

## NEP, State Capitalism, Lenin, and China

Extended Abstract: The understanding of socialism as something that arises out of capitalism through a process of transcendence, extend over time, poses many questions about the nature of that transition. One historically debated question is if a state committed to building socialism can make use of genuinely capitalist production in parts of its economy in carrying out that transition, controlled not by the capitalists but rather by the state? Will the robustness of capitalist relations of production inevitably lead in such a situation to the capitalists breaking their subordination, and eventually restoring normal capitalism with its accompanying capitalism-supporting state?

This brief presentation consists of eight issues regarding the possibility of the use of “state capitalism” to build socialism that are raised for reflection. Its central theoretical concern is to pose the question of what “state capitalism” is. The eight issues for reflection are:

- 1) what does the name “state capitalism” mean for a social system of production?
- 2) a state capitalist system of production must be a capitalist system of production, strongly directed by the state;
- 3) the post-1930 USSR was not state capitalist, because it was not capitalist;
- 4) since all capitalist systems of production require that the state support and promote capitalist production in order for them to be able to function, that poses the question of how does the role of the state in state capitalism differ from the role of the state in “normal capitalism”?
- 5) with the state strongly directing the economy in state capitalist production, is its goal to make the capitalist economy work better, or is its goal rather to transcend capitalism and build socialism?
- 6) Cuba today is not state capitalist, because it is not capitalist;
- 7) Lenin on the USSR’s New Economic Policy in the 1920s as state capitalism to build socialism; and
- 8) China, whose rate of material development of over the last four decades is arguably unique in human history, is state capitalist. It is a very different state capitalism from that in the USSR in the 1920s. It has relatively many more capitalists, and they are both much wealthier and much more powerful than those in the USSR a century ago, even though the state clearly does direct the economy. The question concerning state capitalism to be studied as China’s transformation and growth go forward is: what is its state capitalism being used to direct the country toward? Is state capitalism being used to develop “socialism with Chinese characteristics” as the government has maintained for decades? Or, to the contrary, is state capitalism intended in the end to yield a developed capitalism, instead of the underdeveloped peripheral capitalism that would have been the country’s inevitable fate if post-1980 China had followed the advice of international capitalism to carry out a rapid and neoliberal restoration of capitalism?

Keywords: State Capitalism, New Economic Policy, NEP, Socialism, Lenin, China, Cuba

\*\*\*\*\*

## NEP, State Capitalism, Lenin, and China

(This article is an edited transcript of a presentation at the conference *New Economic Policy and Socialist Practices in the 21<sup>st</sup> Century (100 Years since Introducing NEP)* on November 6, 2021, in Moscow.)

The rate of material development of China over the last four decades is arguably unique in human history. With a good half of its economy capitalist, while at the same time the government maintains that its goal is “socialism with Chinese characteristics”, this remarkable economic performance has reignited the debate among socialists as to whether “state capitalism” can be a possible road to transcend capitalism and build socialism. This presentation will *not* be a discussion of the theoretically very complicated issue of the evaluation of the nature of the process of social transformation going on in China today. Rather, it is intended as a contribution to the social discussion that is necessary, and is occurring, about the relation of “state capitalism” to the project of building a “desirable human-centered post-capitalist society”. To refer to this society by a shorter name, and in line with what many currents of social thought have used for the last 200 years, I will refer to a desirable human-centered post-capitalist society as “socialist”. The purpose of this brief presentation is to pose eight issues that this speaker feels need to be reflected on in discussing this subject of the relation between state capitalism and socialism. In line with the overarching theme of this conference, one part of the presentation will include looking back at Lenin’s thoughts about the issue of state capitalism and socialism at the time of the introduction of the New Economic Policy, NEP, in the 1920s.

Issue 1. “State Capitalism”: There is more to understanding *any* social system than putting a label, or a name, to it.

First consider labeling a system just as “capitalist”. It is important to understand that the “kinder gentler capitalism” of the Nordic Countries in the 1960s and 1970s, Japanese capitalism, the more brutal neoliberalism of the United States since 1980, and the still more brutal capitalism of poor Third World countries, all share something central and essential in the way they operate. It is this commonality that makes it correct to call all of them “capitalist”, notwithstanding that they have very important differences. However, to put the correct label “capitalist” on all of them does not tell us concretely how each one operates and what their problems are, the specific problems that motivate people to fight to build better societies. That takes a much more concrete analysis of these economies and, beyond that, the societies that they are part of.

To understand any particular feudal, socialist, or state capitalist system involves this same issue of going beyond just labeling them.

*Not all state capitalisms are the same.*

Issue 2. In the phrase “state capitalism”, the noun “state” is used as an adjective modifying the noun “capitalism”.

Therefore, by its grammatical structure, the name “state capitalism” refers to a system that *must be capitalist*, and then must also have a state whose role differs in some significant way from the role of the state in “normal capitalism”, for example the capitalism that was described by Marx.

Issue 3. The post-1930 Soviet Union was not state capitalist, because it was not capitalist.

It is *inappropriate* to use of the label “state capitalist” to describe the system that developed in the Soviet Union in the 1930s and lasted until 1991. The term “state capitalist” cannot mean: “we do not think that a particular society which calls itself socialist is a good

society, and we also do not think that capitalism is a good society, and therefore we will call that particular society a variety of capitalism”. By the definition of state capitalism discussed in issue 2, *state capitalism must be a form of capitalism*. That means that the laws of capitalism, and hence the laws of capital accumulation and allocation, must play a determinant role in the way that it operates. Reading the literature written by enterprise managers and academic studies of the enterprises in the Soviet Union from the 1950s to the 1980s, one cannot help but see the centrality and consistency of the *complaint* that capital *did not* move to where it would be used “efficiently” in the expansion of capital, or in economics language, “to where it would get the best return”. Rather, it was *allocated in accord with political calculations and compromises*. *The USSR was not state capitalist because it was not a form of capitalism*. This is important to remember today when we think about when it is appropriate to use the term state capitalism, and when it is not. For example, as I will argue further later in this presentation, notwithstanding the extensive economic changes since 1990 and in particular the expansion of the use of markets, Cuba today is not state capitalist. Its economy is directed by the state, but Cuba does not have a capitalist economy.

Issue 4. What must the role of the state be in a capitalist society so that the name “state capitalism” is useful?

The claim that capitalist markets are “natural”, and can operate without a state to support and even direct them, is part of the much broader *false ideology* which capitalism uses to defend itself. It is true that the state plays different specific roles in different concrete forms of capitalism, such as in social democracy or in neoliberalism. *All* forms of capitalism, however, require a state to operate, and *all* capitalist systems involve some degree of direction of the economy by the state. I have argued, illustrated, and supported this point at greater length in a short paper “What is Social Economic Planning?”, which will be coming out soon in the journal *Economic Revival of Russia* (Campbell, 2021). The idea of an ideal capitalist system of “free markets”, markets which are not supported and directed by the state, is false capitalist propaganda. Therefore, the difference between the role of the state in directing capitalism in “normal capitalism” and in “state capitalism” is a question of degree on a spectrum from less to more. This of course makes it a debate as to where on that spectrum the line should be drawn that separates the weaker economic direction in “normal capitalism” from the stronger economic direction in “state capitalism”. Any new economic form, such as China, needs to be analyzed and debated. Exactly that is being discussed among socialists around the world today, even as China itself is continuously changing. But two extended historical debates have indicated two important points on that spectrum of the strength of the state in directing a capitalist economy. Even when the direction of the economy is as strong as it was in the Nordic social democracies in the 1960s and 1970s, revolutionary socialists have always considered that the role of the state in the economic direction of all *social democracies* is so weak that they must be categorized as “normal capitalism”. On the other hand, the role of the state in the economic direction of the capitalist economy in USSR under NEP in the 1920s was so strong that it was classified as state capitalism.

Issue 5. What is the goal, or the purpose, of a system of state capitalism?

One fundamental division between different types of systems of state capitalism is between those for which the goal is to promote and strengthen capitalism - which is the process of the creation, appropriation and accumulation of surplus value - and those types of state capitalist systems for which the goal is to promote a transition to socialism. Of course, there is

the possibility to consider that the goal of the people directing the process could really be to promote a transition to socialism, but in practice the capitalist forces involved could escape the control of the state and then change the goal of the state to their own goal of the creation, appropriation and accumulation of capital. This speaker considers that to always be a real danger with state capitalism, and therefore this always needs to be considered and watched carefully for each case analyzed. This speaker also maintains, however, that there is no “law of capitalism” which determines that the *smallest contamination of a process of building socialism by niches of genuinely capitalist production will unavoidably lead to the capitalist relations expanding their role in the economy, and then eventually crushing the process of socialist construction.* We will see that Lenin argued explicitly against that idea as well.

In issue 7 we will consider NEP as an example of state capitalism with the second type of goal. The declared goal of NEP was to promote the building of socialism. Concerning the first possible goal of state capitalism listed, there is no clearly established historically example of the use of a system of state capitalism to build a weak or damaged capitalism into a stronger capitalism. The very strong role of the state after World War II in rebuilding the war-destroyed capitalist economies of Europe and Japan, however, notwithstanding that it was not strong enough to classify these as state capitalism, was much greater than it was in their capitalisms before the war, or in the capitalisms that they returned to once they recovered. Among these, an especially interesting case to many people who are looking for a planning procedure different from material balances to build socialism, was France with its French Indicative Planning. Again, neither this presenter nor anyone else categorizes French Indicative Planning as state capitalism. It is, however, arguably one of the strongest examples, other than during war, of a capitalist state directing a capitalist economy for the purpose of strengthening capitalism. This is particularly true of France’s first Indicative Plan, even if it did not involve such strong state direction that it should be classified as state capitalism.

#### Issue 6. The “Great Debate” in Cuba, Che Guevara, and state capitalism.

I see on the schedule for this conference tomorrow that there are two presentations that relate the NEP in the Soviet Union in the 1920s to issues concerning Cuba today. One presentation will be on the process of economic restructuring going on there today, and the other presentation will be on the ideas of Che Guevara. Unlike the history of the USSR, about which I have never been more than a dedicated student for 50 years, constantly trying to learn about it but never writing much on it, Cuba and its economy, and its efforts to build socialism, are one of my central professional areas, on which do I write extensively. I am therefore very sad that there will not be translation to English tomorrow, and likewise, as always, I am very sad that I am not able to understand Russian! But, as one of the two coeditors of the *International Journal of Cuban Studies* published in the United Kingdom, I do want to extend an invitation to both presenters on Cuba tomorrow to submit their studies to our journal for publication, if they choose to write them up in either English or Spanish, as these topics would certainly be of interest to our readers.

I have no time to talk about the Great Debate in Cuba here, and I am guessing that Alexandra will say something about it in her talk tomorrow, but I am mentioning it because it is the Great Debate that led me back to Lenin’s discussion on NEP, which I will talk about in the next point. One important article in that debate in Cuba was “On the Budgetary Finance System” written by Che Guevara. It was originally published in *Nuestra Industria. Revista Económica*, volume 2 number 5, in 1964. While one cannot get this journal anywhere outside a few libraries

in Cuba, the article has been reprinted in numerous collections of Che's speeches and writings, and collections of articles from the Great Debate, and translated into English and other languages.<sup>1</sup> The one point that I want to make here is that in this article Che has a somewhat long quote taken from Lenin about the NEP. Something I want to underline relative to this conference is that this shows once again how important the whole NEP experiment was as part of *the process, which is still going on around the world today, of trying to figure out how to move beyond capitalism.*

#### Issue 7. Lenin on NEP as State Capitalism

As many of the presenters at this conference could explain in much more detail than I could, Lenin talked extensively about the NEP from the time of its adoption in March 1921 throughout that year, and in 1922. His particular speech that Che referred to and quoted from is usually referred to in English as something like "Five Years of the Russian Revolution and the Prospects of the World Revolution", a report to the 4th Congress of the Communist International, from November 13, 1922. There are many different points in that speech by Lenin, and even many different points in the small part of the speech that Che quoted. Here I want to indicate just one point that is particularly relevant to this conference. It concerns a way of thinking about state capitalism in the transition to socialism. I am not a person who ever says that just because Lenin said something, or Marx and Engels said something, that it must be right. But all of these people, and many others, were outstanding anti-capitalist revolutionaries. The ideas that they developed, which were part of the important struggles in their times that they took part in to make a better world, have historically proven themselves to be ideas that are worth thinking about for anyone still trying to move beyond capitalism today.

I want to give here an extended quote from Lenin, from the part that Che included in his article, and then point out its obvious significance concerning the relation of state capitalism under Lenin - NEP - to socialism.

Thus, in 1918, I was of the opinion that with regard to the economic situation obtaining in the Soviet Republic, state capitalism would be a step forward. This sounds very strange, and perhaps even absurd, for already at that time our Republic was a socialist republic and we were every day hastily – perhaps too hastily – adopting various new economic measures which could not be described as anything but socialist measures. ....

In my opinion [the] elements [that constituted the economic system of Russia at that time] were: the following: "(1) patriarchal, i.e., the most primitive form of agriculture; (2) small commodity production (this includes the majority of the peasants who trade in grain); (3) private capitalism; (4) state capitalism, and (5) socialism. ... I repeat: it seems very strange to everyone that a non-socialist element should be rated higher than, regarded as superior to, socialism, in a republic which declares itself a socialist republic. ... we definitely did not regard the economic system of Russia as something homogeneous and highly developed. ... What role could state capitalism play in these circumstances? (Lenin 1923[1976]: 419)

... in our economic offensive we had run too far ahead, that we had not provided ourselves with adequate resources, that the masses sensed ... what we admitted a few

---

<sup>1</sup> For example, Guevara (1964[1987])

weeks later, namely, that the direct transition to purely socialist forms, to purely socialist distribution, was beyond our available strength. (Lenin 1923[1976]: 421)

From this extended quote, we see clearly the goal of state capitalism under Lenin's political leadership. *Here their goal for state capitalism is clearly established to be to promote the transition to socialism.*

Final Issue 8. On State Capitalism Today: A few comments on Cuba, Venezuela, and China

Cuba: The last 30 years of sweeping economic restructuring in Cuba have *not* created a state capitalist economy. As this talk has stressed, to be state capitalist an economy has to be capitalist. Markets do not make capitalism. Genuine self-employment where production is intended for markets (petty commodity production) does not make capitalism. Capitalism requires exploitation, which is the creation and appropriation of the surplus labor of some people, in the form of surplus value, by other people. Stated differently, a system is not capitalist if there is no exploitation. Until this summer, and leaving aside the agricultural sector, hiring labor in Cuba was not legal. In 2018 self-employment had increased to 583.2 thousand out of a non-agricultural workforce of 3,699 thousand (ONEI 2021, tables 7.2 and 7.3) or 15.8 per cent, up from under 1 percent before the reforms began in 1990, but there was no officially hired labor. In reality, by the early 2010s just slightly less than 20 percent of the self-employed, or 3 percent of the non-agricultural workforce, were actually hired workers, with their private employers appropriating surplus value from them.<sup>2</sup> The issue of the nature of an economy, determined by what processes determine its production and operation, is a qualitative issue and not merely quantitative. One can certainly not, however, conceptualize an economy as capitalist when less than 3 percent of its total labor force works under capitalist relations of production. In the summer of 2021 laws were enacted, but as of the time of this presentation not yet implemented, for the formation of micro, small, and medium capitalist enterprises. This will certainly increase the percent of Cuba's total labor force operating under capitalist relations of production. Keeping in mind that the final determination is a qualitative issue, it will certainly matter for that qualitative determination in the future if the genuinely capitalist sector of the economy expands from its current 3 percent to only, for example, 20 percent, or if instead it grows to, for example, 50 percent. In line with what I have been arguing throughout this talk, and in line with the opening comments in this conference by Kerstin Kaiser from the Rosa Luxemburg Stiftung, it is essential that we study and follow this ongoing experiment in Cuba, which is trying to find a new road to building socialism, *under the conditions that Cuba faces in the world today*. As I said before, there will be a presentation on this topic in this conference tomorrow, exactly the sort of ongoing study that we all need to follow.

Venezuela: I need to be very brief here as my presentation time is running short. In any case, the concern with Venezuela for this presentation is not an overall consideration of its policies from the perspective of building socialism, but rather only the much narrower issue of state capitalism. In the frame of this presentation there are two questions – did Venezuela develop a form of state capitalism, and if it did, was it intended to promote socialism, or to the

---

<sup>2</sup> In order that hired labor would not simply be black market and not declared, the Cuban government developed the legal fiction of one category of self-employed whose definition was basically “self-employed at the profession of working for another person”. Figures on this are not published in the annual publications by the government on labor in Cuba, but in 2013, when the number of self-employed was 26 percent less than in 2018, this category constituted 18 percent of the self-employed (Café Fuente 2013).

contrary, was it intended to develop and modernize Venezuela's capitalism? I will make an assertion concerning the second question indicating my strong conviction, which is based on my interaction with the process there in the first decade of this century - the government was committed to building socialism. Then I will say that to answer the first question of whether it was state capitalism, as opposed to simply strong government intervention into a capitalist economy, one needs to determine the following: did the particular structure that they developed *really give them the ability to fundamentally direct their capitalist economy*? Again, we need to study carefully what happened in Venezuela, and why.

China: I will end this presentation where I started it, asking about China, because what is happening in China is so important to the whole world economy, and to the question of the future of socialism. No one argues the fact that a large part of China's economy is capitalist - I will throw out the number of 50 percent as a very rough approximation. With that established, just as for Venezuela the criterion to say whether it is state capitalist or not is: does the particular structure that China developed really give it the ability to fundamentally direct the whole economy, of which half is capitalist? My reading of the Chinese economy is that this is certainly the case; the government is directing the conduct of their whole economy, including its large capitalist part. My evaluation of the Chinese economy therefore is that it is state capitalist. It must be stressed that this is certainly a very different state capitalism than NEP was, but nevertheless it is state capitalist. But if one accepts this, then that is only the first question from the perspective of the world-wide effort to move beyond capitalism. The additional question that it is necessary to address is then - what is China's social-economic goal? As I noted briefly at the beginning of this presentation, its officially declared goal is "socialism with Chinese characteristics". OK, that is a clear statement of their goal, but then the question becomes - *what is socialism with Chinese characteristics*? Fundamentally, this question is whether it is some form of capitalism like social democracy, or whether to the contrary it is some type of socialism that subordinates and controls capitalist circuits of capital in parts of the economy in the process of building socialism. That is a discussion and debate going on around the world today, and I certainly will not try to answer it here. However, I will end this presentation by stressing again that it is essential that we keep asking the question, and watching and studying China, as it continually develops new aspects to its evolving development process.

La lucha continúa. Thank you.

## REFERENCES

- Café Fuerte (2013) Cuba has over 400,000 self-employed, *Havana Times*, 25 June. Available at <http://www.havanatimes.org/?p=95385>. (Accessed November 2021.)
- Campbell, Al. 2021. What is Social Economic Planning? *Economic Revival of Russia*, No. 4, pp. 28-38.
- Guevara, Che. 1964. Sobre el sistema presupuesta de financiamiento, *Nuestra Industria, Revista Económica*, 2(5). Reprinted and translated into English as Planning and Consciousness in the Transition to Socialism ("On the Budgetary Finance System") in Che Guevara, *Che Guevara and the Cuban Revolution*. Sydney: Pathfinder Pacific and Asia, 1987, pp 203-230.
- Lenin, Vladimir. 1923. Five Years of the Russian Revolution and the Prospects of the World Revolution. Report to the Fourth Congress of the Communist International, November

13, 1922. Reprinted in *Lenin Collected Works* Volume 33. Moscow: Progress Publishers, 1976, pp 418-432.

ONEI (Oficina Nacional de Estadística e Información) (2021) *Anuario Estadística de Cuba 2020. Capítulo 7: Empleo y Salarios 2020*. Available at <http://www.onei.gob.cu/node/16275>. (Accessed November 2021.)