

The political economy of state capitalism

It does not take the foreign reader of Russian publications long to discover that Soviet marxism-leninism has produced a literature of development analysis unique in the world. Most obviously, marxism-leninism is not an umbrella for a series of isolated social science disciplines each with its own methodology and jargon, its own practitioners and journals. It has no one-dimensional economics in which economic problems are discussed in isolation as technical questions of growth rates or capital/output ratios. Even the quite specialized economics monograph will relate the topic under analysis to its sociopolitical context thus situating the study in a commonly accepted theoretical framework. Similarly, political problems are not presented as an autonomous system that can be analysed in its own right without reference to the economy's mode of production or the sociology of its class dynamic. As a result there is no third world political science in Soviet writings in which interest groups or political parties are taken as objects of separate study. Nor is there a sociology which analyses classes without these social formations being seen in terms of the dominant power structure and the contradictions at work in the economy. Quite distinct from the bulk of Western scholarship, Soviet 'political economy' is an integrated discipline with a common methodology. Third world political economists in the Soviet Union may be divided into area research institutes within which scholars specialize by topic, such as industrialization or agrarian reforms, but very consciously apply a standardized approach linking history, ideology, sociology, politics, and economics into one interlocking analysis. One cannot proceed to read – and comprehend – the Soviet analysis without acknowledging in advance its holistic striving.

THREE-DIMENSIONAL ANALYSIS

The newcomer to Soviet political economy would do well to visualize it as trying to situate a particular country at a specific point along each of three axes: eco-

Economic plane: mode of production

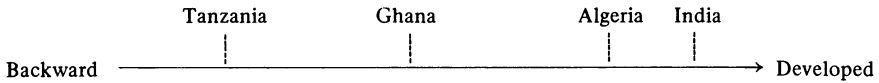


FIGURE 1 First Dimension of the Soviet Political Economy

nomic, political, and historical. On the economic axis, Soviet scholars attempt to define the mode of production that predominates in a given country at a given point in time. In third world countries this is no easy task, since, 'because of their general backwardness, imperialism's continuing influence, the relative weakness of national capitalism and immaturity of socio-class relations in the majority of the young states,' there is an intermixing and preservation of several modes of production - 'tribal, communal, feudal, early capitalist and developed capitalist relations.'¹ India presents a difficult challenge. Its modern heavy industrial sector coexists with an equally large pre-capitalist handicraft economy, while in agriculture large plantations operating on capitalist principles and small independent 'kulak' farmers account for less production than the vast numbers of sharecropping tenants. In the final analysis, India is placed along with Mexico, Brazil, and Egypt quite far along the spectrum from Backwardness to Industrialization, as is suggested by Figure 1.

In describing a third world country the Soviet writers also seek to situate it at some point along a political axis that shows the orientation of its development. Two prime factors determine this assessment: the nature of the ruling class (feudal, national bourgeois, petty bourgeois, etc.) and this ruling group's major development policy thrust (capitalist closely linked with foreign capital or anti-capitalist striving for independence from imperialism). Even if the leadership of independent India has consistently claimed that it was bent on building a socialist type of society, Soviet analysts note that the Indian National Congress primarily consists of and serves the interest of the national bourgeoisie that itself nourishes close ties with imperialist monopoly capital. Nevertheless the Indian leadership's policy orientation is considered more progressive than that of Pakistan whose class essence is very similar but whose political orientation is more reactionary.

Although a country cannot change its mode of production even over a decade of great effort, it can rapidly change its position on the political plane. Literally overnight a country can switch from a reactionary monopoly capitalist orientation to a progressive anti-capitalist stance, as Cuba did when Fidel Castro took

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Political plane: orientation of the ruling class

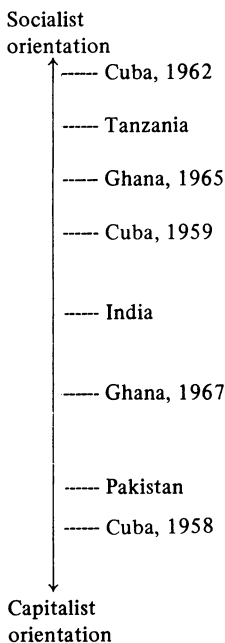


FIGURE 2 Second Dimension of the Soviet Political Economy

power from Batista in 1959. Three years later, when Castro officially declared himself a marxist-leninist and *Pravda* formally recognized Cuba as socialist, Cuba left the third world category entirely to become a full-fledged member of the socialist camp.² In this shifting snakes-and-ladders analysis, a regime can fall as well as rise in its classification. Ghana was a prime example of a country on a non-capitalist path that fell back to a capitalist orientation when a military regime took power from Nkrumah, as Figure 2 represents graphically.

Plotting the economic against the political planes produces a two-dimensional presentation of the Soviet political economy. India's economy may have been gradually advancing along the difficult path of industrialization, but Shastri's political vacillations in the face of the big bourgeoisie's assertion of its monopoly interests clearly reduced that country's progressiveness in the Soviet writers' eyes. Economic growth in the early 1970s was not dramatic, but Indira Gandhi's

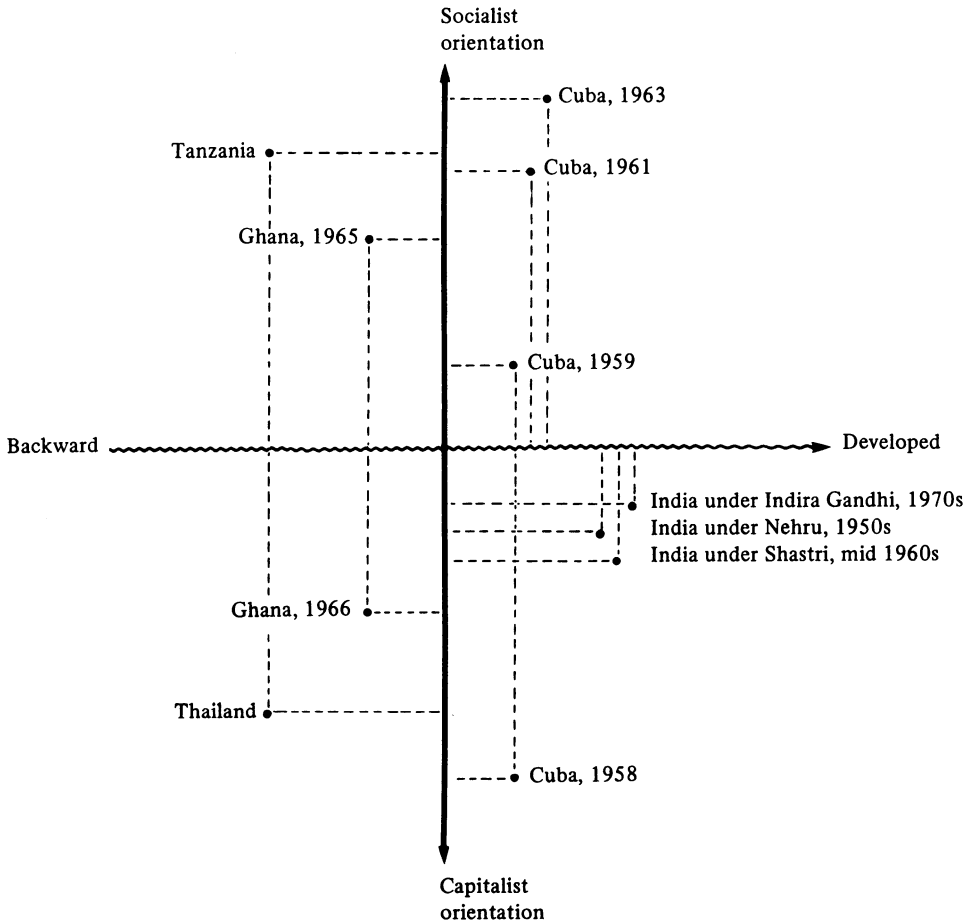


FIGURE 3 Two-Dimensional Presentation of the Soviet Political Economy

more resolute nationalization programme and other radical measures produced a revision in the previous downgrading of India's position. Schematically a two-dimensional representation as in Figure 3 can show how the Soviet concern with the policy orientation of a government's ruling class can produce great oscillations in their treatment of the same country. Tanzania's level of industrial development may be low, but its 'revolutionary-democratic' leadership puts it squarely in the non-capitalist group of young nations.

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The capitalist/socialist axis is not a static spectrum. It embodies a tension between two polar opposites, capitalism and socialism, straining to attract each country into their orbits. Socialism-oriented states are presented as trying to rebuild their socioeconomic system along a transitional 'non-capitalist' path of development that should bring them to full socialism. On the other hand states taking a capitalist path have no such prospects for a rapid elimination of their backwardness: 'The fact that specific forms of pre-capitalist, early capitalist and so-called transitional and intermediate forms of relations continue to exist on a fairly large scale is due to the fact that these countries in general follow a conservative path of capitalist development.'³

It is of course true that many scholars in the west reject a unidimensional professionalism in their work. Certainly there are those who explicitly claim to practise 'political economy' by accepting the analytical interdependence of economic and political factors. Among such political economists some marxists also add a third, historical dimension as an integral part of their methodology. What role, they ask - progressive or reactionary - is a particular country playing on the stage of world history? Is it progressive in its contribution to undermining capitalism's global system of imperialism or is it reactionary in actually supporting the consolidation of neo-colonialism? Even if Soviet scholars used the same concepts as western marxists for identifying the economic mode of production and asked the same questions about the class nature of state political power, their Soviet-centric conception of world history would distinguish their work from that of their fellow researchers in different lands. Soviet marxist-leninists define the progressiveness of a country's world historical position not just in terms of its anti-imperialism but also as a function of the friendliness of its foreign policy towards the Soviet Union and its hostility to China. Thus during the last years of the Stalin period, when Soviet ideology considered all who were not in the Soviet bloc to be hostile, India was thought to be a lackey of imperialism and just as retrograde as Pakistan. When the Soviets reassessed the South Asian continent after Stalin's death they found that India's non-alignment had considerable anti-imperialist qualities, whereas Pakistan's participation in American military alliances clearly kept that country in the imperialist, anti-Soviet camp, as is indicated in Figure 4.

The tension along this global spectrum is more overt since the world capitalist system is seen as straining with all the power and devices at its command (colonial domination, neocolonial aid and investment, military alliances) to keep the third world in its camp. On the opposite pole the socialist camp, led since the Great October Revolution by the Soviet Union, offers a staunch moral support as the hearth of socialism as well as the military shelter, the diplomatic support, and the economic assistance necessary to help the former colonies to pull themselves out of the grips of imperialist dependence.

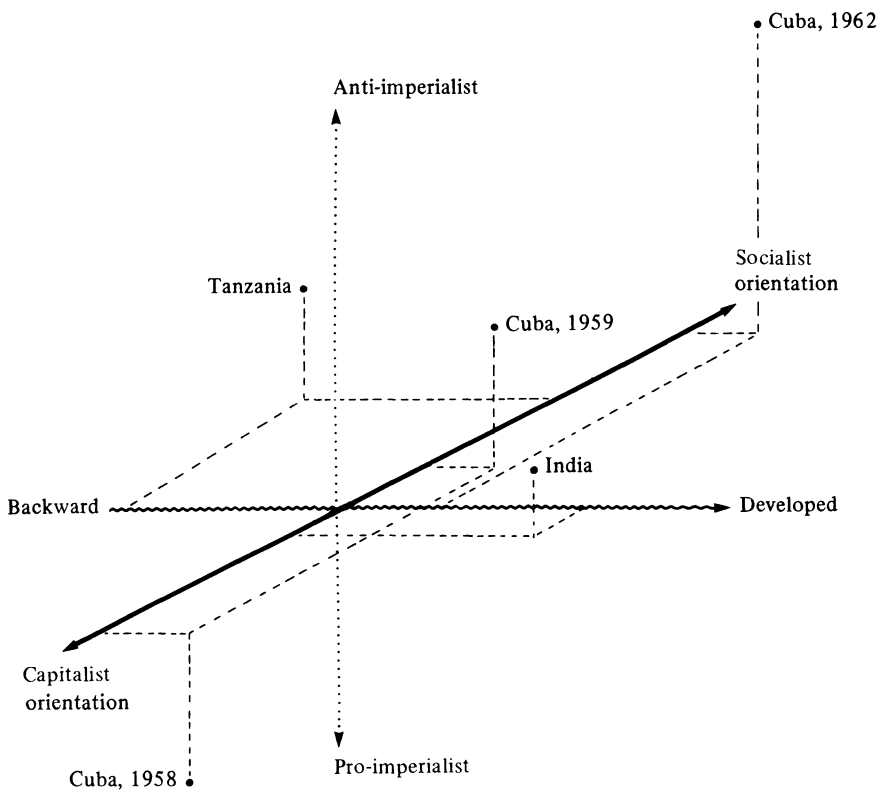


FIGURE 4 Three-Dimensional Presentation of the Soviet Political Economy

If the multi-dimensional integration of its different analytical axes into one comprehensive analysis is the first striking characteristic that distinguishes Soviet political economy from its international rivals, a powerful manicheism is the second. From backwardness to industrialization, from capitalist to socialist development, from imperialism to the world socialist camp: the countries of the third world are seen to be constantly caught in a herculean global struggle between the forces of evil and good. The focus of these global and ideological tensions is the economic and political role played by the state in the life of each third world country.

THE STATE IN THE THIRD WORLD'S ECONOMIC LIFE

The student in search of the Soviet model of development for the third world cannot look far before coming upon their overriding concern for the direct economic role of the state. To V.V. Rymalov, for instance, it was simply an 'unquestionable truth that the state sector in industry and other branches of the national economy of the former colonies and semi-colonies is the decisive instrument for attaining the economic aims of the liberation revolution. Its all-round development is designed to create the strongest possible economic basis for their further anti-imperialist struggle for independence and social and economic progress.'⁴ While the state's industrial sector is the most important, it is not the only way that the state asserts itself in developing countries. State power is used to destroy outmoded production relations, to mobilize national resources, to free the economy from the control of foreign monopolies, and to broaden the internal market by generating industrialization and agrarian reforms.⁵ How the state goes about these tasks, who controls it, and in what form, are questions the Soviet scholars ask about all the countries in Africa, Asia, and Latin America. Whether the state is used for independent economic development or to conserve outmoded and stagnant colonial structures depends on who holds power and who the government serves. For the social and economic significance of the state sector in particular and the state's economic role in general 'is defined at each stage of a country's development by the classes and strata holding power.'⁶

Progressive forces may be in power in relatively advanced countries such as Algeria or backward societies like Tanzania. Reactionary forces may equally control semi-feudal countries like Gabon or relatively well-off countries like Brazil. Feudal forces may use the state to modernize their economy, as in Afghanistan, or to hold it back, as in Thailand. In some cases, the use of the state may objectively have consequences not intended by those in power.

In Thailand, where the ruling group defends the interests of the big bourgeoisie and large landowners, 'the state is a weapon of the ruling classes who, acting in their own interests, assist ... the accelerated development of backward productive forces.'⁷ But demands for accelerating economic development force the ruling summit to introduce measures both of trade and tariff regulation and of direct participation in industrial enterprises, despite the big bourgeoisie's opposition to state competition.⁸ In the feudal society of Afghanistan, the state makes possible the mobilization of the nation's material and financial resources. The state participates to extend industrial construction, control foreign trade, extend the credit system, and drastically limit the big private landowners. Helped

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by long-term planning and Soviet co-operation, it is speeding up the historical process of economic development.⁹

STATE CAPITALISM AS A KEY CONCEPT

The central concept for the Soviet view of the state in the third world is state capitalism, a concept refurbished for application to the ex-colonies during the post-stalinist re-evaluation of development theory. Once the emerging nations were no longer written off as hopelessly enmeshed in the world capitalist economic system, they were seen to have a real opportunity to develop through a transitional phase towards socialism. It was this transitional phase that was labelled state capitalist, a category around which was constructed a framework for analysing the strengths and weaknesses of a new nation's development thrust. When Soviet scholars introduced the notion of state capitalism into their analysis of third world development, they were not talking solely about the public sector in a capitalist economy or the capitalist aspects of a statist system. Originally state capitalism had been a marxist term describing the European capitalist systems of the early twentieth century. After the October Revolution state capitalism had then taken a specific meaning in the Soviet revolutionary context when temporary concessions were 'tolerated by Soviet power, controlled and limited by the proletarian state' in the transition from capitalism to socialism.¹⁰ Now they were adapting this theoretical construct to categorize the whole political and economic system at the post-colonial stage of an emergent country's development. Illustrating how marxist-leninist political economy rejects the analytical isolation of economic problems from their political or social context, state capitalism is presented as the product of a particular historical development, a specific international situation, and a definite constellation of political forces within the country. As A. Levkovsky put it: 'the objective role of state capitalism in national development is determined by who is at the helm of state rather than by the level of development of state capitalism in the given country. The more radical the class forces in power are, the faster does state capitalism develop, the more effective are its efforts to boost the economy, and the greater is the possibility for its democratisation and for utilising it for the switch-over to the non-capitalist path of development.'¹¹ The overriding polarization between a capitalist or a socialist orientation imbues their approach to state capitalism. 'There are countries where state capitalism serves as a bulwark for the emerging large-scale bureaucratic and monopoly capital, while in others it acts in the interests of petty-bourgeois circles and assists national governments in curbing the plunderous ambitions of the bourgeois "upper stratum," protecting the national

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economy against the detrimental influence of the imperialist monopolies and bringing the country out of her economic backwardness.¹² The most complete illustration of the Soviet three-dimensional state capitalism paradigm is provided by India.

STATE CAPITALISM IN INDIA

Since India was used as the prime specimen on which to try out the post-Stalin development framework, the analysis of Indian 'state capitalism' provides an example of great relevance for the study of other developing countries. India's complexities presented no small challenge for any school of analysts. It was industrially quite developed and had a predominantly pre-capitalist agriculture; its foreign policy was anti-imperialist, yet imperialist monopolies were firmly implanted on its soil; its internal political orientation had been continuously progressive, though strong reactionary forces contended for power. Under Nehru's Fabian leadership India had been the first major third world power to commit itself to a decisive economic role for the state. It was also one of the most capitalist of the colonies, having by the time of independence a series of advanced industries under free enterprise, notably the world's second largest cotton industry, a large jute and tea industry and an extensive railroad network.¹³

The historical perspective in which the Soviets place state capitalism was, as we have seen, the global confrontation between the forces of decaying capitalism and rising socialism: 'In India state capitalism could only arise in the conditions created by the general crisis of capitalism when the forces of imperialism were greatly weakened and when the powerful socialist camp had been formed.'¹⁴ Shaken to its foundations by the first general crisis when the socialist revolution occurred in Russia, and weakened still further by its second general crisis culminating in the second world war, world capitalism was being forced into a tactic of retreat by decolonization in this, the third stage of its general crisis.

While the formation of the socialist camp had been the general factor forcing decolonization and establishing an international environment favourable to the more independent development of the Afro-Asian world, the necessary cause precipitating the birth of state capitalism was the capture of political power from the colonial rulers by the national liberation movement. Up to the acquisition of independence, for example, the Indian system was a 'very special colonial state monopoly capitalism which had served the English monopolies' interests by exploiting the Indian peoples.' With the transfer of control, the new government received as a direct institutional inheritance from the colonial regime the state's instruments of economic control together with the publicly owned enterprises

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providing the 'material base' for the new state capitalist system that 'appeared in the Indian Republic on August 1947, that is at the moment that independence was achieved.'¹⁵

The determinant of the new system's character was the class composition of the new nation's leadership. Had the proletariat taken power led by its vanguard communist party, India would have become a socialist country directly; had a revolutionary-democratic group taken over, with proletarian support, it could have started along a non-capitalist path of development as a 'national democratic state.' As it was, the assumption of power by the Indian National Congress, the political party of the national bourgeoisie who had led the struggle for independence, ensured that the country would not be developed on a socialist path. On the other hand the interests of the national bourgeoisie precluded a Western style, free market capitalism.

State capitalism (as opposed to straight capitalism) was essential for the new national bourgeois government since only vigorous governmental measures could begin to cope with the urgent problems confronting the economy. Industrial groups demanded accelerated capital accumulation and the opening up of new branches of production. But the growing demand of national capitalists for economic expansion was in contradiction with the 'impossibility of achieving this on the basis of private capitalist enterprise.' This is why 'state capitalism was required to create the basis for Indian capitalism's new stage of development.'¹⁶ State capitalism, in other words, was the means used by the national bourgeoisie to overcome the tension in an extremely backward economy needing to develop its productive forces by the industrialization of its economy and the transformation of its agriculture.

THE PROGRESSIVENESS OF STATE CAPITALISM

Western social science generally attempts to erase value judgments from all analysis, since its prime commitment is to 'objectivity' interpreted as the effacing of the author's personal opinions and the striving for universal truth. Given their commitment to what they claim is the only scientific social theory, Soviet marxist-leninists on the contrary feel obliged to make a basic value judgment at a very early stage of their analysis. Objectivity for them is historical, not personal. Historical forces in a particular situation are either objectively favourable to realizing the goal of world communism, in which case they are labelled progressive, or they resist this development, in which case they are reactionary.

Central to the marxist-leninist development analysis is the preliminary historical judgment of how progressive a particular state's role is on the stage of world history. For instance, in the original Soviet reassessment of India in the mid-

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1950s what was decisive was the very high 'progressiveness' (*progressivnost*) accorded state capitalism. It is because 'in India state capitalism is aimed at solving the important historical task of making the semi-colonial economy independent by the development of its productive forces that it therefore has a progressive character.' In political terms this meant that 'the objective achievement of this aim (of independence) creates an anti-imperialist and anti-feudal force' by uniting the nation against internal reaction and Western interference.¹⁷ State capitalism was anti-imperialist because in generating any independent national development it would necessarily undermine the external hegemony of the imperialists, who aim to maintain their former colonial empires intact. Internally, any development of a capitalist economy would shatter the still powerful feudal forces that have their economic base in pre-capitalist feudal landlord-type exploitation of the peasantry.

In economic terms state capitalism was progressive since it was the necessary precondition for accelerated growth: 'without the creation of a powerful state capitalist sector it is impossible to expand capitalist reproduction in modern India in a short space of time.'¹⁸ The weakness of private local capital combined with the resistance of foreign capital to India's industrialization required an acceleration of capital accumulation by the state if the many branches of heavy industry needed for capitalist reproduction were to be established.¹⁹ 'The development of the productive forces based on modern techniques ... requiring large capital investment ... inevitably provokes an abrupt increase in the Indian economy's state sector, i.e. the development of state capitalism.'²⁰ State-inspired industrial development was thus the key to the forced development of the country's economy.

Given the opposition by imperialism to the creation of heavy industry in India, the systematic promotion of state capitalism constituted the most efficient means of political and economic defence against the penetration of foreign capital and the new forms of colonialism, since this defence required an attack on the privileges of foreign-controlled corporations and a limitation of their activity in favour of national enterprise. 'State capitalist development weakens foreign capital's position and, by this token, encourages the growth of national capital.'

In addition, state capitalism played a beneficial role by limiting the 'primitive forms' of capitalism and by channelling surplus capital towards industrial development. 'State capitalism is a significant means of limiting and shortening the primitive forms of capitalist accumulation, partially controlling its rapacious character and even utilizing these types of capital for the country's industrial development.'²¹ While it helped shorten the painful early phase of free enterprise capitalism, state capitalism simultaneously counteracted local monopolies which had developed during the colonial regime.²²

All these positive characteristics of state capitalism led the Soviet writers of the late 1950s to consider it to be a historically more advanced, even if economically less developed, form of capitalism than the 'state monopoly capitalism' found in the West. Far from being a fusion of the monopolies with the apparatus of the state as in imperialist industrialized countries, state capitalism in a country such as India was evolving in the quite different conditions of a huge agrarian country in an epoch when the colonial system was collapsing and the socialist bloc standing by to offer support. By its very industrialization and suppression of technological and economic backwardness, state capitalism was reinforcing India's political and economic independence and so contributing to the favourable transformation of the international situation by its appropriate foreign policy. This reciprocal link between the socioeconomic and the international factors was made explicit: 'the government, in implementing this [state capitalism], conducts a peaceloving foreign policy thus strengthening the forces of peace.'²³ State capitalism could blossom only in the world historical situation of a weakening imperialism and the consolidation of the 'mighty socialist camp'; conversely, because the establishment of state capitalism was increasing Indian autonomy from the world imperialist system, it was 'an important factor in the further sharpening of the general crisis of capitalism.'²⁴

Just how progressive is a particular country's state capitalism becomes the subject for careful assessment among Soviet analysts. The deemed progressiveness of Indian state capitalism has fluctuated: for some time it followed a declining curve. Originally, according to R.A. Ulyanovsky, writing in 1957, it was 'the highest form of capitalism' because the state appropriates different forms of property, thereby accelerating the process of historical development and already introducing the 'supreme forms of bourgeois property.' By abridging the painful road of primitive capitalist accumulation, it 'accelerates by this means the creation of the material conditions favouring the transition to socialism.' Even though he found the signs presaging further socialist development to be hopeful, Ulyanovsky clearly distinguished promise from reality. State capitalism 'is a step towards socialism, but it is neither socialism itself nor the starting point for the country's non-capitalist development.'²⁵ However advanced its capitalism might be, some authors wrote, it was capitalism nonetheless.

The state still continued to serve the interests of the ruling bourgeoisie, for whom it played the role of a 'collective industrial capitalist.'²⁶ What was worse, the socialist possibilities inherent in the development of the state sector were offset by the state's relationship with the large landowner class in the country and with foreign monopoly capital in the private sector. While in theory the national bourgeoisie should want to accelerate economic development by expropriating foreign companies and liquidating the large feudal landowners, in prac-

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tice it feared the social consequences of such a decisive attack against these groups, worrying particularly about activating the class struggle and the further socioeconomic transformations that such radical reforms might bring in their wake.

State capitalism necessarily reflected the contradictory nature of the bourgeois ruling groups whose interests were opposed to imperialism and the large landowners and at the same time connected socially and economically with these two reactionary forces. It was these internal contradictions which explained the 'limits and incoherence of state capitalism's development in India.'²⁷

What must also be added to the negative side of the ledger in the Soviet assessment of state capitalism is the impact of the private capitalist sector, which, 'with its anarchy [competition among enterprises], its spontaneity [unplanned activity] and its unevenness [unequal degrees of development of different sectors of the economy], has a decisive influence even on the state's economic activity,' so that the economy still suffers from the uncontrollable action of capitalism's laws of value. The public sector is in conflict with the private, trying to control it. Still, the contradictions between the private and public sectors are not antagonistic or irreconcilable. On the contrary, the state follows a conscious policy of aiding private enterprise through such devices as raising protective tariffs and providing public credit. While the private capitalist component is noted, the active role of the government in state capitalism's development proves that capitalism itself as a pure economic system has been discredited as a vehicle of social and economic construction.²⁸

These serious imperfections did not prevent the Soviet theoreticians from elevating state capitalism in the third world to the status of a new 'law of development' (*zakonomernost*'), a unique historical stage distinguished both from primitive capitalism and western monopoly state capitalism. They were careful to refute the claim that this was a 'third option,' separate from capitalism or socialism, as many third world scholars maintain. The mixed economy is not a separate development *path* implying a stable, long-term form that will not become socialist. It was, however, a transitional *stage*. Without obligating them to talk of a third path, state capitalism thus provided an over-all conceptualization for the transitional stage of an emerging nation by relating its internal social, political, and economic development problems to its historical and international context.

This paradigm of state capitalism gave Soviet scholars an analytical framework which could serve several functions. It provided an ideological sanction for Soviet scholarship to approach non-communist developing countries with a more open mind, since capitalism no longer prevented their being considered progressive. In fact the rash of articles and books on African and Asian state capitalism which appeared in Moscow through the late 1950s and early 1960s is ample evi-

dence of how useful the concept was for reassessing the economic and political systems of the newly liberated ex-colonies. It was hardly coincidental that the restoration of state capitalism as an analytical model accompanied the dramatic warming of Soviet foreign policy to the non-aligned new nations. The ideological reappraisal helped legitimize Khrushchev's new commitment to distribute economic aid in the third world, a foreign policy change that, according to the old stalinist line, would have implied that the Soviet Union was supporting reactionary capitalist systems. It was here that the dialectic of the analysis could be put to use. Since the new state capitalism was not old colonial capitalism, India could be seen to be in a period of historical transition with the potential for making further dramatic progress towards the next historical stage. In pointing out the unreformed capitalist elements of the Indian system, Soviet indologists could both protect their flank from the accusation of revisionism and keep an ideological escape route: if India should waver from its non-alignment, it could be reclassified as a system of reactionary state monopoly capitalism.

Attributing a progressive historical role to state capitalism in its struggle to suppress the vestiges of the colonial heritage had another implication. It shifted the major blame for the economy's backwardness from the governing group to the colonial regime. The notion of historical stage attributes to state capitalism the nuance of the 'right' to direct a country's development for the ensuing period. To designate the Indian National Congress as a 'national bourgeois' regime and to endorse its system as progressive was to accept a non-revolutionary perspective for the foreseeable future. When presenting the national bourgeois leadership as appropriate to the historical stage for the country, the Soviet analysis accepted the two propositions that the 'bourgeois-democratic revolution' still had to run its course and that the national bourgeoisie was a sufficiently progressive ruling class to be able to execute the historical and economic transformation from feudal colonialism to pre-socialist capitalism.

What might appear on first glance to be a static paradigm turns out to have a dynamic capability. Built into the political assessment is a critical variable containing the possibility of either progressive or regressive change. Should the reactionary class forces – some combination of the big capitalist bourgeoisie, the large landowners in the country, and foreign monopoly capital – push out the progressive elements of the national bourgeoisie from effective rule, then the country would be reassessed as having degenerated into state monopoly capitalism. From the interdependence of the component factors of the model one would expect that the different constellation of class forces would engender different economic policies oriented to favouring private enterprise rather than the public sector. Greater dependence on imperialist aid and closer relations with foreign monopolies together with worsening relations and reduced economic

links with the socialist camp would likely ensue, as was the case for Ghana after the coup against Nkrumah.

Should the communist party take power in New Delhi, India would be reclassified as having embarked on the socialist path of development, cutting down its dependence on the capitalist camp and benefiting fully from its fraternal links with the socialist countries. Castro's adoption of marxism-leninism, plus the radical socioeconomic reforms he implemented, brought Cuba into full membership in the socialist camp. Or, if it were a 'revolutionary-democratic' coalition of forces that took power, with the participation, but not the dominance, of the communist party, the appropriate model applied to India would be that of the national democratic state pursuing a non-capitalist path by adopting more radical economic and social policies aimed at reducing the capitalist sector of the economy if not actually abolishing it in the immediate future, as happened in Egypt, Guinea, Tanzania, or Algeria. Egypt, which was seen to be state capitalist under the early years of Nasser's rule, was promoted to the category of non-capitalist when the leadership carried through a vigorous programme of liquidating the positions of big capital through nationalization, carrying out a radical land reform programme, establishing close relations with the socialist camp, and introducing proletarian or revolutionary elements into the ruling circles. There is no precise weighting attached to the relative importance of a country's economic structure or balance of class forces as opposed to its foreign policy or, more exactly, its relationship with the Soviet Union. The judgment that Nehru's India was playing an anti-imperialist role on the world scene resulted from a consideration of all these factors.

Soviet marxism-leninism does not leave much room for doubt about what the analysis of state capitalism would be once the general tendency of a country's development has been labelled as reactionary, for reasons internal or external. 'With the progress of capitalism and the concentration of production which characterizes it, the state sector becomes the economic support of a reactionary regime in which power falls into the hands of the big, essentially monopolistic national corporations.'²⁹

By looking at the various aspects of monopoly state capitalism as defined in the official marxist-leninist manual, one can see with what ease India could find herself demoted to this category. Monopoly state capitalism is first of all described as the transformation of the state 'into a committee administering the affairs of the monopolistic bourgeoisie.' In this committee 'the interpenetration of the state apparatus and the monopolies is so close that it is often difficult to distinguish them.'³⁰ It would not take much effort for Soviet specialists to revive the Stalinist analysis which showed that the huge consortia like the Tatas and the Birlas had infiltrated the whole governmental apparatus in order to control

it.³¹ In state monopoly capitalism the power of the government is used to benefit the interests of the large corporations: by its 'public works' the state constructs roads to reduce the transport costs of the monopolies and installs electric generators to reduce their costs of electric energy consumption.

Given the large concentration of the Indian five-year plans on the creation of the infrastructure necessary for industrial development, no Soviet analyst would have any difficulty in showing that India demonstrates this reactionary quality. Not just the policy of improving the infrastructure, but the whole state capitalist activity, including such positive actions as nationalization, is liable to an adverse interpretation, for in the marxist-leninist theory of monopoly state capitalism 'the state takes different measures destined to regulate the economy and proceeds to nationalize certain sectors.' India has carried out enough nationalization for her to qualify under this reactionary label too. Even the most normal of government policy is eligible for classification as monopoly state capitalist. 'Under the guise of direct and indirect taxation, the state concentrates in the hands of and redistributes in favour of the monopolies an increasingly large part of the national income.'³² Soviet analysis already complains about the Indian policy of capitalist taxation. What is more, the Congress policy of state capitalist expansion of the economy could also provide proof of monopoly capitalism, for in this system 'the monopolies try to make the state assume the role of creating new branches of industry necessitating large investments.'

In addition, all the general aspects of India's current political life could be given a reactionary characterization. The Soviet commentary on the repression of Indian communists during the Sino-Indian conflict, for instance, could easily be transformed into a condemnation of the 'military and police functions of the state in the service of the monopolies to crush the workers.'³³ Soviet indologists would thus have no difficulty in using their current typology and the existing data to find state capitalism, in an India which had become less friendly towards the Soviet Union, to be monopolistic and reactionary.

While a reversal of Indo-Soviet foreign policy friendship would be the most drastic indicator requiring India's reclassification in the marxist-leninist development typology, a sufficiently important shift in the other major elements of the model could also necessitate a Soviet reappraisal of India's 'progressiveness.' In fact a long debate took place in the Soviet academy, with some claiming that the big bourgeoisie had become so powerful while the encouragement of private capitalism was so major an element in the country's economic policy that India should already be denounced and reclassified as a state monopoly capitalist system. For example, the unpublished doctoral thesis of S.A. Bessonov showed in 1961 that India was half way towards a reactionary position. According to him there was a double danger: the Indian monopolies were controlling the govern-

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ment, with the result that the state sector was being transformed into a monopoly state capitalist system. Originally the national bourgeoisie had been progressive in its world orientation, but during the 1950s it had changed from opposition to frank co-operation with imperialism.³⁴ That this thesis was not published may say more about Soviet politics than Soviet scholarship. Disturbed only slightly by the Soviet rapprochement with Pakistan, relations between Moscow and Delhi remained warm and steady whether measured by their political solidarity or by their economic transactions. Though Indo-Soviet relations have remained excellent since the mid-1950s, the initial enthusiasm of the state capitalist analysis as formulated in the first flush of destalinization cooled noticeably over the years. In the interregnum period between Nehru's death and Indira Gandhi's accession to power Soviet hopes for planning and the public sector were repeatedly dashed and shattered.³⁵ As it became apparent that, far from restricting the monopolies' sphere of influence, state capitalism was actually helping them expand and consolidate, Soviet scholars became more critical about the institution. In the turbulent politics of the post-Nehru years, growing Soviet apprehensions were expressed in print. In an important series of articles appraising the over-all socioeconomic and political situation in India, O.V. Maev noted that the reduced effectiveness of state capitalism had been accompanied by a strengthening of the largest corporations having the highest concentration of capital. The high level of organization and technology of 'monopoly capital,' according to Yu.I. Loshakov, was due to its close links with the imperialist monopolies.³⁶ What made these links with the Western corporate giants a serious matter for the Soviet analysts was their implication for the general trend of India's economic development. In his report on the rise of big business in India, Maev emphasized the threat that the reactionary strategy of the monopolies presented in economic policy: they were striving to transform India's economy along the lines of the Western model.³⁷ Although he considered in 1964 that monopoly capitalism – the subordination of the state to the monopolies – had not yet triumphed in India, his later assessments showed a growing pessimism in this regard.³⁸ To make the political point very clear, N. Savelev warned in *International Affairs* in April 1967 that the growing activity of the Indian monopolist bourgeoisie was seriously threatening to deflect India from 'its established path of neutrality in foreign policy.'³⁹ The threat of India's state capitalism being transformed into its reactionary essence became greater as the progressive aspects of the state's regulatory activity were overshadowed by the independent activity of private enterprise. In one later article, the concessions made by the government to free enterprise were seen as the possible 'starting point for the country's slide into the state monopoly capitalist path.'⁴⁰ Subsequently Indira Gandhi's consolidation of power and radicalization of policy were seen to have reversed this

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incipient tendency. State capitalism in the 1970s emerged as progressive as it had been in the 1950s. As one analyst of the third world scene wrote in 1976, 'On the whole, state capitalism is undoubtedly a more mature form of bourgeois property promoting the development of the productive forces, eradication of pre-capitalist survivals, consolidation of the national economy and, to a certain extent, an improvement of the people's welfare ... The overall establishment of state capitalism which substantially modifies the entire socio-economic situation in each individual country is an objective necessity for the development of the young states.'⁴¹