

GORBACHEV AND THATCHER AGAINST THE WORKERS

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Gorbachev and the Soviet Economy

There is obviously a crisis in the Soviet economy and this has led to calls for reform and the introduction of a market economy. Yet, Gorbachev's economic proposals are not really 'new', and it is clear that despite his wish, he cannot introduce the market in the USSR. The last point was illustrated in a talk by Aganbegyan to the *World Affairs Council* in Los Angeles on 17 November 1988. He spoke at length about how little had been achieved so far, but I was struck by how little was going to change when he outlined his plans for the future. He stressed the need to raise living standards; the imperative of introducing new techniques; and of encouraging foreign investments in the USSR, but nothing about fundamentally restructuring the economy, of price reform or unemployment, or establishing a convertible ruble. It was a careful speech suggesting more of the same, rather than radical change. I take this to be the official line.

Several questions must be asked. What is the cause of the Soviet economic crisis? Why, despite itself, is the Soviet elite unable to introduce the market? Given the elite's inability to reverse the economic decline by introducing the market, what does the future hold for the USSR? Following from this, what specific measures has Gorbachev taken — short of the market — and what are their impact upon the USSR? I will show that although Gorbachev cannot prevent the disintegration of the USSR (by which I do not mean its collapse), he has, like Thatcher in Britain, given a declining system a new lease of life. Historically, that is his main function.

Thatcherism and Capitalist Decline

There are parallels between Gorbachev's perestroika and Thatcher's programme (besides the obvious rapport between the leaders of the

USSR and the UK and the praise for Thatcher in the Soviet press). Both are products of economic decline in their respective countries. Both are premised on the assumption that the working class is the principle obstacle to economic renaissance. Both are bound to fail, because neither Gorbachev nor Thatcher can break the social power of the working class.

When Thatcher took office in 1979 the situation was critical. The rate of profit had dropped to below 2%; wage differentials between skilled and unskilled workers had dropped dramatically; and more profoundly, after its severe battering in the late sixties and seventies at the hands of the British working class, the bourgeoisie faced a crisis of class relations. Thatcher set out to right these 'wrongs', and was quite open about her objectives: she aimed to raise the rate of profits; increase income differences; and restore 'normal' bourgeois rule.

What then of denationalization? For the consumers, the measures so far have made very little difference, and for the workers, conditions of work after privatization are neither better or worse than those within nationalized industry. The savage rationalization in the nationalized steel and mining industries took place under both Labour and Conservative administrations. Although a minority might have reaped the dividends of cheap sell-outs, most workers who received shares are not going to be deceived for long into supporting capitalism. Nor can it be argued that the restrictions imposed on trade unions led to a profound alteration in social relations. In fact the restrictions that were imposed were often popular, precisely because the unions were bureaucratic entities that failed to support their members. Mrs Thatcher, by restricting the unions, attacked bodies that were already degenerate and possibly moribund. Consequently, genuine workers' committees emerged, which, but for her attacks, might have taken longer to emerge.

In only one sense has Thatcher been a success. She has, through her combined policies of unemployment, tax cuts, anti-trade union legislation, and so on, helped force up the rate of profit in the UK. In every other respect she has failed. British industry has been routed and, once the work-shop of the world, Britain now buys more manufactured goods than it exports. The British economy has shrunk since 1979; there has been no improvement in Britain's competitive position; and there have been major declines in Britain's research and development, in the universities, and so on. Thatcher espouses nationalism but under her crucial sectors of the economy (whether it be cars, computers and even the City) are integrated with dominated by the United States. Although Thatcher has succeeded in demoralizing and exposing the pretensions of social democracy, she has not

reversed Britain's economic decline. As a recent study published by the Centre for European Policy Research admitted: 'Britain...has not yet transformed itself into an economy capable of rapid growth in the long run.'

'Thatcherism' is not a meaningful term, being neither a doctrine nor a policy. Thatcher abandoned monetarism within a few months of taking office, and she never had any strategy for pacifying and containing the working class, the most urgent need of the bourgeoisie. If she had any goal, it was to proceed towards the restoration of the market in its 19th century form. This was a mirage, because in the present era the market is superseding itself. All attempts to restore the market leads only to the necessity for further intervention by the state. Thus, the Thatcher programme can be summed up as reactionary utopianism.

Furthermore her 'policy' is not supported by the bourgeoisie. They consider her government crass in operation, parvenu in composition and doomed to fail. Heath and Macmillan said as much. Who then does Thatcher represent but the fringe and parvenu section of finance capital: the property developers, the speculators, merchant and market predators. The bourgeoisie have little reason to like her, but they accept that a populist leader can do what they are incapable of doing: holding the working class at bay

The failure of Thatcher's policy is most evident in those plants still operating. There, workers have not been disciplined. As indices of this: output per worker in Britain is still much lower than that of its main competitors; and wages have constantly risen, leaving inflation as a major problem. Nor has she 'rolled back the state.' Indeed, many key industries that were denationalized (Telecom, BP, BritGas, etc.) still depend upon state support. Moreover, the government still plays a vital role in the UK economy, and probably intervenes more now than in 1979. Also, the 'needs based' sector of the economy is probably bigger in 1988 than in the 1970s. Finally, in spite of the increasing authoritarianism of the Thatcher government – itself a reflection of its underlying insecurity – the Conservatives are still constrained by the democratic imperative inherent in all modern industrial societies.

The Thatcher government set out to break the power of the working class in order to prevent the further decline of British capitalism. But, given the power of the working class under conditions of the socialization of production, this has proved a utopian project despite the defeat of the miners. The working class, both directly – as a result of its position in production – and indirectly – through the pressure it exerts on the state – has rendered impossible any fundamental rejuvenation of capitalism. In the USSR, the social power exercised

by the working class has posed equally difficult problems for the Soviet elite.

Gorbachev vs the Workers

From the outset Gorbachev identified the working class as the key problem and like Thatcher, he expressed this point euphemistically. Yet his message, however coded, was clear: 'The workers have to work harder, stop being lazy, and become truly productive members of society.' The key word for Gorbachev, as for Andropov before him, was 'discipline'. This was repeated *ad nauseam* by Gorbachev's advisers and by the intelligentsia. Aganbegyan (as cited above) said that the main opposition to restructuring did not just come from the apparatus, but also from those people '*in work who do not work,*' implying that these lazy workers would have to be made to work.

Given the anti-working class bias of the present campaign, the cynicism expressed by Soviet workers is hardly surprising. Thus, Kostin, writing in *Sotsiologicheskiye Issledovaniya* (No. 2, 1988) said of a recent survey of workers: Firstly, that alienation—previously said by the regime to be non-existent—still existed in the USSR. Secondly, that 60% said that perestroika had to start with the leaders. Thirdly, that they rejected Gorbachev's official democratization campaign and called for: freedom of speech, freedom of criticism, equal rights, the right to choose the leaders and the widening of the rights of the working class. A letter from a worker in Magadan to *Pravda* on 18 April 1988, displays the bitterness felt against bureaucrats and factory managers. He wrote:

The administration tells us fellows: work, work, work. Then they raise the average speed of drilling and reduce wage rates, insisting that our speed is low and our pay does not correspond to the work produced...But for themselves they raise salaries. For what? For sitting in their offices. They do not care about workers, or their conditions of work, but how to extract a surplus from those who carry the whole administrative apparatus on their shoulders. For this they increase their salaries.

One possible strategy for the regime would be to tackle the grievance about privilege, and thus address, to some extent, the problem of worker 'alienation'. This is what Yeltsin tried to do, but he attacked party privilege and not inequality as such, seeking in effect, to incorporate the workers. For his pains, he was attacked by the party leadership, particularly at the 19th Party Conference (June-July 1988) and he lost his job. Ligachev, replying to Yeltsin, even

claimed that party officials were not privileged and actually received low salaries. This was a statement which would not be treated seriously within the USSR, and only reinforces the workers' sceptical attitude towards perestroika.

Significantly, while the question of privilege has been raised on several occasions – by Yeltsin and by the trade unions at the 27th Party Congress (1987), it has made no real headway among the party leadership. This means that the regime is extraordinarily rigid with little, or no, capacity for change. After all, Yeltsin was not proposing the abolition of the elite, but the reduction, or possibly the elimination, of the elite's non-monetary privileges, and their replacement with 'normal' monetary rewards. If the regime does wish to incorporate the working class, some gesture is required to overcome their indifference or hostility to economic reform. The regime's inability to countenance such a move indicates that nothing is going to change.

Soviet Decline

The present impasse is explained by both Soviet and western sources as due to the ending of the previous 'extensive' form of growth (or the quantitative development of the means of production). It is claimed that to develop further the USSR must move to an 'intensive' phase of economic growth. This it cannot do: hence the economic crisis. This is wrong on several counts. Firstly, the explanation is mechanical, taking a general thesis abstracted from the history of capitalism and imposing it upon the USSR. Furthermore, a discussion about the economy cannot be separated from existing social relations.

At the heart of the crisis in the Soviet economy lies the relationship of labour and labour time to the economy, and particularly in the change in the availability of easily exploitable labour. Previously this came from: the countryside, decimated economically by Stalin's agricultural policies; the family (nearly all women worked by the end of the thirties); and, partly, eastern Europe after the Second World War. These sources no longer exist, ending a 'growth' made possible only by the availability of a mass of labour.

The problem is not just quantitative. The USSR has always had great difficulty in introducing new technology, and often solved this problem only by establishing new factories. Today, for instance, over 66% of all new technology goes into newly constructed factories. This is only possible if there is an ample supply of labour to construct the factories, but where labour is not available, new factories cannot

be built and new technology is not introduced. Once again: there is economic stagnation. In short, the economic crisis is due to the shortage of labour and in consequence of this a failure to introduce new technology. Also, where labour is scarce, it becomes more powerful and over the past thirty years the power of the Soviet working class has grown, allowing it to reinforce its negative control over the work process and strengthen its position relative to the elite. This is reflected in the areas of wages and of norms (that is, the rates set on the production line).

Under Brezhnev's 'years of stagnation,' wages rose quite considerably, the average monthly income rising from 90 roubles in 1960 to 216 by 1986. Added to by the pegging of the price of bread and milk since 1962 (the year of the Novercherkask riots). Brezhnev, no more pro-worker than Gorbachev, was also forced to yield over norms – a problem extending back to the thirties, when the centre was unable to exercise control and plans tended to be overfulfilled. Consequently, under Brezhnev, work bonuses led to wage rises, and more seriously, workers' control over the production process was reinforced, increasing the level of inefficiency in an already inefficient economy.

Aganbegyan, in his November speech, pointed to the increasing inefficiency and waste in housing construction. The number of flats built in 1984 was approximately two million, about the same as that built in 1960, although the population had risen by 30%. The cost of construction almost trebling. The same trend of increasing costs and diminishing results is found in agriculture and throughout the economy, with official figures showing an enormous growth of the capital-output ratio in the period before 1985. In effect, one can speak of a 'law' of increasing inefficiency and waste under Brezhnev: leading ultimately to the crisis of the early eighties that brought first Andrapov and then Gorbachev to power

Gorbachev's Dilemma

It is no surprise that Gorbachev is regarded with scepticism by the Soviet working class, but has become the hero of the intelligentsia. He is, so to speak, their man in the Kremlin, having granted them greater intellectual freedom, and also made a deal with world capitalism which will give them greater access to the west. But, unlike Brezhnev who made concessions to the workers while attacking the intelligentsia (a primary cause of dissent in the USSR after 1964), Gorbachev has done the opposite. He has made concessions to the intelligentsia while trying to discipline the working class. It was this

that led to the joke among the workers of Kharkov: 'Bring back Brezhnev'. Gorbachev declares that the 'peace' bought by Brezhnev has led to industrial stagnation and social decay, and has brought into question what some observers called the 'social contract' between the regime and the working class. If drastic action is not taken, he insists, the USSR can only continue to decline.

If the working class were challenged, this would have momentous ramifications for the Soviet system. It could also be a dangerous move. As I have argued in *Critique*, this is because the elite never established full control over the economy, while workers achieved a limited degree of negative control over the work process—a control which led to the enormous waste endemic to the Soviet system. This must be broken if the economy is to be restructured, but to do so could provoke social unrest. Firstly, only if unemployment was introduced and the workers disciplined through fear of job loss could the elite gain control over the labour process. However, as Gorbachev admitted in his book *Perestroika*, this would undermine what he called the 'organic unity' of the USSR. Secondly, such control would necessitate much more supervision of the work process itself. This would require stricter adherence by workers to defined norms and tighter control on the shop floor by factory management. The workforce, which now 'enjoys' a large degree of autonomy within the factory, would resist such control, and this would lead to a rapid politicization. The workers would cease being an atomized socio-economic category and become a collectively defined working class, or in theoretical terms, abstract labour.

The elite is therefore trapped. A continuation of the present situation spells stagnation, yet a change would bring into being a different and more dangerous working class. The individualized form of control now exercised by the workers may cause waste on a vast scale, but atomization of the workers keeps the system stable. The elite would undermine the stability if it sought to challenge that control.

But would this unrest not be contained by the secret police? I do not underestimate the power of the secret police (and Gorbachev has never proposed the abolition of the KGB's 1st Department inside the factories), yet, even they could not control the working class once it began to move. Moreover, we should not ignore the enormous weight of the working class in the USSR today—a function of its enormous size and also of its extraordinary concentration. Industry in the USSR is located in huge factories, aggregated as far as possible in four or five key areas to contain the centrifugal tendencies in the economic system. Potentially this makes them extremely powerful. The situation is very similar to what it was in 197, and not surprisingly, some of the more intelligent commentators in the USSR today

have suggested that the factories be dispersed. Whether this will ever happen remains unlikely.

Gorbachev cannot challenge the working class and for this reason cannot introduce the market. Some western commentators like Ed Hewitt of the Brookings Institute admit the real problem for Gorbachev is not so much the 'bureaucrats', but workers who would be adversely affected by serious economic reform. Consequently he writes: 'That is why economic reform in the Soviet Union is so difficult to carry out, and why previous efforts at reform have had such a chequered history.'

Gorbachev obviously cannot carry out the programme proposed by the 'radical reformers'. But, lest we forget, when he came to power in 1985 people were in despair and the regime looked tired and ossified. Under Brezhnev the intelligentsia had reached its nadir, and the USSR's international position looked extremely weak. What Gorbachev has been able to do, is to extend the life of the Soviet Union, which is no mean feat. The intelligentsia now has a positive attitude towards the system, and many people have a new hope about the future. The appearance of serious reform at home, and the reality of meaningful change in US-Soviet relationship has done much to bolster the regime.

The depth of the Soviet crisis has led to serious discussion about how best to control the workers. The solution produced by Gorbachev and his advisers is the traditional one of exploiting pre-existing divisions within society, particularly those within the working class, and between the workers and intelligentsia. The publicity given to the research of Tatiana Zaslavskaya attests to the importance now attached to the 'scientific' study of this problem. Her many admirers in the west regard her with awe, but her work (like that of most social scientists in the USSR) is almost Machiavellian in serving those in power. She and her colleagues have identified at least four potentially exploitable divisions in Soviet society.

Firstly, there is the obvious but important division between men and women. Gorbachev has already touched on the 'woman question' in his speeches, arguing that perestroika has to improve the lot of Soviet women. It is also significant that many of the methods introduced to improve productivity since 1985 have been in light industry where female labour is predominant. However, if some form of unemployment were to be introduced, this would almost certainly be accompanied by calls for women to 'return to the family.'

Secondly, Gorbachev could exploit the division between workers in privileged and less privileged regions and Republics. It would be difficult and dangerous to play with reforms in sensitive areas around

Moscow and Leningrad, but it might be feasible to experiment in the more peripheral areas where, politically, there is less threat to the regime. However, Gorbachev cannot and will not change the underlying regional inequality in the USSR, since this division, in a contradictory way, is a source of stability for the system as a whole.

The last two divisions are those between skilled and unskilled workers, and the intelligentsia and working class as a whole. Zaslavskaya, in her 'Novosibirsk Report' (*Survey*, 1984) maintained that the regime had to win both intelligentsia and skilled working class to the reform programme. Gorbachev has been doing this since 1985, with some degree of success, at least in the case of the intelligentsia. He has been less successful in integrating the skilled workers. This is because there is no major difference between the real incomes of skilled and unskilled workers: most being on the same pay grade. The technical intelligentsia who work in factories and whose wages are determined by output have had no increases (unlike doctors, teachers and scientific workers who have received pay increases under Gorbachev). In a statement, made after the recent wage reforms had been introduced, the Deputy Chairman of the State Committee on Labour said the regime had manifestly failed to achieve 'its main object of surmounting egalitarianism in the payment of labour'. Continuing, he said: 'In some instances specialists are being allocated pay up to 24% below that of workers in the same factory. Differentiation among workers [he complained] has not been imposed either. Nor have norms been raised. Moreover 180% over-fulfillment of the plan continues.'

Finally, the campaign to raise productivity by increasing inequality between the different social layers (the so-called anti-levelling campaign) has run into a major obstacle: money incentives fail where major shortages mean there is no genuine market. In these circumstances, money is not money, and it is extremely difficult to create meaningful inequalities which will act as a spur to productivity. Consequently, the campaign against levelling is bound to fail.

Has Gorbachev Found a Solution?

The crisis in the USSR today cannot be explained in terms of an aborted transition between the extensive and intensive phases of Soviet industrial development, nor is it the consequence of a 'Marxist experiment that has failed' (to quote the headline in an American magazine). An explanation can only be found in the change in the supply and nature of labour. This has led to a strengthening of the working class, but not in the direction of socialism: rather, it has led

to increasing economic inefficiency. The elite seeks a solution through the introduction of the market to break the negative control of the economy exercised by the working class. But this is impossible because it would lead to workers' unrest, and this would be economically disastrous, internationally damaging, and politically difficult to crush.

Yet, if the regime has been unable to discipline the working class by going over to the market, it has given the impression at least that the system is being regenerated by a new dynamic leadership led by a man who has authority at home and great prestige abroad. It has bought time for itself even if it cannot solve the crisis by: exploiting the divisions within Soviet society; integrating the intelligentsia; and has further bolstered the system by striking an historical 'new deal' with the US.

There is one further card that Gorbachev can play, and the basic shape of the reform has already been outlined: he can improve the food supply through a limited degree of privatization. But this cannot solve the agricultural crisis because, as G.A.E. Smith wrote in *Critique*, No.14, 'Soviet industry is incapable of supplying the inputs required.' However, Gorbachev's position will have been strengthened and the USSR temporarily saved, if this works.

There is no possibility of either Thatcher or Gorbachev achieving the market they want: and this means they must both fail. In the USSR the working class remains undefeated, but its resistance takes place in an atomized fashion. In the UK the working class has achieved a similar position through collective action. The difference in the methods used by the workers reflects the different kinds of society in which they function. But until they emerge triumphant their respective societies will continue to decline.