 trillion rubles worth of vouchers by November 1992. However, the total privatisation valuation of the productive assets of the whole of the USSR in 1991 was less than 2 trillion rubles. The total privatisation receipts anticipated for 1992–94 were 892 billion rubles. Against this, outstanding inter-enterprise debt at the end of June 1992 amounted to between three and four trillion rubles, and unpaid wages amounted to a further 400 billion.

those of their relatives, to buy shares in their own enterprises on extraordinarily favourable terms. The remaining vouchers were supposed to be used to acquire assets sold at auction, but it was not clear that any assets worth purchasing would remain. The initial take-up of vouchers, which were issued on October 1st 1992, was very slow, and their price on the exchanges never reached their nominal valuation, while the government insisted that their asset-backing made them worth between 100,000 and 200,000 rubles. As the price of vouchers fell to around 4,000 rubles, inflation raged. By the summer of 1993 a voucher which had been nominally worth around one month's wages when it was issued was worth not more than a couple of days' wages.

The government desperately tried to salvage something from the disaster by trying to boost the demand for vouchers, successively announcing that vouchers would be redeemable for apartments or land, could be used in municipal privatisation, and that 30% of payments at auction must be in vouchers, a measure which only gave further encouragement to the concentration of vouchers in the hands of speculators and fraudsters.

The substance of the government's privatisation programme was in flagrant contradiction to the rhetoric in which it was wrapped up. The government had consistently rejected the free transfer of ownership of enterprises to the labour collective on the grounds of equity, since benefits would depend on the profitability of the enterprise and since public employees would be excluded from participation, and on the grounds of the incentive to the 'wage consumption of revenues', which would cut investment and fuel inflation. Voucher privatisation was originally proposed as the way of avoiding these disadvantages, but it would only be equitable if privatisation was exclusively through vouchers, whereas in practice all the most profitable enterprises would have been privatised before the voucher scheme got under way. The voucher scheme would only avoid the 'wage consumption of revenues' if it were a variant of the Polish model, with non-transferable vouchers invested in giant holding companies with compulsorily diversified portfolios, a model rejected by the government as representing no more than the reproduction of the administrative-command system behind a capitalist facade. For this reason the government adopted a variant of the Czech model, with transferable vouchers and competing investment funds. In short, the government ended up with a programme which managed to combine the worst features of all those available: a scheme that was grossly inequitable, that penalised investment, and that was hyperinflationary. Investment was also penalised by the diversion of profits to the enterprise privatisation accounts, which were tax free (although the allocation of money to these accounts was at the expense of wages as well as profits), and by the knock-down prices at which enterprises were valued for privatisation, making acquisition far more profitable than new investment. Finally, in an attempt to prevent asset-stripping, the programme put a freeze on any restructuring of production or enterprise management or any dismissal of workers without the permission of the relevant state privatisation committee between the first submission of privatisation proposals and the first shareholders' meeting, setting up a further barrier to fundamental change.

The sense of unreality of the whole exercise was brought to the point of farce by the timescale attached to it. The decree was published on 9th July, just before the summer holiday, with the requirement that all medium and large enterprises (apart from those strategic enterprises whose privatisation is banned), should have transformed themselves into joint-stock companies, drawn up privatisation plans, discussed them with the labour collective, submitted them to a meeting for its approval, and got them in to the appropriate privatisation committee for endorsement by 1st September. Many companies were closed for this entire period, with the workers sent on ‘administrative vacation’ and much of senior management basking by the Black Sea. Meanwhile, not only did they not have the documentation required to carry out the process, or any guidance through the maze of conflicting laws and decrees, in some places even the privatisation committee that was supposed to superintend the whole process did not yet exist. The much trumpeted privatisation programme turned out to be not the basis for the ‘transition to a market economy’, but a typical example of Soviet ‘formalism’.<sup>29</sup>

The government ‘programme for deepening economic reforms (up to 1995–96)’, prepared with the help of leading experts and distinguished foreign advisers, and issued two days later, only confirmed that the government had completely lost touch with reality. However, the increasingly fantastic character of the government’s programmes, contrasted with its consistent inactivity, was acquiring the shape of a coherent strategy of playing up to the neo-liberals, and particularly to the international capitalist community, while allowing the real world to take its course, and that course was one in which the old system was reconstituting itself from below.

## 9.10 The Reproduction of the Soviet Enterprise in the Market Economy

Enterprises responded to the collapse of the administrative-command system within the framework of the existing social relations of production. On the one hand, they sought to increase revenue by altering their product mix, and by diverting output as much as possible from state orders to the free market at home and abroad. On the other hand, they sought to secure their supplies by developing direct connections with their suppliers. The initial barrier to both of these developments was the persistence of the controls imposed by the administrative-command system, and it was this barrier that fuelled the de-

<sup>29</sup>The State Property Committee later extended the deadlines to 1st October, and 1st January 1993 for the largest enterprises. The privatisation committees not only had to supervise the formation of joint-stock companies and formulation of privatisation plans, they also had to evaluate any proposals of enterprises to restructure their management, production or labour force, and take into direct administration all bankrupt enterprises under their jurisdiction, while they were simultaneously required to establish the voucher system and allocate individual privatisation cheques by 1st November, and to ‘create and contribute to the creation of financial institutions (investment companies, funds and others) and provide for extensive enlistment of entrepreneurial structures to participate in them’ (Article 7.1).

mands for enterprise autonomy, which rapidly developed into the demand for the destatisation of property to give such autonomy a juridical foundation.

According to the model of the liberal economists the destatisation of enterprises and the freeing of prices should lead to the development of a market economy. The subjection of enterprises to competitive pressure would then force them to restructure production so as to subordinate the production process to the valorisation of capital in order to maintain their profitability. However, there is no sign that this process is underway. The liberalisation of prices loosened the shackles of state control, and enabled state enterprises to raise their prices, immediately cutting the ground from under the feet of the proto-capitalist intermediaries who had made their fortunes by exploiting the divergence between state and market prices. Having secured their windfall gain, enterprises, far from transforming the social relations of production, have been concerned to avoid any significant restructuring of production.

In the face of the developing crisis enterprises have had three principal priorities. First, to secure their supplies. Second, to secure a monopoly position in order to maintain profitability by applying the principle of cost-plus pricing. Third, to maintain sufficient cash flow to pay wages.

Although the transition to the market economy was supposed to be based on the development of contractual links, such links were unsatisfactory for three reasons. First, there were no effective mechanisms for the enforcement of contracts. Second, suppliers were unwilling to enter monetary contracts, since money alone was not sufficient for them to secure supplies in their turn. Third, the high degree of monopoly and the enormous disproportionalities meant that there was no basis on which to set prices. The immediate result was that the establishment of contractual links was conditional on the establishment of barter relationships between enterprises, often involving what would appear to be grossly unequal terms. The growth of barter further undermined the possibility of establishing monetary exchange relationships, in a vicious circle of demonetisation of exchange. In the longer term, enterprises sought to secure their supplies by further increasing the already very high degree of vertical integration which characterises Soviet enterprises. This was achieved partly by undertaking production of intermediate products, machinery and equipment on their own account, but increasingly enterprises looked for vertical integration with their suppliers in conglomerates and production associations.<sup>30</sup> The fragmentation of the Soviet Union has meant that there is a strong tendency to develop this vertical integration on a regional basis.

Vertical integration to overcome the supply problem is closely connected with horizontal integration to maintain monopoly power. The Soviet economy was already marked by an extraordinarily high degree of monopoly. The main purpose of the associations and concerns which replaced the Ministries was to preserve this monopoly power. Regionalisation in the wake of the collapse of

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<sup>30</sup>One aspect of this was that each enterprise sought to meet the consumption needs of its own workers, acquiring consumption goods by barter and on contract. Large enterprises even bought collective farms, food processors, and footwear and clothing manufacturers to meet their workers' consumption needs, and construction enterprises to build housing.

the Union has meant that even enterprises in those branches which were not monopolised, mainly in the production of consumer goods, now enjoy regional monopolies, protected by restrictions on inter regional trade (Kroll 1991). The result is that enterprises have been able to maintain the customary practice of cost-plus pricing.

The extent of such monopolistic pricing policies was revealed by the response to the price liberalisation in January 1992, where enterprises more or less uniformly raised their prices to maintain profits, and sharply cut back production in response to the fall in demand, a pattern of adjustment which was already apparent in 1990–91. Further evidence was provided by the ‘scissors crisis’ which developed over 1991–92. Although two-thirds of families spent the bulk of their income on food, and 80% of incomes fell below the paltry subsistence minimum, manufactured goods prices rose more rapidly than agricultural prices. The transition to the market economy did not lead to any tendency for prices to force supply to adapt to consumer demand, because demand was dominated not by consumers, but by enterprises which were stockpiling durable raw materials, intermediate and consumer goods, which provided both a hedge against inflation, and the essential means of barter exchange in a demonetised economy. In short, the pattern of price movements made it clear that far from submitting state enterprises to the law of value, the liberalisation of prices was allowing the monopolistic state sector to subordinate the market to the conditions of its own reproduction.<sup>31</sup>

In such a monopolistic environment the pressure on enterprises appears not as a competitive pressure on profitability as prices fall, but as a pressure on cash flow as sales fall.<sup>32</sup> Enterprises responded to cash flow pressure in the first instance by withholding taxes and not paying for their purchases, so that inter-enterprise debt had reached between three and four trillion rubles by the end of July 1992, amounting to about half of all inter-enterprise transactions, with a further 400 billion in unpaid wages. Many enterprises were still desperately short of cash and non-cash funds, but rather than sack workers, they tried to hold down or simply not pay wages, and extended holidays, sometimes without pay, leading to enormous disparities in pay levels between enterprises.<sup>33</sup> Only in the last resort did they cut back production, and even then they did all they could to avoid laying off workers. About 80% of redundancies in 1992 were

<sup>31</sup>In the fantasy world of the economics textbook, inhabited by the IMF and its advisers, the collapse of production was the result of the failure of monopoly producers to reduce prices in the face of a shortfall in demand. In fact the opposite was the case. Rising prices were the result of the desperate attempt of producers to maintain production. Thus the fall in production was only about half the fall in the level of retail trade. Similarly the growth of credit was a reflection of rising prices not, as the economists imagined, their cause.

<sup>32</sup>Soviet enterprises do not even have a capitalist concept of profitability, and profits are generally simply identified with a positive cash flow. Many enterprises claim to be profitable on the grounds that they would make a profit if they could find buyers for their output.

<sup>33</sup>The level of strikes in the productive sector remained very low, because the threat of a strike was usually sufficient to secure a pay rise, while workers seem to have been convinced by management’s claims that they were making every effort to keep up wages. 90% of strikes in the first quarter of 1992 were in non-productive ‘budget organisations’, mainly involving teachers and health workers, directed at municipal and Republican administrations.

made up of (predominantly female) administrative staff, who formerly prepared all the figures for the ministries, and working pensioners.

The orientation of enterprises was not towards profitability, but single-mindedly towards cash flow and maintaining supplies. Enterprises engaged in property, financial and commercial speculation, using raw materials, intermediate products and consumer goods acquired through barter. They sought to diversify production, to cover risk and maximise market opportunities, which meant that there was some reorientation of production in response to changing demand, but most of this was grossly inefficient small batch production using inappropriate labour and equipment, designed to secure cash flow at any price. The most profitable new outlets were not the consumer market, but the market for standardised intermediate goods and processed raw materials, either for export or to serve as the means of exchange in domestic barter, both of which diverted resources and increased the supply problems faced by domestic producers. On the expenditure side, enterprises slashed expenditure on investment, maintenance and repair, health and safety, and training. To the extent that the market was operating, it was acting not as an agent of restructuring but as a disintegrative force (Russian Association of Industrialists and Entrepreneurs, Expert Institute, 1992a and 1992b. See also Yavlinsky's onslaught on the reforms, published in *Moscow News*, May 24 1992, pp. 9–16, and reproduced in CDSP 44, 23, 24 and 25).

All the evidence indicates that enterprise managers were desperately trying to preserve the old and familiar system, creating monopolies and conglomerates on a regional basis in an attempt to keep the market under control and to preserve the existing relations of production, while trying to maintain pay and employment for fear of provoking a confrontation with the workers, which could rapidly escalate into a challenge to the managers' control. There is no evidence that management was trying to restructure the social relations of production, and to only a very limited extent did they even try to reduce costs within the framework of the existing production relations.

The neo-liberals were only too well aware of what was happening. They insisted that the banking system be brought under control, and that bankruptcy legislation be introduced, but it became increasingly clear that the subjection of the economy to market forces would lead only to total collapse. Yeltsin had issued a draconian bankruptcy decree in the middle of June, only to replace it with a programme of securitisation of debt, which was effectively a debt write-off, at the beginning of July. Meanwhile a long struggle for control of the Central Bank culminated in the replacement of its chief in which the neo-liberals lost again. The new Bank Chairman provoked a furore by sending a telegram to all banks at the end of July instructing them to grant credit to enterprises to cover their debts, while nothing was done to prevent debt from continuing to increase. Meanwhile banknotes were printed so fast that the cash shortage was overcome during August, laying the foundation for an inflationary explosion from September.

The explosion of credit provided the space within which enterprises could continue to operate. The limits of the situation appeared when enterprises

had to find a final consumer who would take delivery of the product. The withdrawal of military orders hit the huge defence sector hard, but producers of investment goods were hit by the collapse of investment, consumer goods producers were hit by the collapse of incomes and the inflationary erosion of savings, and agriculture and food processing were hit by a 'scissors crisis', as prices of fuel and producer goods, which were bought on credit, rose more sharply than did those of consumer goods, which were ultimately sold for cash. The result was that the main symptom of the crisis was a generalised contraction of production.

We have seen that enterprises sought to survive by maintaining established links and consolidating monopoly powers, without which the collapse of production would have been even more devastating. However, the loss of state support for monopolies meant that they were increasingly unstable, as enterprises which were in a position to exploit market opportunities sought to break away, threatening to accelerate the disintegration of the economy, which could only be combated by the further expansion of credit. Monopolisation represents the class interest of the industrial nomenklatura, but it does not necessarily represent the interests of individual enterprise directors, particularly in branches of production which have enjoyed new opportunities with the collapse of the old system, and this limits the extent to which the old system can be reconstructed spontaneously by the industrial nomenklatura. In the end it is only the active intervention of the state that can impose the interests of the class on each of its individual members (Clarke 1988, ch. 5).

The awareness of the need for state intervention to regulate industrial restructuring led to growing pressure for the reconstitution of a planning apparatus. At the national level this pressure was expressed politically by Volski, but regionally it appeared in the growing re-integration of the industrial nomenklatura into the political apparatus, sometimes sponsored by regional trade union bodies, and in growing pressure for regional autonomy. During November 1992 Yeltsin bowed to these pressures, most dramatically in his cautious reconciliation with Volski, but most significantly in his advocacy of regional devolution in the formation and implementation of economic policy, combined with a coherent interventionist industrial strategy. It was one thing to advocate such a strategy, but it was quite another to implement it.

By the end of 1992 it was clear that such a strategy was the only alternative to the hyper-inflationary disintegration of the economy, and the only question that remained was that of the political basis on which such a strategy would be conducted. At the regional level the contending forces of 'democrats' and 'conservatives' had largely been reconciled with one another, most dramatically in Kuzbass, where Mikhael Kislyuk, former head of the Regional Workers' Committee and Yeltsin's combative chief of administration, signed a co-operation agreement with Aman Tuleev, former Party boss and chief of the regional executive, who had been one of Yeltsin's conservative opponents in the 1991 Presidential election. However, at the national level the question could not be resolved so easily, since at the national level what was at issue was not simply the question of economic strategy, but that of the form and the character of state power.

Behind the conflicts of temperament and personal ambition that appeared to dominate political debate in Moscow there were fundamental issues at stake. The bifurcation of political and economic institutions which had been a central feature of perestroika had split the Soviet ruling stratum in two, with one faction rooted in the industrial apparatuses of the Soviet economy, while the other seized control of the political institutions of Soviet society. The struggle for power between these two factions was therefore simultaneously a struggle over the relative weight of state and class power in determining the transformation of Russian society, and so a struggle over the class character of the state that is to direct that transformation, to impose the interests of the ruling class not only on its individual members, but also on the working class, fear of which has so far been the factor which has held back Soviet managers from attempting to transform the social relations of production (cf. Filtzer 1991, pp. 1001–2). Moreover, the greatest barrier to the reconstitution of class rule is likely to prove to be precisely the legacy of the privatisation programme that was supposed to constitute that rule on a capitalist foundation.

## 9.11 Privatisation and the Class Struggle

Although Yeltsin's privatisation programme was entirely formalistic, in proposing a rapid transfer of ownership without any restructuring of the social relations of production, its significance was by no means purely formal. Despite their initial scepticism, by the middle of 1992 enterprise Directors were ready to grasp at the opportunity of privatisation with enthusiasm. Their main aim was the familiar one of establishing their independence and securing control of the disposal of their profits, but privatisation to the labour collective, on the generous terms offered, had the added appeal of being attractive to the workers in providing the basis on which the enterprise could increase wages and social expenditure, so sealing the alliance between management and workers on which the former had come to rely politically, while providing very lucrative benefits for senior management. Moreover, the terms on which privatisation was on offer made it essential for enterprises to seize their opportunities before the government undertook the revaluation of assets which it had promised would follow the first phase of privatisation. For these reasons enterprises fell over themselves to formulate privatisation plans over the autumn of 1992, and to submit them for approval as rapidly as possible. The Gaidar government, in the meantime, anxious to strengthen its hand before the December Congress of People's Deputies, rushed through approval without formalities.

Privatisation had been the basis on which enterprises had sought to secure their independence, but it certainly has not been the basis on which they have been converted into capitalist enterprises. The vast majority of industrial enterprises have rushed through plans to privatise on the basis of the second variant, with the sale of the enterprise to the labour collective,<sup>34</sup> and the bulk of municipi-

<sup>34</sup>At a stormy three day meeting of the labour collective in July 1992 Vaz proposed an illegal variant which was in effect a free transfer of the controlling interest to the labour collective,

pal enterprises have also been bought by their labour collectives.<sup>35</sup> Privatisation has therefore been the basis on which the enterprise administration has sought to seal its alliance with the workers to provide political protection for its independence, which will constitute a formidable barrier to the attempt to subordinate individual enterprises to the interests of the ruling class as a whole.

The working class has played no role in the political battles over privatisation, and has received none of the pickings. Many commentators see the passivity of the vast majority of the working class as a reason for dismissing the working class as an effective actor in the present struggle. However, workers have shown since 1987 that they are not so much passive as fatalistic, and this fatalism has been perfectly realistic in a society in which any sign of independent workers' organisation has been ruthlessly repressed for sixty years. Workers are also, for very good reason, profoundly cynical about any kind of political organisation, so that most workers' struggles have been conducted at the level of the shop or the factory, with very few effective links established beyond the enterprise. Management has been able to maintain the fragmentation of the working class and to keep the level of conflict under control by responding to the immediate economic aspirations of workers by promising wage increases, and often removing foremen and shop chiefs in whom the workers have lost confidence. When workers have mobilised around an issue and seen a realistic prospect of advance they have shown an extraordinary degree of insight, courage, determination and solidarity.

The Russian working class is a sleeping giant, which none of the protagonists in the factional struggles within the ruling stratum dares to wake. It may be that the fear of the working class is exaggerated, a legacy of the revolutionary class rhetoric on which the ruling stratum was brought up, but it is nonetheless real, and has thwarted the more grandiose ambitions of the ruling class. The Yeltsin government could not risk pushing its reform programme so far as to provoke the industrial nomenklatura into mobilising its workforce politically, while the nomenklatura could not risk weakening itself politically by confronting its workers. This was the context in which the Yeltsin government continued to hand out subsidies and print money day and night, while enterprise management held back from any initiatives to restructure production, was willing to raise wages, and was reluctant to sack male workers. However, the issue of privatisation is one which brings the class struggle back home.

The principal victims of the Soviet system were not the managers, who enjoyed a power unmatched in any capitalist country, but the workers, who had to suffer the consequences of the irrationality of the administrative-command

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a proposal which Chubais, who attended the meeting, immediately rejected, although it was later approved by Yeltsin. The Vaz scheme was taken as a model by other labour collectives in the auto industry, including AZLK, ZIL and GAZ, but the ZIL management forced through its own programme, provoking a potentially explosive conflict with its workers. By the time these schemes were submitted for approval Yeltsin had lost his powers to approve such plans by decree, and they had to be submitted to parliamentary ratification.

<sup>35</sup>By 1st April 1993 only about 1,000 enterprises had offered shares for sale to outside shareholders, as against the 57,000 enterprises which had been privatised by the end of February (*BBC Monitoring*, SU/1681 C1/3, 6 May 1993; SU/1692 C1/8, 19 May 1993).

system, of the incompetence of their managers, and of the unchallenged abuse of their rights. It is not the administration which has been pressing to restructure the social relations of production, but worker activists, who experience the irrationality of the Soviet system every day of their lives, in the form of the burden of unproductive, unhealthy and unremunerative labour and of arbitrary and oppressive labour discipline. While managers prevaricate, it is workers who press for new investment, the reduction of manual labour, and improved health and safety.

While most workers have little idea of what privatisation involves, they have a very clear idea of what they want to get from it in their own enterprise. The mass of workers want the profits which have always been taken from the enterprise by the state to be used to increase wages and social expenditure, and they want the independence of the enterprise to be the basis on which they can assert some control over their own lives.<sup>36</sup> While senior managers may see privatisation as a means of breaking from the tired rhetoric of socialism, the majority of workers see the economic and political independence of the enterprise as the basis on which the rhetoric of collectivism and of workers' control can be given some reality. While senior managers see privatisation as the means of widening their pay differentials with the workers, workers look first for cuts in what they regard as the parasitic and unproductive administrative apparatus. While managers try to make workers bear the cost of the inefficiency of the system of production, workers demand that management takes responsibility for improving production and working conditions. The promise of privatisation helped enterprises to maintain the passive allegiance of the majority of their workers with the promise of jam tomorrow, but if the jam is not forthcoming it is unlikely that workers will remain so passive.

Worker activists see privatisation as a way of curbing the power and cutting the privileges of the enterprise administration. Few of them aspire to take day-to-day control of their enterprises, but they demand cuts in the administrative staff, the power to dismiss incompetent or corrupt managers, and effective protection of workers' rights, while they resist attempts by managers to increase their own pay or to hive off profitable parts of the enterprise. These demands lie behind the insistence of many activists that the labour collective should retain a controlling interest in the enterprise, and their attempt to democratise the representation of the labour collective.<sup>37</sup> Ironically privatisation to the labour collective provides more potential for the democratisation of the enterprise than did the 1987 Law on State Enterprise, to which managers so fiercely objected, because ultimate power is placed in the hands of the shareholders' meeting, at which workers can vote on the basis of 'one share-one vote'.

<sup>36</sup>Neither workers, nor the majority of managers, see profits as the source of investment, since under the old system investment funds were always allocated from the centre. They look to the state, banks, and outside shareholders to provide investment funds.

<sup>37</sup>Some activists, particularly those faced with a repressive and lethargic administration, favour the sale of the enterprise to outside shareholders in the hope of thereby securing a more progressive administration. Some are opposed to workers' shareholding on the grounds that such shares will rapidly fall into the hands of the mafia or management at knock-down prices.

Privatisation by no means guarantees the democratisation of the enterprise, but it provides a framework in which a struggle for control is put on the agenda, and through which it can develop. The Law requires the involvement of worker representatives in the formulation of privatisation plans, and the approval of those plans by the labour collective. Once privatisation is carried through the annual shareholders' meeting not only elects the council that will supervise the management of the enterprise, but can also make a contract with the General Director, in which the shareholders can specify the Director's duties and responsibilities. Of course, there is plenty of scope for the administration to subvert this process by traditional methods, but an indicator of the anxiety of management in the face of privatisation is the unprecedented lengths to which management has gone in many enterprises to explain its programme to the workers in the attempt to secure their approval. Management certainly retains its ability to control all the organs of representation of the labour collective, including the new institution of the shareholders' meeting, and managers are certainly ready to use this control to further their own interests.

Russian workers have not responded to the deepening crisis by building their own mass organisations, but have followed the traditional pattern of relying on their close friends and relatives and on their own individual efforts to survive. However, this does not mean that workers will remain passive and fatalistic. Russian workers have no great economic expectations, but they have deep-rooted conceptions of equality and social justice, and a powerful sense of the collectivity of labour, which are a legacy of both the peasant and the state socialist past. The systematic violation of these values by management of the enterprise progressively undermines managerial authority and creates the conditions in which workers begin to express their own aspirations, and look for their own representative institutions through which to realise them.

It would be naive to see the struggle over privatisation as one which necessarily unifies the working class. Privatisation can also be the basis of divisions among workers, which both management and politicians are eager to exploit. Entitlements linked to length of service discriminate against women, young and temporary workers. Privatisation to the labour collective leaves out all those not attached to state enterprises as employees or pensioners. Sale to the labour collective at knock-down prices benefits workers in profitable enterprises, while burdening the unprofitable. Like all struggles, the struggle over privatisation is one in which workers have to construct a unity, which is extremely difficult in the absence of effective organisations within which differences of interest can be democratically resolved.

Privatisation is certainly not a victory for the workers, but nor is it a defeat. It is only the beginning of a struggle which for the first time since the 1920s can be fought out on the workers' own ground, within the enterprise, the 'state within the state' which is not just the place of work, but a way of life.

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