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## Part one

# The dilemma of economic isolation

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[More information](#)

## I

## The myth of Trotskyism

In the historiography of Russian Marxism the name of Leon Trotsky is invariably linked with two very famous political slogans: Permanent Revolution and Socialism in One Country. Trotsky is portrayed as a dedicated internationalist, who rejected Stalin's theory of an isolated socialist state in the belief that the Russian revolution must be 'permanent' in a double sense. In domestic terms it was to involve a direct transition from the feudal monarchy of the tsars to socialism, without an intervening period of bourgeois capitalism. In an international context it was to be accompanied by a succession of political upheavals throughout Europe, resulting in an international socialist commonwealth.

According to his biographer, Isaac Deutscher, Trotsky's differences with Stalin arose from his belief that unless the revolution burst Russia's national boundaries it would run into a dead end. Russia was too backward and economically underdeveloped to achieve socialism by its own efforts. Summarizing the theory of Permanent Revolution, Deutscher explained that 'Russia's industrial poverty and backwardness would . . . prove formidable obstacles to the building of a Socialist economy; and only with the help of the Socialist West could these obstacles be broken and removed'.<sup>1</sup> George Lichtheim agreed, claiming that Trotsky thought Russia 'Could only give the signal; it was for Europe to accomplish the main task'.<sup>2</sup> In the same connection Robert V. Daniels wrote that a socialist regime could not endure in Russia alone. For its consolidation access would be necessary to the industrial resources of a socialist Europe.<sup>3</sup>

Despite the evident consensus among historians the Trotsky–Stalin dispute continues to raise problems. Stalin first enunciated the doctrine of Socialism in One Country at the end of 1924. Trotsky did not reply until late in 1926, almost two years later. In the meantime Zinoviev and Kamenev, Stalin's former col-

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Excerpt

[More information](#)

## 4 THE DILEMMA OF ECONOMIC ISOLATION

leagues, loudly challenged the supposed Leninist orthodoxy claimed for the new theory. Trotsky gave no public indication that he shared such misgivings. In fact, his first inclination was to support Stalin rather than the Zinoviev opposition. How can this apparent uncertainty be reconciled with the seeming lack of any ambiguity in Trotsky's own views? And why did Trotsky fail to support Stalin's critics until after they had been defeated? Finally, what could have persuaded him that a political alliance with Zinoviev might ultimately succeed, without offering a more viable policy than the mere wish for an international revolution?

Alec Nove has recently suggested that Trotsky's confusion might be traced to the question of forced agricultural collectivization. The purpose of the collective farm was to extract from the rural economy the resources necessary to sustain a programme of rapid industrialization. Trotsky's enthusiasm for industrial expansion was not open to question; but at the same time he believed that a large-scale development of socialist agriculture would depend upon a degree of mechanization which Russia could not possibly achieve in the near future. As a result, according to Nove's hypothesis, there was no alternative but to hope that industrial growth might be financed by investment capital supplied by more advanced socialist regimes in the West.<sup>4</sup>

The merit of Nove's proposal is that it stresses an empirical issue rather than general theoretical postulates. But it also points to a further incongruity. Although Trotsky seemed to rule out the comprehensive construction of socialism until after the international revolution, he and his associates were nevertheless the most vocal advocates of steadily increasing industrial investments. This fact suggests one of two conclusions: either Trotsky's position was simply inconsistent, or historians have failed to explain it because they have raised the wrong questions.

The purpose of this book is to show that the latter has been the case. The operative question for Trotsky was not *whether* Russia could build socialism in advance of the international revolution, but *how* to devise an optimal planning strategy, taking into account both the existing and the future international division of labour. To date Trotsky's views on Soviet economic policy have not been studied in detail, nor have they been systematically related to the problem of Russia's isolation from capitalist Europe. When this is done it becomes clear that there were actually two

Cambridge University Press

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Excerpt

[More information](#)

## THE MYTH OF TROTSKYISM

5

periods when the question of isolation assumed critical economic and political significance.

The first of these periods occurred in 1920 and the early months of 1921, the days of War Communism, when the Bolsheviks realized that the international revolution might not be as inevitable as they had expected. By comparing the reactions of various party spokesmen it can be shown that two more or less coherent points of view emerged in the attempt to define Russia's role in a hostile capitalist world. Although the adherents of the two positions differed on matters of detail, for analytical purposes they can be grouped under two headings: 'isolationist' and 'integrationist'. The isolationists, as the term implies, tended to look upon Soviet Russia as an exile from the world economy; the integrationists, in contrast, believed that, despite the country's unique political order, in one manner or another Russia must resume her previous position in international affairs.

If Trotsky's behaviour during War Communism had been consistent with the interpretation normally placed upon the theory of Permanent Revolution, he would have fallen into the integrationist category. For want of a better alternative he would have subscribed to the widely held view that every possible device must be employed to solicit economic aid from abroad, including both a restoration of international trade and even foreign investments from capitalist Europe. But the evidence shows that he in fact emerged as the central theorist of economic isolation. Recognizing that the European revolution would at best be delayed, he nevertheless saw in War Communism a coherent system of policies intended to achieve a direct transition to Socialism – in One Country. The historic debate with Lenin in 1920–1, concerning the role of the trade unions in a socialist society, resulted from the peculiar proposals for labour policy to which Trotsky's isolationist beliefs led. As an outward manifestation of differing assumptions regarding Russia's role in the world at large, the disagreement actually constituted an implicit discussion of the later question of Socialism in One Country. In consequence, a careful study of this early phase of Soviet history provides important insights for interpreting the later conflict with Stalin.

The controversies surrounding the transition from War Communism to the New Economic Policy (NEP) closely paralleled those of the mid-1920s. But in the interval dramatic changes of

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Excerpt

[More information](#)

opinion took place. The relationship between Trotsky and the 'party line' underwent a complete reversal. Forsaking his earlier opinions, by 1925 Trotsky had become the most consistent proponent of integrationist policies. On the other hand Stalin and Bukharin, in command of the party after Lenin's death, increasingly equated industrialization with economic disengagement from the West. Thus the stage was set for the debate which resulted in Trotsky's defeat and exile.

The causes of this transition deserve close attention. They show that Trotsky's feud with Stalin and Bukharin was only very tangentially connected with the theory of Permanent Revolution. Furthermore Trotsky did not insist, as is so often suggested, that a genuine construction of socialism must await the international revolution. Least of all did he predict that without a socialist transformation in Europe Russia must necessarily stagnate. On the contrary, like the integrationists of the period of War Communism, he appealed for extensive trade links with the West and maximum foreign investments.

He objected, not so much to the notion of Socialism in *One Country* (*Sotsializm v Odnoi Strane*) as to Stalin's concept of Socialism in a *Separate Country* (*Sotsializm v Otdel'noi Strane*). Stagnation would result, he argued, from the deliberate creation of a shut-off, closed-in, isolated economy (*zamknutoe khozyaistvo*); autarchy would be a prescription for disaster. The apparently unaccountable inconsistencies in his political behaviour resulted from these fundamental disagreements over economic policies. A closer look at the real importance of the theory of Permanent Revolution will help to explain the background to this interpretation.

#### *The theory of Permanent Revolution*

The earliest complete exposition of the theory appeared in an essay entitled *Results and Prospects*, which Trotsky wrote in 1905–6. Russia was the least highly developed country in Europe; the essay suggested that for this very reason the socialist revolution might begin here rather than in the industrial states of the West. Replacing the feudal autocracy with a more democratic form of government, the first stage of the revolution would be short-lived. After a brief interval the momentum of events would lead to a proletarian seizure of power. Since Marx himself had

Cambridge University Press

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Richard B. Day

Excerpt

[More information](#)

## THE MYTH OF TROTSKYISM

7

foreseen a similar course of development for Germany in 1848, the prediction was not entirely unorthodox. In subsequent years, however, the majority of Marxists had sought to determine the 'ripeness' of various countries for socialism by reference to so-called 'levels' of economic development. Within this frame of analysis it seemed that Russia's backwardness precluded anything more than a consistent bourgeois revolution (although most writers qualified this position by making some provision for the possibility of a simultaneous political convulsion in Europe).

Trotsky believed that this allegedly scientific concern with abstract levels of development amounted to 'hopeless formalism'. It was true that Marx had always insisted on the relation between industrial growth and the political power of the proletariat; but he had not intended that his 'historically relative' remarks should be converted into a 'supra-historical axiom'.<sup>5</sup> Russia's history was unique and could not be assessed according to the criteria applied to other countries. Industry had been financed largely by foreign investments; European capital had brought with it the most modern methods of organizing production; Russia had leapt over the early stages of capitalism. Foreign investment had had equally important political consequences. Motivated by gain, European investors had neither the desire nor the opportunity to play the part of a political opposition within Russia. Bourgeois liberalism was much weaker therefore than in other countries. At the same time, because of its unnaturally high degree of concentration, Russian industry could easily be paralyzed by strikes. The strength of the proletariat was greater than its numbers would suggest, and certainly greater than in Germany or England at a comparable period. For these reasons Trotsky concluded that the attempt to establish a mechanical link between the statistical weight of industry in the economy and the dictatorship of the proletariat was 'a prejudice of "economic" materialism simplified to an absurdity'.<sup>6</sup>

In a chapter headed 'The Prerequisites of Socialism' he elaborated these views, polemicizing with the historian N. A. Rozhkov. Rozhkov had held that a country could only be considered 'ripe' for socialism when the following conditions prevailed: (1) large-scale production must almost completely dominate all sectors of the economy; (2) the leading industrial enterprises must be organized on a co-operative basis; and (3) the

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Richard B. Day

Excerpt

[More information](#)

## 8 THE DILEMMA OF ECONOMIC ISOLATION

overwhelming majority of the population must be conscious socialists. Commenting upon this rigid interpretation of the traditional approach, Trotsky compared Rozhkov with the Marx of 1848: 'Apparently,' he remarked, 'Marx in 1848 was a Utopian youth compared with many of the present-day infallible automata of Marxism!'<sup>7</sup>

Rozhkov was said to have strayed from revolutionary Marxism because of his failure to recognize that the foregoing processes were interdependent, that they conditioned and limited each other. Long before they reached their mathematical limit they would undergo a qualitative change, 'and in their complex combination bring about what we understand by the name of social revolution'. Rozhkov had needlessly inflated the economic prerequisites of socialism, and Trotsky endeavoured to redress the balance. In the first place, he claimed, socialism was possible 'only when the development of the productive forces has reached the point at which large enterprises are more productive than small ones'. Secondly, there must be a class-conscious proletariat. In this context Trotsky added, though, that 'the attempt to define in advance what proportion of the whole population must be proletarian at the moment of the conquest of political power is a fruitless task'.<sup>8</sup> Finally, he noted that the working class must establish its political dictatorship. In Russia only this third prerequisite was lacking.

These highly formal and political conditions need only be mentioned to show how deceptive they were in their simplicity. Before he could prove that a workers' government was feasible Trotsky was compelled to reject any analysis which emphasized the impediments posed by Russia's economic underdevelopment. He did not expect that the transition to a new society would take place instantaneously; in fact he anticipated that nationalization would only begin with the larger enterprises, thereafter continuing as a gradual process. Socialism would not be introduced by a few decrees. Nevertheless, he predicted that the revolution 'will come up against political obstacles much sooner than it will stumble over the technical backwardness of the country'.<sup>9</sup>

The chief threat to the proletarian regime was thought to lie in the danger of a hostile alliance being formed by numerically stronger classes. Measures designed to protect the rural proletariat might bring the great bulk of the peasantry, together

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Richard B. Day

Excerpt

[More information](#)

## THE MYTH OF TROTSKYISM

9

with the intellectuals, into conflict with the workers' government. Similarly, the capitalists were expected to react to unemployment legislation and the eight-hour day with lockouts, thus raising the prospect of a broadly based counter-revolutionary coalition. These apprehensions in turn led to the famous conclusion that the Russian revolution must be international if it were to enjoy any likelihood of survival:

Left to its own resources the working class of Russia will inevitably be crushed by the counter-revolution the moment the peasantry turns its back on it. It will have no alternative but to link the fate of its political rule, and hence the fate of the whole Russian revolution, with the fate of the socialist revolution in Europe.<sup>10</sup>

The very fact that Russia's growth had been financed to such a large degree by foreign capital appeared to guarantee that for both economic and political reasons the revolution would not be confined to Russia. A socialist government would immediately repudiate the tsarist debts and begin to nationalize industry. The effects of these policies upon Russia's creditors, especially upon France, would be disastrous. 'There is every reason for assuming,' Trotsky wrote, 'that the financial crisis resulting from the bankruptcy of Russia will directly repeat itself in France in the form of an acute political crisis which can only end with the transference of power into the hands of the proletariat.' If the Austrian and German monarchies attempted to crush proletarian Russia in order to prevent the revolution from spreading, Wilhelm II and Franz Joseph would bring upon themselves a revolution on the part of their own working classes. In one way or another the incendiary impulse would be transmitted abruptly to the leading states of Europe. With proletarian military and political support from abroad the peril of counter-revolution would be averted; the new socialist regime would be secured; and Trotsky's ambitious plans for what seemed to be a premature seizure of power would be vindicated. A number of references could be cited to show that on several occasions before 1917, as in 1906, Trotsky spoke of the need for direct state support from the workers of the West. But as in *Results and Prospects* external support was thought of as a political balancing factor, intended to compensate for the numerical inferiority of the Russian working class.



Cambridge University Press

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Richard B. Day

Excerpt

[More information](#)

## 10 THE DILEMMA OF ECONOMIC ISOLATION

The theory of Permanent Revolution was therefore irrelevant to the economic debates of the mid-1920s on two grounds. In the first place it was concerned with the capture and maintenance of political power, not with the tangible problems of building socialism. Secondly, it claimed to prove the inevitability of an international revolution. To emphasize the problem of technical backwardness would have been contradictory; to suggest the impossibility of socialism in one country would have been logically superfluous. Trotsky did neither. He argued that Russia was prepared for the revolution and that proletarian aid from the West would eliminate the danger of counter-revolution – nothing more.

Yet in 1930, after his exile, he claimed that he had anticipated Stalin's 'errors' and that he had not believed Russia was 'ripe' for socialism without an international revolution. In his introduction to *The Permanent Revolution* he rewrote the history of the pre-1917 period in terms of the following dialogue:

'But do you really believe,' the Stalins, Rykovs and all the other Molotovs objected dozens of times between 1905 and 1917, 'that Russia is ripe for the socialist revolution?' To that I always answered: No, I do not. But the world economy as a whole, and the European economy in the first place, is fully ripe. . . Whether the dictatorship of the proletariat in Russia leads to socialism or not, and at what tempo and through what stages, will depend upon the fate of European and world capitalism.<sup>11</sup>

In the limited sense that *Results and Prospects* had predicted the need for a workers' government to rely upon external support, the assertion had some tenuous validity. Otherwise it was a falsification for purposes of anti-Stalinist propaganda.

While its intent has been misunderstood, Trotsky's earliest theoretical work did nevertheless contain significant elements of his later quarrel with Stalin. Surrounded by economically stronger enemies, Russia was described as having to choose between two possibilities: either to succumb, or 'to overtake them in the development of economic relations and absorb a great deal more vital forces than . . . [the country] could have done had it remained isolated'.<sup>12</sup> Industrial protectionism and the encouragement of foreign investments had imparted an artificial stimulus to economic growth, proving that history did not necessarily move through predetermined stages in blind accordance with objective laws. Tsarist Finance Ministers had demonstrated that 'the state . . . is

Cambridge University Press

0521524369 - Leon Trotsky and the Politics of Economic Isolation

Richard B. Day

Excerpt

[More information](#)

## THE MYTH OF TROTSKYISM

11

a tremendous means for organizing, disorganizing, and reorganizing social relations'.<sup>13</sup> Giving the impression that a socialist state would follow the same historical pattern, Trotsky wrote that a workers' government would rely 'not merely upon the national productive forces, but also upon the technique of the entire world'.<sup>14</sup> If *tekhnika* is translated as 'technology', the inference would be that Russia would continue to import both 'know-how' and technical equipment. When he eventually realized that international trade should be treated as an economic rather than a political question, Trotsky fell out with Stalin over policies of economic isolation. From this point of view it could be argued that *Results and Prospects* implied the irrationality of striving for a self-sufficient economy. But Trotsky's contention that the essay ruled out the construction of socialism in one country was an attempt to create a political myth.

The fact that the myth took hold was largely Stalin's responsibility. By endorsing the fiction that Trotsky had unreservedly and at all times rejected the idea of Socialism in One Country, Stalin intended to prove that his defeated rival had never ceased to be a faint-hearted Menshevik, a revolutionary impostor with no faith in Russia's capabilities. The resulting confusion, perpetuated by generations of Trotskyists and official Soviet scribes, has continued until the present. Overshadowed by the doctrine of Permanent Revolution, Trotsky's other early writings have been ignored. The most significant of these, for the two major periods dealt with in this study, concerned the theory of imperialism.

*The theory of imperialism*

In their attempt to determine Russia's relation to Europe the Bolsheviks customarily began by endeavouring to project future economic developments in the capitalist countries. Russia's potential bargaining strength, together with the possible benefits from various forms of concessions, were thought to be a reflection of the probable fate of the enemy camp. In Trotsky's case *Results and Prospects* implied that Russia might benefit from imports of foreign equipment. The theory of imperialism provided the other half of the analysis, suggesting the extent to which Europe might be willing, or able, to continue supplying the products required. In this respect it was instrumental in answering the question of