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Lesson No.

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Department website : www.pbidde.org

Rise of Capitalism to Monopoly Capitalism

The economic structure of capitalistic society has grown out of the economic structure of feudal society. The dissolution of the latter set free the elements of the former. Under feudalism, land was the main means of production. It was owned by feudal lords and a large number of peasants were bound to land, worked it in small farms with their own instruments of production. There were also a smaller number of artisans, who also owned their simple instruments of production. The surplus product of these peasants and artisans (the direct producers) was appropriated by custom law or force by feudal lords.

The basic contradiction in feudal society was between the direct producers and the landowning lords. The sharpening of this contradiction propelled feudal society forward. In order to maintain and extend their class domination, the feudal lords tried to maximise the rent. The peasants struggled in various ways to end, or at least curtail, this appropriation of the surplus, sometimes by open revolt, sometimes by fleeing the land.

Over the centuries of feudal society, as the surplus grew to some extent, trade also grew. The trade helped in growth of towns where merchants enjoyed some political power*. Since the trade suffered under multiple authorities and taxes of various feudal lords, it was in the interest of the merchants to promote a strong central nation state. Yet the merchants were hardly an anti-feudal force, they prospered under it, enjoying official monopolies and high margin. But the rise of the nation state from the 15th century and the development of popular allegiance not to feudal lord, but to “the nation”, helped to undermine feudalism and to establish bourgeois hegemony over society.

Along with these developments there was a change in world view of the intelligentsia, which has been termed it the enlightenment. The force of human reason now unseated established authority, such as church and the king. The state itself was now no longer seen as God-given, but the product of man, a social contract among men for their benefit.

* From the end of the 15th century to the middle of the 17th century is a stage marked by the rise of commercial capital and the rapid growth of world commerce. European commerce entered the world stage during this period.

As “force is the midwife of every old society pregnant with a new one”, when the bourgeoisie seized power from the feudal class, it was generally a violent affair in which the bourgeoisie needed the help of the masses, and so the masses were stirred up with slogans of liberation.

But with the rise of capitalism, the fate of the labouring poors was to be dispossessed, and have nothing to live by, but by selling their labour power. In England as forward-looking landlords saw money to be made in farming in new commercial way, they got around the feudal restrictions which prevented land changing hands, and ousted their numerous tenants, hiring a much smaller number of landless labourers as wage labour. Moreover, small holders in economic distress could be got to sell their land cheap. Capitalist seized and enclosed the once common lands of the village as their private pasture for their sheep, impoverishing and uprooting local peasants.

These terrible upheavals were essential for the development of industrial capitalism. First, the improved methods of agriculture introduced on consolidated, large farms by the profit-oriented landowners, multiplied output and made it possible to feed a much larger workforce outside agriculture; Secondly, the huge numbers of peasants thus ousted from agriculture added greatly to the workforce available for manufacturing goods. Add to this the plunder of the territories overseas, the slave trade and the use of slave labour in the colonies - all justified by the development of racist ideology and backed by the European state powers, provided sufficient fund for the establishment of capitalist enterprises.

“Before capitalist production the instruments of labour were the instruments of labour of single individuals, adapted for the use of one worker, and therefore, of necessity, small, dwarfish, circumscribed. But, for this very reason they belonged to the producer himself. To concentrate these scattered, limited means of production, to enlarge them, to turn them into powerful lovers of production was precisely the historic role of capitalist production and it’s up holder, the bourgeoisie. In the third section of capital, Marx has explained in detail, how since the 15th century, this has been historically worked out through the three phases of “simple co-operation, manufacture, and modern industry”. But this transformation could not be done “without transforming them, at the same time, from means of production of individual into social means of production only workable by collectivity of men. The spinning-wheel, the handloom, the blacksmith’s hammer were replaced by spinning machine, the power-loom, the steam-hammer; the individual workshop, by factory implying the co-operation of hundred and thousands of workmen. In like manner, production

itself changed from series of individual into series of social acts, and the products from individual to social products. Now the owner of the instruments of labour always appropriated to himself the product, which was no longer his product but exclusively the product of the labour of others. Thus the product produced socially were not appropriated by those who had actually set in motion the means of production and actually produced commodities, but by the capitalists.”

This contradiction, which gives to the new mode of production, its capitalistic character, contains the germ of the whole of the social antagonisms of today. The greater the mastery obtained by new mode of production over all important fields of production and in all manufacturing countries, the more it reduced individual production to an insignificant residuum, the more clearly was brought out the incompatibility of socialised production with capitalistic appropriation.” (Engels, Anti-Duhring, section III).

The basic contradiction of capitalistic mode of production is the contradiction between socialised production and capitalistic appropriation - manifested itself in two forms : an antagonism of proletariat and bourgeoisie and an antagonism between the organisation of production in individual factory (workshop) and the anarchy of production in society generally.

The new capitalists demanded, and got, the abolition of monopolies and privileges in trade and industry, on which merchant capital had fattened under feudalism and thus established free competition at home but they were happy to use state intervention against external competition. At the start of the 18th century, England passed laws banning imports of cotton goods and even the wearing of such imported goods meanwhile, with the help of its military might, it opened up foreign markets. At this stage of capitalism’s growth, the number of capitalist enterprises was large, and each was relatively small, so markets were competitive. Each capitalist was driven to keep increasing the productivity of labour failing which he would be swallowed by his competitors, innovation now became a compulsion. It was in the mid of 18th century that famous series of innovations began, that are now termed the Industrial Revolution. Capital not merely reproduces itself but it must do so on an expanded scale. The purpose of production is to accumulate more and more capital. But at this stage of capitalism’s growth the technological advancement was still at a level where they could not be monopolised by few firms, they could be easily diffused. These advances were soon spread to the continent by export of British machinery and skilled workers. This was the phase of competitive capitalism during which it had revolutionized the social production.

During the last half of the 19th century productive forces progressed with great strides. New methods of smelting steel were introduced into iron and steel industry. The important inventions, the dynamic, internal combustion engine, steam turbine....were made. The new mode of transport-the electric train in 1879, automobile in 1885, diesel locomotive in 1891 and aeroplane in 1903 were introduced. Along with the development of the productive forces, the concentration and capitalization of capital paved the way for the domination of heavy and large scale industry over light industry & small scale industry. Parallel with this development, the chief contradiction of capitalism increasingly sharpened. Economic crises of over production became more frequent and destructive. There were more frequent wars between capitalist states.

During the last quarter of 19th century especially since the Spanish-American War (1898) and Anglo-Boer War (1899-1902) the term "imperialism" had been often used in economic and political literature and in the beginning of the 20th century capitalism grew with its highest and last stage - imperialism which was defined by Lenin as monopoly capitalism, capitalism in transition or more precisely, as dying capitalism.

Lenin analysed the principal stages of this change as follow :

1. 1860-70, the highest, the apex of the development of free competition, monopoly is in barely discernible, embryonic stage.
2. After the crisis of 1873, a lengthy period of development of cartels, but they are still the exception, they are not yet durable, they are still a transitory phenomenon.
3. The boom at the end of 19th century and the crisis of 1900-03, cartels became one of the basic features of economic activity. Capitalism had grown over to imperialism.

The fundamental determining characteristic of imperialism is the rise of monopolies. Imperialism is monopolistic capitalism. Capitalist monopolies (cartels, syndicates, trusts, concerns etc.) do not emerge by chance nor through any whim of capitalists. They are the outcome of capitalist development. They arise out of the concentration of capital and in turn these monopolies accelerate the process of concentration and centralization of capital to a still greater extent.

The main weapon evolved for the centralization of capital is that of Joint Stock Company. The idea of this is that, as the raising of capital to finance a large plant may be beyond the means of one capitalist or may be he does not want to put his own money into a project into which he can befool others to go. Number of other capitalists

come in with their own funds, in return for a share of the profit. The shares of the joint stock companies are saleable on the stock exchange, their prices varying up and down according to speculator's hopes of profit. By the end of second half of 20th century, the organisation of the joint stock company has spread out over practically the whole of capitalist production in U.K., Germany and France. It has opened the way to endless jobbery and corruption.

Joint stock principle gave immense facilities for amalgamation, grouping, centralised control over masses of workers and productive process and it also gives huge opportunities for speculation with the money of the rentier class.

The control of a typical joint stock company is vested in the hands of one or two directors, who look after finance and policy. The whole tricks and manipulations of modern business and works are run by few managers (production manager, sale manager, works foreman etc.) Then there is a coterie of family hangers-on, sons, daughters, nephews of the big men and the masses of share holders. With the formation of joint stock companies, the superfluosity of the bourgeoisie for management of modern forces of production is made plain for all to see.

The sentient capitalists spread their risks by invest packets in lots of companies. The effect of this is that a small group can control the company by a fairly small holding. A 40% shareholding is quite enough. Actually in many cases the proportion held is much lower. These companies offer facilities for mobilization of capital for the despotic overlordship of the biggest monopoly holders over enormous sums of invested capital belonging to other people. Where control is really needed by the big boss: in trust companies, financial concerns or in the dummy "nominee" companies put up by the banks, the capitalist public (large number of small share holders) is not let in.

Thus by acquiring decisive block of shares-the control packet-in joint stock company, a big undertaking is placed in the position of having at its disposal other undertakings whose capital may exceed it's own, many times over. This is how giant monopolies arise. Monopolies hold sway in every branch of capitalist production. This applies not only to internal position of the imperialist countries but also to their relation with the colonial or neo-colonial peoples. The sway of monopolies created totally different economic position in contrast to the days of free competition where the economy was one of dispersed entrepreneurs unknown to one another and producing for unknown market.

Change in Role of Banks : Emergences of Finance Capital - In the period of pre-monopoly capitalism, the banks were simple intermediaries; they concentrated in

their hands any moneys of capitalists which had been set free for the time being as well as the savings of other sections of the society. With the aid of this money, they let money or overdrafts to production and trade. These credits were mainly short term arrangements; which means that connections between banks and industry were not so longer, nor so strong as they are today, when banks grant large and long term credits. Growth of capitalism into monopoly capitalism necessitated the change in the role of bank i.e. change in the relations between industry and banks. Industry needs ever more credits especially long term credits. As the proportion of constant capital grows fast, the organic composition of capital becomes ever higher, making greater calls for liquid accommodation.” Banks buy shares of industrial, commercial, transport, insurance and other monopolies and so become co-owners. The industrial monopolies in their turn also own shares in banks. The result is an interweaving or coalescence of monopoly banking and industrial capital. The war and post war period saw the joint stock banks encroaching more and more on the functions of other capitalists, e.g. bill brokers, foreign exchange, under writers, company promoters and so on.

The process of concentration and building of monopolies took place among the banks as well. In certain respects the concentration of the banks differ from the process as it occurs in industry. Bank’s profit depend primarily on the difference between money obtained as interest and what is paid out as interest, after deducting business expenses. As regards this difference itself, it is determined by the volume of business done. Interest in the case of the assets side of the banking is naturally higher than on the liability side. The larger the banking capital i.e. the sum of total of its own money and that of other people’s obtained through the liability side of the business (deposits etc.) the more extensive will be the asset business (the lending out of money), which bank can undertake. The banks are inclined, therefore, to increase their own capital only in so far as such a step ensures it opportunities for making up of its total capital by means of other people’s money and drawing increased profits out of speculation in which it engages. The concentration of the banks thus takes the shape, first and foremost, of an increase in the amount of outside money paid in as deposits which it controls, as well as in extension of it’s operations generally. Owing to the nature itself of banking operations the concentration of the banks can be effected much more speedily than any analogous concentration in industry.

The far reaching process of concentration and centralisation of banking is component part of the monopolist transformation of capital. It leads to monopoly rule in banking as well and thus strengthens the sway of monopoly capital in its entirety.

Simultaneously the connections between banking capital and industrial capital becoming closer and closer and leading to their fusion. From this fusion thus emerges finance capital. By its very nature finance capital is most closely bound up with capitalism's monopolistic character. The growth of monopolies and finance capital results in the biggest bankers and industrialists forming a small ring of individuals, which occupies a dominant place in the economy and politics, the financial oligarchy now makes its appearance.

The financial oligarchy exercises its control in the economic field through what is known as the system of holdings. A large financier (or group of financiers) get control of the main joint stock company, which acts as "parent company". This company acquires shares in other companies and, assumes control over them as 'daughter companies' which in turn control "grand-daughter companies" and so on. Through this system of holding, the extent of control exercised by big capital is continually increasing. This system can be viewed as multistoreyed pyramid with the great 'kings' of financial world surmounting it. The financial oligarchy also rules the political life of the capitalist countries; monopolies merge with the state machinery. State monopoly capitalism emerges and develops.

Monopoly and Competition :

It would be completely wrong to believe that monopolies eliminate competitions altogether, thus doing away at the same time with anarchy of capitalistic production.

There is a constant war of competition going on between the mass of the small commodity producers who still continue to exist and the big capitalist undertakings, Competition, again, between the capitalist undertakings in those branches of industry in which there is as yet no monopoly; and competition once more between those new working plants which are constantly springing up without belonging to any monopolist body, the outsider, both against one another and against the monopoly holders.

A peculiar competitive struggle is waged inside the cartels for 'quotas'. Struggle is carried on, further, between those cartels producing finished goods and those supplying semi-finished goods; again between such monopolist bodies as produce the same commodity or whose lines of production can replace one another in certain ways; then finally, among the monopoly holders for what they consider their due share of their different goods in ordinary house holds budget, and so on.

Under the domination of free competition all capitalists obtain a profit which fluctuates round the average rate of profit. The domination of monopolies leads however, to the existence side by side of different rates of profit. For owing to fixing of monopoly prices, the monopolies raise profit in the monopolised branches above the

average, thereby lowering profit to below the average in the unmonopolized branches which are obliged to buy manufacturers of the former as means of production. Thus inequality in the division of surplus value evokes, on the one hand, sharper competition between the capitalists in the monopoly and non-monopoly branches of the economy. On the other hand, it leads to greater competition inside the monopoly branches of production because capital forces its way from non-monopoly into monopoly branches. The final method adopted by the monopoly-holders in the materialization of their monopolistic plans is that of employing direct coercion towards those who will not toe the line.

There is also a competition which is carried on, on a world wide scale between the monopolist groups of the various imperialist powers. In the case of a few commodities a world monopoly or 'corner' is occasionally set up by one group alone and bitter competition with the other groups sets in either to secure a part of this (by war if necessary) or to provide substitute commodities.

The epoch of monopoly capitalism, the epoch of imperialism is not indicated by the fact simply that a struggle is being waged for division of the world, but by the fact that the partitioning of the world is already finished, that there are no longer any 'free' territories not in possession of imperialist powers. This renders a fresh division of the world necessary. Hence arises the inevitability of imperialist wars which are the only means to obtain such a re-division.

Suggested Readings

1. P.M. Sweezy : *Monopoly Capitalism and other Essays*, New York, Monthly Review Press, 1972.
2. Harry Magdoff, *Imperialism : From the Colonial Age to present*, Monthly Review Press, New York, 1978, p. 99.
3. Prabhat Patnaik, *Lenin and Imperialism*, Orient Longman, Delhi, 1986.

MONOPOLY CAPITALISM AND IMPERIALISM

- 2.2.1 Introduction
- 2.2.2 Objectives of the lesson
- 2.2.3 Nature of capitalist socio-economic development
- 2.2.4 Contradiction of capitalist development
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2.2.1 Introduction:

How did the capitalist socio-economic system emerge? What made for its development over the centuries? What opposing forces, called forth by this development, brought about the decline and partial disintegration of the world capitalist system and the progress of mankind towards socialism in some countries in the past?

Marxist economic theory gives a clear answer to these questions. It investigates the nature of capitalist socio-economic development from the inception of capitalist commodity production to its highest forms—large scale machine industry and its final stage—the stage of state monopoly capitalism or imperialism. The nature of the capitalist socio-economic development was analysed by Marx in his famous book *Capital* and the ideas he expounded were developed further by Lenin in his celebrated work “Imperialism, the Highest Stage of Capitalism”. Modern capitalism is the result of the historical development of the capitalist system. In the course of this development capitalist society passes through two main stages. The first stage is that of free enterprise capitalism or pre-monopoly capitalism in which free competition predominates. The means of production belong to individual capitalists. At the turn of the 20th century, capitalism entered into a new stage which is known as monopoly capitalism or imperialism.

2.2.2 Objectives of the lesson: In the lesson we will study about capitalist socio economic development, contradictions of capitalist development and concentration and

centralisation of capital.

2.2.3 Nature of Capitalist Socio-Economic Development Marx's analysis of the nature of capitalist socio-economic development begins with commodity production. Commodity production is defined as the production of goods for exchange in the market. The existence of market imparts to production a character which is directed more and more towards 'exchange value.' The property of a commodity to be exchanged in a certain ratio for other commodities is called 'exchange value.' Exchange value is primarily the quantitative ratio of exchanged commodities. Commodity production with its basic property of 'exchange value' existed even under the slave and feudal systems, though natural economy was the dominant form of production in these systems. It is worth noting that it was a "simple commodity production" that existed in the feudal period in the form of production by craftsman with their own means of production and family labour. The development of navigation and the sea transport led to the growth of foreign trade and formation of a world market. As a result, the simple commodity production could not meet the expanding demand for commodities. This accelerated stratification of petty craft producers and the transition to large scale production based on the exploitation of hired labour. It was the emergence of 'capitalist production system.'

Under, capitalism, all products become commodities which are produced for exchange. Labour power, too, becomes a commodity. In other words, under capitalism, not only the products of labour but labour power itself becomes a salesable commodity. Thus, capitalism emerged as the highest form of commodity production based on private property and exploitation of hired labour. Under the capitalist commodity production, though the production of goods is meant for sale in the market like a simple commodity production but unlike a simple commodity system the production is done by using hired workers who do not own means of production. The basic means of productions are private property of capitalist. The objective of simple commodity production is satisfaction of wants of the producers through exchange. Whereas the capitalist commodity production aimed at extracting surplus value of profit from the worker's labour. In short, historically, capitalism grows out of the simple commodity production existing as a form of production based on private property under feudalism.

It is significant to emphasise that the process 'capitalist commodity production' was the basic to the establishment of capitalism; and primitive accumulation of capital, was the basis of the rise of the capitalism. Two conditions are necessary for capitalist production; firstly, concentration of the basic means of production and secondly, absence of the means of production as the private property of the capitalist society among the majority of the members of society. As a result, those who do not have the means of production are compelled to make a choice between selling their own labour to the owners of the means of production or starving. Marx sought to explain this emergence of the two conditions of capitalist production in terms of 'primitive accumulation of capital' Primitive accumulation of capital was nothing else than the historical process of relieving the producer from the means of production. The stage of primitive accumulation was marked by a simultaneous process of the accumulation of wealth through the creation as well as

the exploitation of landless wage workers who formed a class by themselves. The primitive accumulation of capital took shape in its most typical form in England, where the landlords forcibly seized the common lands of the peasants and even evicted them from their homes. This led to the separation of sizeable body of working people from means of production and the emergence of a group of persons with liquid wealth which they wished to put to profitable use. It must, however, be pointed out that the concentration of investible funds in the hands of a few capitalists was created not only by the exploitation of a vast mass of workers but also by the plunder of colonies; for example, plunder of India by capitalists of England played a significant role in the concentration of wealth in their hands. Thus, the early colonial expansion played a major role in the establishment of capitalism. In short, capitalism emerged with the primary accumulation of capital, in a double process involving : (a) the creation of a wage-labour force and (b) the amassing of capital and its concentration.

After the stage of primary accumulation of the capital, the 'normal' process of capitalist accumulation came into being. The 'normal' process of capitalist accumulation was the production of surplus value by wage labour, the appropriation of this surplus value by capitalists and the conversion of a large part of the surplus value into additional capital. Marx held the view that production of surplus value is the absolute law of the capitalist mode of production. Under capitalism the working day is divided into two parts : (i) the necessary labour-time required to produce an amount of commodities which is equal to the labour power used; i.e. of the value of the means of subsistence the workers require and (ii) the surplus labour time during which the worker produces for the capitalist and creating surplus value. The mechanism of the creation of surplus has been analysed by Marx by way of division of capital into constant and variable capital. The part of capital which is embodied in the means of production, such as machines, is called constant capital. The part of capital spent on the purchase of labour power, that is wages, is called variable capital. According to Marx only variable capital produces surplus value.

The surplus value is appropriated by capitalists. This is converted into additional capital. This generates a higher rate of capital formation and consequently the development of capitalist socio-economic system. In the course of the accumulation process, capital undergoes technological and organisation transformation. As a result, manufacture proper based on the division of manual labour, gives way to modern industry based on machinery. According to Marx, these are not two different social systems but rather two phases of capitalism. This is what exactly happened in England from 1750 to 1850 under the impact of Industrial Revolution.

Being based on private property, capitalist production could not develop other than in an anarchic form with constant competition between capitalists for the highest profits. In the course of the competition, more and more petty commodity producers and small capitalists are ruined by the big ones and capital is concentrated in the hands of an even smaller groups of owners. Thus, capitalism enters a new stages of monopoly capitalism. The concentration, centralization and corporatization of capital

began in the last third of the 19th century.

The above discussion clearly brings out the nature of capitalist socio-economic development with commodity production, capital accumulation and exploitation of labour in extracting surplus as its ingredients.

2.2.4 Contradictions of Capitalist Development

According to Marx, capitalism contains inner contradictions which would ultimately cause its collapse. In other words, capitalism contains seeds of its own destruction. The seeds of self-destruction manifest themselves in the form of the conflict between the social character of production and the private capitalist mode of appropriation. The fundamental contradiction of capitalism emerges due to contradiction between the constantly developing productive forces and the capitalist production relations. As capitalism advances, the hand-operated machinery is superseded by big factories, employing many thousands of workers in different branches of production. The social division of labour increases. All enterprises and all industries become interdependent. In this way, production attains a social character. But the means of production and its result continue to belong to capitalists, who carry on production in order to accumulate more and more. Thus, there is a clash between the social character of production and the private character of appropriation. This gives rise to class struggle between the capitalists and the proletariat. The increasing exploitation and the increasing misery of the working class will prompt them to revolt against the capitalist system and ultimately overthrow it through social revolution. In short, the antagonistic production relations in a capitalist system act as a break on the further expansion of the productive forces of the society.

Marx also pointed out another contradiction in a capitalist mode of production. The capitalists introduce new machines representing higher technology in order to increase the surplus value. This raises the organic composition of capital. This leads to technological displacement of labour. It implies a rise in the reserve army of the unemployed. The capitalists keep the wages of labour at the subsistent level and appropriate all gains of rising labour productivity. As a result of low level of employment as well as low wages of labour, the purchasing power in the hands of workers shrinks. This leads to deficiency in the demand for good or under consumption. As a result, the goods produced on a large scale by the capitalists cannot be sold in the market. This leads to depression or economic crisis in a capitalist socio-economic system. Marx held the view that as capitalism gains maturity the economic crisis will go on increasing in intensity and will ultimately bring about its collapse.

It is significant to point out that capitalism creates the material and subjective conditions for its revolutionary replacement by socialism. However, before the establishment of socialist mode of production the capitalism will attain the stage of imperialism. Imperialism will lend only temporary support to collapsing capitalism because the imperialist wars result in the final destruction of capitalism.

2.2.5 Process of Concentration and Centralization of Capital

The first stage of capitalism is that of free enterprise capitalism. In this stage of development of capitalism one and the same type of commodity is produced by many different capitalists. Each of these capitalists, seeks to maximise profit. Free competition

leads to the weak capitalists becoming ruined, while the strong capitalist grow rich and expand production. Thus, free competition, by enriching some and ruining others, brings about concentration of production in large enterprises. Concentration of production and concentration of capital go hand in hand. Marx defined 'concentration of capital as the process of increasing the quantity of capital under each capitalist's control to make large scale production possible. Concentration of capital takes place through the capitalisation of surplus value. In the free competition strong capitalists extract large surplus value and convert it into capital. Thus, concentration of capital is a normal accompaniment of accumulation of capital.

Alongside of concentration there is a second and even more important process which Marx called 'centralization of capital.' Centralization of capital is the concentration of already existing individual capital in the hands of fewer and fewer capitalists. This takes place in two ways : (i) through the ruin of some capitalists, in the course of competition and the swallowing up their capital by the other stronger capitalists; and (ii) through the amalgamation of several capitals into the one enlarged capital in the form of take-overs and mergers. The small enterprise, which cannot stand up to competition, either goes into liquidation or merge with the big firm.

The concentration and centralization of capital have an impact on the capitalist economy. Firstly the concentration and centralization of capital are accompanied with the concentration of production. Concentration of production leads directly to the emergence of monopoly capitalism. Secondly the concentration and centralization of capital and production leads to the amassing of large number of workers in large and gigantic enterprises. This makes it easier for the working class to unite and organise against capitalists. As a result, the proletariat is transformed in to a revolutionary force capable of effective struggle. Thirdly, the concentration and centralization of capital and production leads to socialization of labour on a gigantic scale. As a result the power of a capitalist over labour increases and the class struggle workers and capitalists gets intensified.

2.2.6 Emergence of Monopoly Capitalism

Free enterprise capitalism reached its apex in the 1860 and 1870's. At the end of the 19th century and beginning of the 20th century, the transition from free enterprise capitalism to monopoly capitalism was completed. Monopoly capitalism emerged as a result of concentration and centralization of capital accompanied with the concentration of production. It is imperative to point out that the transformation of free enterprise capitalism into monopoly capitalism was prepared by the whole course of development of the productive forces and production relations of capitalism. The process of concentration and so the emergence of monopoly capitalism was speeded up significantly during the second half of the 19th century and early 20th century by the development of productive forces in the form of scientific and technical inventions. The development of productive forces led to large scale production. This necessitated large amounts of capital than even the biggest capitalist had to their disposal. As a result, the joint-stock form of companies began to develop rapidly. This led to a small number of big and very big undertakings coming to occupy a dominant position in very developed capitalist economy.

As enterprises became larger, competition became fiercer. This fierce competition between major capitalists involved loss of profit, the risk of utter ruin and the problem of marketing commodities. The condition pushed the big capitalists into agreements and alliances. The concentration of production and capital and the urge to obtain monopoly super-profit made such agreement easier. The agreement of alliance between capitalist having concentration of capital and production led to the centralization of capital and formation of monopoly. The forms of monopoly were cartels, syndicates, trusts and groups. The monopoly capitalism thus came into being. The monopoly capitalism, thus, replaced the free enterprise capitalism.

It is to be emphasised that monopoly capitalism is an alliance of capitalists directed against the worker whom they exploit. This system enables the capitalist to make profits by fleecing the buyers through the high monopoly prices. Monopoly capitalism also aids the capitalists to suppress the class struggle of the workers. Thus, monopoly capitalism further sharpens the antagonistic character of production relations in a capitalist society.

2.2.7 Monopoly Capitalism and Imperialism

In 1916, Lenin made an exhaustive scientific analysis of imperialism in his classic work 'Imperialism, the Highest Stage of Capitalism.' Lenin showed that imperialism is the highest and final stage in the development of capitalism. He held the view that imperialism is a special historical stage of capitalism with its three fold character :

(i) monopoly capitalism; (ii) parasitic capitalism; (iii) moribund capitalism.

Lenin showed that imperialism has the following features :-

- (a) The concentration of production and capital has developed to such a high stage that it has created monopolies which play a decisive role in economic life;
- (b) the merging of bank capital with industrial and the creation of the basis of this 'finance capital' of financial oligarchy;
- (c) the export of capital, as distinguished from the export of commodities, acquires exceptional importance;
- (d) the formation of international monopoly capitalist alliances which share the world among themselves; and
- (e) the territorial division of the whole world among the biggest capitalist powers is completed.

The economic features of imperialism, as mentioned above, bring out the fact that in its economic essence imperialism is monopoly capitalism.

2.2.8 SUMMARY

- (1) The nature of capitalist socio-economic development is to be explained in terms of (a) commodity production and (b) accumulation of capital. Historically, capitalism grows out of the simple commodity production based on private property. Primitive accumulation of capitalist was responsible for the creation of wage workers on the one hand and capitalist as the owner of the means of production

on the other hand. The capitalist mode of production is based on the exploitation of labour by means of the appropriation leads to moral capital accumulation and thereby the perpetuation of capitalist.

- (2) Capitalism contains inner contradictions which cause its collapse and demise. Firstly, the contradiction between social character of production and private character of the appropriation of production leads to class struggle. The revolt of working class against capitalists ultimately overthrow the capitalist system. Secondly, the technological displacement of labour leads to reserve army of unemployed. This leads to a fall in purchasing power causing deficiency in demand and over production. This leads to depression and in the course of time crisis gets matured to bring collapse of capitalism.
- (3) In the stage of free enterprise capitalism, free competition enriches some and ruins other capitalists. As a result production and capital get concentrated in the hands of few capitalists. Centralization of capital takes place when small firms merge with large firms. The concentration and centralization of capital leads to the formation of monopoly capitalism amassing of large number of workers in large enterprises and class struggle.
- (4) In its economic essence imperialism is monopoly capitalism.

2.2.9 Short Answer type question

Write Short notes on the following:

- 1 Concentration of capital
- 2 Centralization of capital
- 3 Monopoly capitalism
- 4 Imperialism.

2.2.10 Long answer type question

1. Explain the nature of capitalist socio-economic
2. What are the contradiction of capitalist socio-economic development

2.2.11 Recommended Books.

1. P.M. Sweezy, *The Theory of Capitalist Development*, Monthly Review Press, New York, 1970.
2. Yuri Sdobnikov, *Political Economy*, Progress Publishers, Moscow, 1982.
3. K. Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1954, 1974.
4. Prabhat Patnaik (ed.), *Lenin and Imperialism*, Orient Longman, Hyderabad, 1986.
5. Prabhat Patnaik, *What Happened to Imperialism*, Tulika, New Delhi, 1995.
6. V.I. Lenin, *Imperialism, The Highest Stage of Capitalism, in Selected Works*, Vol. I, Progress Publishers, Moscow, 1975.
7. A.G. Frank, *On Capitalist Underdevelopment*, Oxford University Press, Bombay, 1975.
8. Ranjit Sau, *Unequal Exchange, Imperialism and Underdevelopment*, Calcutta, 1978.
9. V.I. Lenin, "The State and Revolution" in *Collected Works*, Vol. 25, Progress Publishers, Moscow, 1964.
10. Jozef Balcerek, *Social Planning*, Centre School of Planning and Statistics, Warsaw, 1977.
11. Tom Bottomore, et al., *A Dictionary of Marxist Thought*, Oxford University Press, Delhi, 1987.
12. Harry Magdoff, "Imperialism : From Colonial Age to Present", Monthly Review Press, New York, 1978, p- 99.

IMPERIALISM AND NEO-COLONIALISM

- 2.3.1 Introduction
- 2.3.2 Objectives of the lesson
- 2.3.3 Explanation of the concept Imperialism
- 2.3.4 Imperialism as the highest stage of capitalism
- 2.3.5 Explanation of the concept Neo-Colonialism
- 2.3.6 Mechanism of Neo-Colonialism
- 2.3.7 Neo-colonialism as the last stage of Imperialism
- 2.3.8 Forces against Imperialism and Neo-Colonialism
- 2.3.9 Summary
- 2.3.10 Short answer type question
- 2.3.11 Long answer type question
- 2.3.12 Recommended Books

2.2.1 Introduction

Modern capitalism is the result of historical development of the capitalist mode of production. In the course of this development capitalist society passes through two main stages : free enterprise capitalism and imperialism or monopoly capitalism. Thus imperialism is not a new socio-economic formation, but only a stage in the development of the capitalist mode of production. That is why imperialism continues to exhibit all the basic features of capitalism. Under imperialism, there still exists private ownership of the means of production of capitalists, relations of exploitation between wage workers and capitalists, concentration of wealth in the hands of some and antagonistic relations between bourgeoisie and proletariat. As a result the economic law of surplus value, the general law of capitalist accumulation and law of competition continue to operate under imperialism. It must, however be pointed out that under imperialism the operation of these laws reveal certain specific features. As a matter of fact these 'specific features' help to distinguish between free enterprise stage and imperial stage of capitalist mode of production. What are these specific features ?

2.2.2 Objective of the lesson: In this lesson we will have information regarding imperialism, Imperialism as the highest stage of capitalism, Neo-colonialism, Neo-Colonialism as last stage of imperialism.

2.2.3 Explanation of the Concept 'Imperialism'

This historical task of defining 'imperialism' and spelling out its specific features

was performed by V.I. Lenin. According to Lenin "Imperialism is capitalism in that stage of development in which the dominance of monopolies and finance capital has established itself, in which the division of world among the international trusts has begun; in which the division of all territories of the globe among the great capitalist powers has been completed." Thus, the concept of imperialism suggests domination of monopolies as its basic characteristic. In other words, imperialism is monopoly capitalism. It means the rise of monopolies, as result of the concentration of production and capital, is a general and fundamental law of imperialism.

The imperialism, with its basic essence of monopoly capitalism manifests in the following four ways :

Firstly, monopolies grow up and begin to rule in the economies and politics of capitalist countries. This is the fundamental characteristic of imperialism as the new stage is capitalist development.

Secondly, monopolies in the fields of industrial capital and banking capital interweave to produce finance capital. Finance capital gets concentrated and centralized in few hands to produce financial oligarchy. Financial oligarchy subjugates the economic and political life of the nation. Financial oligarchy enables a small group of multi-millionaires to dispose of the country's entire wealth and are responsible to no one but themselves. In short, monopoly capitalists, having established a firm control over economic and political life, control the capitalist country.

Thirdly, monopoly intensify seizure of the most important sources of raw materials, markets and spheres of capital investment. As a result, monopolist, may extend their rule over separate countries or even whole continents.

Fourthly, the era of 'free seizure' of territories is replaced by monopolies control of colonies through their economic enslavement. The people of colonies are economically and politically enslaved through the mechanism of export of capital and commodities. It is significant to point out that sources of profit on exported capital are not only the surplus value created by the labour of wage workers, but also a part of their wages and of the income of other strata of the population of the colonies. The state budget of these countries is also used as an instrument to extract surplus. Thus, the export of monopoly capital, then the reinvestment of the profit, was the basic for the enslavement of less developed countries as 'colonies'. In short, the territorial division of the world by the imperialist power completed the formation of the colonial system as imperialism.

The above discussion of the concept of imperialism can be concluded as follows :

- (a) In the economic essence, imperialism is monopoly capitalism.
- (b) The economic and territorial division of the world among monopolist capitalists leads to the formation of colonial system of imperialism.
- (c) In its political essence, imperialism represents violence and reaction.
- (d) Imperialism is a dialectical unity of two opposites, monopoly and competition.
- (e) Imperialism is more burdensome and intolerable form of exploitation on the working masses.

2.3.4 Imperialism as the Highest Stage of Capitalism

Lenin's description of the monopolistic stage of capitalism was not confined to analysis of its economic features. It also included definition of imperialism's place in history, i.e. its place in relation of the entire epoch of capitalism and in relation to the socialist revolution. The historical place of imperialism is that it is the highest stage of capitalism. Imperialism is called as the highest stage of capitalism because it sharpens all the contradictions of the capitalist mode of production to their extreme limits.

Lenin analysed imperialism as the highest stage of capitalism in context of its three distinctive aspects : (i) monopoly capitalism; (ii) parasitic capitalism; (iii) moribund capitalism. Under monopoly capitalism, the process of production is enormously intensified. As a result of increasing concentration of production, the social character of production becomes more pronounced. The enormous wealth created by the labour of millions of people is appropriated by a small group of the big monopolists. Consequently, the monopolies greatly aggravate the fundamental contradiction of capitalism the contradiction between the social character of production and private capitalists form of appropriation of the results of production. Imperialism is not only monopoly capitalism but also parasitic capitalism. Under parasitic capitalism the management of enterprises is transferred increasingly to hired technical staff and specialists, while the big capitalists, themselves live idly on income from bonds and shares and become capitalist rentiers. The monopolistic

bourgeoisie, however, not only leads a parasitic life, but also diverts a growing part of the population from productive work. The contradiction of capitalism is manifested in the inability of capital to make full use of existing productive forces, to give work to the unemployed and to utilize productive capacities to the full. Moribund capitalism is transitory by nature. Imperialism is moribund capitalism because, by bringing all the contradictions of capitalism to ahead, it has put socialist revolution on the agenda.

In short, the following are the contradictions of capitalism which reach the extreme limits in imperialism thereby making it as the highest stage of capitalism.

- (a) The chief contradiction of that between capital and labour. In the period of monopoly capitalism, the working people undergo unrelenting exploitation on a scale not known prior to this period.
- (b) There is a sharpening of the contradiction between imperialist powers in their scramble for the territory of other peoples. The fierce struggle between imperialist countries for sphere of influence causes military conflicts which weaken imperialism, the highest stage of capitalism, shake its foundations and bring socialist revolution closer.
- (c) The imperialist powers plunder and exploit the people in colonies. The imperialist oppression together with development of capitalism in these countries drives their people to fight harder for their emancipation.

2.3.5 Explanation of the Concept 'Neo-Colonialism'

The advent of imperialism led to the formation of world capitalist economy. The

imperialist countries became loaded with colonial possessions, which led to the territorial partition of the world. According to Lenin, capitalism has grown into a world system of colonial oppression and of the financial strangulation of the overwhelming majority of the population of the world by a handful of 'advanced countries.' In other words, imperialist colonial system emerged as a system of economic exploitation of backward and weak countries by the imperialist states on the basis of political and national oppression. India was a colony of Great Britain for a period of about 200 years stretching from 1757 to 1947. In 1919, 69.4 per cent of population of the earth lived in colonies, which occupied 72 per cent of the area of the globe.

After the Great October Socialist Revolution of 1917 in Russia, a crisis of the imperialist colonial system set in. Influenced by the victory of the working class in the October Revolution, the struggle of the people of the colonies for their national liberation and economic emancipation gained considerable strength. After the Second World War the people of many colonies achieved liberation from the colonial regime and began to develop as independent sovereign states. In 1947, under the impact of the national-liberation movement British imperialism was compelled to recognise India as an independent state. In 1976, colonies occupied less than one per cent of the area and population of the globe.

The end of the colonial system could not resolve all the socio-economic and political problems of the developing countries. Imperialism in its new form still seeks to keep these countries in its orbit under the changed conditions. As a result, the traditional colonialism has been replaced by the neo-colonialism. Strickly speaking 'neo-colonialism' represents hidden methods of imperialist exploitation. The economic basis of neo-colonialism is monopoly capitalism and the system of state-monopoly capitalism. The aim of neo-colonialism is to prevent the developing countries from pursuing a truly independent home and foreign policy, to prevent them from creating truly independent economics, not to allow them to take a non-capitalist course of development and to keep these countries within the orbit of the world capitalist system. The policies of U.S. Government towards developing countries manifest neo-colonialism. In essence neo-colonialism is the aggregate of the economic, political and military methods employed by imperialist states, such as U.S.A. maintain the economic exploitation and dependence of the people of developing countries that have gained political independence.

2.3.6 Mechanism of Neo-Colonialism and Methods of Neo-Colonial Exploitation

Neo-colonialism is the colonialism of the present period, when imperialism is trying to adapt to the changing conditions of historical development. Following methods and mechanism of neo-colonialism and the consequent of neo-colonial exploitation are observed :

Firstly, the imperialist states set up puppet regimes in developing countries of the Third World in order to maintain colonial domination in these countries. The imperialist state create organs which, hidden under the national flag, serve the interests of foreign monopoly capital. In South Korea, for example, when the people rise up against the corrupt puppet government, the imperialists intervene on the pretext of the

defending 'freedom and democracy'. These imperialist powers adopt all violent methods to put down the liberation movements. The war of American imperialism against Vietnam illustrates this point.

Secondly, the imperialists also make extensive use of 'bilateral agreements' with developing countries of the Third World. The bilateral agreements are designed by the imperialist countries to bring development countries in their military block and also to construct military bases in these countries. The agreements enable the imperialist countries to maintain political hold on the developing countries, apart from using the military bases in these countries against socialist countries.

Thirdly, the export of capital in the guise of 'aid' for the developing countries is an essential mechanism of neo-colonialist policy. In fact, the concept of aid is incompatible with the very nature of imperialism, the immutable law of which is the enslavement, exploitation and ruin of the economically backward countries. Thus, the neo-colonialist 'aid' serves the political and economic ends of imperialists. As a matter of fact and experience, the imperialist 'aid' to developing countries is the most refined form of neo-colonialism. The aid is always with strings. The suspension of aid to India by U.S. government, during 1965 Indo-Pak War, was a manifestation of neo-colonial attitude of imperialist U.S.A.

Fourthly, the neo-colonialism operates through operation of large foreign-owned corporations in developing economies. The profits squeezed by these multi-national corporations reflect the exploitation of the local population.

Fifthly, the collective forms of neo-colonialism have been developed through the establishment of international finance and credit organisations. The International Monetary Fund, World Trade Organisation (WTO) and the International Bank for Reconstruction and Development are being used by the imperialist U.S. government to pressurise the developing countries to accept terms of aid, which are of exploiting nature.

2.3.7 Neo-Colonialism as the Last Stage of Imperialism

Neo-colonialism is the last stage of imperialism because at this stage the contradictions are so deepened that capitalism is discarded in the developing countries, one by one. The following is the process which work against imperialism and neo-colonialism.

Firstly, the struggle among imperialist countries leads to a further sharpening of contradictions. A most important inter-imperialist contradiction is that between U.S.A. and Britain; U.S. monopoly capital is staging an offensive against Britain's traditional markets and spheres of influence. The struggle is growing more intense among Britain, the U.S.A., German, Japan etc. in the sphere of foreign trade and as regarding to sources of raw materials and markets.

Secondly, the struggle between socialism and capitalism does not remove the internal contradictions in the capitalist camp, rather it sharpens them.

Thirdly, the contradictions between imperialist state and the economically backward countries, that had achieved political independence, have also made neo-

colonialism as the last stage of imperialism.

In short, neo-colonialism is the last stage of imperialism because there is about to be a complete break of the world capitalism system due to its inner-contradictions reaching the stage of explosiveness.

2.3.8 Forces Against Imperialism and Neo-Colonialism

The winning of national sovereignty is an important victory for the people of former colonies and dependent countries. It does not, however, signify the total liquidation of colonialism, but simply reduces the opportunities for colonial exploitation. Neo-colonialism is the colonialism of the present period. However, the following forces have come into operation against imperialism and its present form of neo-colonialism.

Firstly, the developing countries have come together to fight neo-colonialism through the concerted efforts. They have been fighting as group against the imperialist U.S. and West European countries on the problem of 'unequal exchange' as manifested in unfavourable terms of trade.

Secondly, the developing countries have also strongly realised to the evils of project-aid and country-tied aid. They have also raised their voice against the bilateral aid and in favour of multilateral aid. The bilateral aid contains more neo-colonial propensity than the multilateral aid.

In short, the concerted efforts on the part of countries, freed from colonial rule, is a great force for operating against imperialism and neo-colonialism. It must, however, be pointed out that imperialists and neo-colonialists have to be liquidated through the exploitation of their own contradictions.

2.3.9

SUMMARY

- (1) Imperialism is not a new socio-economic formation, but only a stage in the development of capitalist mode of production. But the operation of the laws of capitalist development shows certain specific features under imperialism. Domination of monopolies is the basic feature of imperialism. Imperialism is accompanied by colonial system. Imperialism represents violence and reaction.
- (2) Imperialism is the highest stage of capitalism because at this stage all the contradictions of capitalism get sharpened to their extreme limits. Contradictions get more and more sharpened as imperialism moves from the stage of monopoly capitalism to parasitic and ultimately to moribund stage.
- (3) Neo-colonialism represents hidden methods of imperialist exploitation. Neo-colonialism is the basis on which imperialist countries such as U.S.A. deal with the developing countries freed from colonial yoke.
- (4) Installation of puppet regimes in developing countries is an important method of neo-colonialism. Foreign aid is also used by the imperialist countries to exploit the developing countries. Multinational corporations based in imperialist countries are operating in developing countries to squeeze people of those countries.
- (5) Neo-colonialism is the last stage of imperialism. After it, capitalism can be replaced by socialism because contradictions of capitalism at this stage become most ripe.

2.3.10 Short answer type question

Write short notes on the following:

1. Neo-Colonialism
2. Imperialism
3. Highest stage of capitalism
4. Mechanism of Neo-Colonialism

2.3.11 Long answer type question

1. Imperialism is the highest stage of capitalism comment
2. Neo-colonialism is the last stage of Imperialism comment.

2.3.12 Recommended Books

1. P.M. Sweezy, *The Theory of Capitalist Development*, Monthly Review Press, New York, 1970.
2. Yuri Sdobniknov, *Political Economy*, Progress Publishers, Moscow, 1982.
3. K. Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1954, 1974.
4. Prabhat Patnaik (ed.), *Lenin and Imperialism*, Orient Longman, Hyderabad, 1986.
5. Prabhat Patnaik, *What Happened to Imperialism*, Tulika, New Delhi, 1995.
6. V.I. Lenin, *Imperialism, The Highest Stage of Capitalism, in Selected Works*, Vol. I, Progress Publishers, Moscow, 1975.
7. A.G. Frank, *On Capitalist Underdevelopment*, Oxford University Press, Bombay, 1975.
8. Ranjit Sau, *Unequal Exchange, Imperialism and Underdevelopment*, Calcutta, 1978.
9. V.I. Lenin, "The State and Revolution" in *Collected Works*, Vol. 25, Progress Publishers, Moscow, 1964.
10. Jozef Balcereck, *Social Planning*, Centre School of Planning and Statistics, Warsaw, 1977.
11. Tom Bottomore, et al., *A Dictionary of Marxist Thought*, Oxford University Press, Delhi, 1987.
12. Harry Magdoff, "Imperialism : From Colonial Age to Present", Monthly Review Press, New York, 1978, p- 99.

IMPERIALISM AND THIRD WORLD UNDERDEVELOPMENT

- 2.4.1 Introduction**
- 2.4.2 Objectives of the lesson**
- 2.4.3 Imperialism and third world**
- 2.4.4 Methods of exploitation and process of unequal exchange**
- 2.4.5 Exploitation through multinational corporations**
- 2.4.6 Summary**
- 2.4.7 Short answer type question**
- 2.4.8 Long answer type question**
- 2.4.9 Recommended books**

2.4.1 Introduction

The countries with low and middle income host 84.4 per cent of the world population and these account 24 per cent of the world's Gross Domestic Product (GDP). On the other hand the rich countries constitute 68 per cent of the world GDP and their share in the global population is merely 15.6 per cent.¹ The high income countries mainly constitute USA, Japan, Germany, France, Italy, U.K. and Canada. The low and middle income countries belong to the continents of Africa, Asia and Latin America. These poor countries are also known as Third World. These Third World countries will have to face a long and tedious struggle for their economic development in the present circumstances of the world.

Paul M. Sweezy has held the view that the under development of the Third World is the product of the same historical process which resulted in the development of the advanced capitalist world. Thus, the development of advanced capitalist countries and the underdevelopment of the Third World are the opposite sides of the very same coin. In fact, the capitalist mode of production inevitably produces development at one pole and underdevelopment at the other. In short, development and under-development are the two opposite poles of a dialectical unity.

The origin of underdevelopment in the Third World countries, is traced to imperialism. Imperialism in Asia, Africa and Latin America led to transfer of wealth from these periphery to the metropolis in Western Europe and North America.

2.4.2 Objectives of the lesson: In this lesson we will have information regarding imperialism, colonialism, Imperialism and third world relation and exploitation of

1. The World Bank, World Development Reports 2003 and 2010.

third world underdevelopment countries in Neo-colonialism.

2.4.3 Imperialism and Third World

The economic essence of imperialism and colonialism, whatever may be the form consists in exporting a part of a colony's national income to the metropolitan country with return imports of a non-equivalent value. This is a process of unequal exchange. The process of unequal exchange explains why metropolitan countries made rapid economic development during the last century while colonies in Asia, Africa and Latin America lagged behind. The argument finds validity in the exploitation of India's underdevelopment during British imperialism. Trade policies were so framed by the East India Company and later by the British Government so as to drain away wealth from India to feed to British Industrial Revolution with raw materials and to provide markets for British finished products. The heavy imports duties were levied on Indian goods other than foodstuffs and raw materials imported from India and very nominal duty on the imports of British manufactures to India. This unequal trade policy was forced on India and India had to accept this imperialism exploitation because she had been subjugated as a colony.

It must be emphasised that under imperialism export of capital becomes more important than foreign trade as an instrument of exploitation. In India also in the early phase of colonialism, the chief instrument of exploitation was trade, but later investments were encouraged by the British. According to the RBI survey, British investment in India, as on 30th June 1948 was Rs. 230 crores. The British investments in India were in short, the mechanism of exploitation. The repatriation of profit and interests from India to Britain represented 'surplus' appropriated from the exploitation of labour in India. The increasing amount of 'surplus' rendered India underdeveloped and made Britain developed.

According to Samir Amin, the relation between the formations of the centre and those of periphery are affected by transfers of value and these constitute the essence of the problem of accumulation on a world scale. As a result of the mechanism of primitive accumulation transfer of value takes place from the pre-capitalist periphery to the capitalist centre. The underdevelopment of India as a periphery and the development of British as a centre took place through the mechanisms of transfer of value and primitive accumulation, which divorced the Indian producers from the means of production and swelled the ranks of labour.

In short, imperialism was responsible for the underdevelopment of the Third World.

2.4.4 Methods of Exploitation and Process of Unequal Exchange

The first United Nations Conference on Trade and Development (UNCTAD) held the view that complete decolonisation and the liquidation of the remnants to colonialism in all its forms, is a necessary condition for economic development and the exercise of sovereign rights over natural resources. But the imperialist advanced countries of Western Europe and U.S.A. have devised new forms of colonialism, i.e. neo-colonialism. The neo-colonialism stands very much in the ways of development efforts of the countries which have come out from the yoke of century old colonialism.

The process of unequal exchange finds its manifestation in the movement of terms of trade against the Third World countries. The deterioration in terms of trade creates such conditions, where the developing countries have to pay for imports, from advanced capitalist countries, at the increasing rate more than what the prices they fetch for their exports. This form of unequal exchange is nothing but the neo-colonial exploitation of the developing countries.

The share of developing countries in the world trade is insignificant. Rather, it has been decreasing in case of most of the developing countries. The share of India in world trade has declined from 2.50 per cent in 1950 to 0.49 per cent (approximately) in 1995. It is partly as a result of restrictive trade policies of Western imperialist countries. The imperialist countries of the West have also formed economic community in the form of common market such as E.C.M. This is a collective and concerted effort of the western advanced capitalist countries to monopolies trade in relation to non-member countries. The countries of the Third World are the most affected by such imperialist policies. Despite the operation of Generalised Scheme of Preferences the discriminating treatment to the developing countries is not done away. This leads to the problem, which developing countries face in their export efforts.

As a result of unfavourable terms of trade the developing countries are losing millions of dollars a year. Added to this is the problem of export stagnation. In the face of these countries and rising bill of imports, the developing countries have to make resort to aid. But the aid itself is a neo-colonial mechanism of the exploitation of developing countries. The aid is invariably country tied and project tied. Under the scheme of country-tied aid, the recipient developing countries has to use aid to import goods from the donor country. The donor country charges exorbitant prices for such goods. Not only this, the Third World is the ultimate dumping ground for obsolete machinery. The American terms and conditions of the aid to developing countries are very hard.

The burden of aid in the form of servicing of debt is felt by developing countries when about one-fourth of their export earnings are drained out by the donor countries. The aid is attended by political strings as well. In short, both in its economic and political essence, aid is the mode of exploiting the development countries.

The multinational corporations also furnish a neo-colonial mechanism of exploitation. The working of the multinational companies shows that they have not hesitated to thwart national governments and bring about authoritarian rule of advanced imperialism. Some 4,000 companies qualify as multinational corporations, appropriate not only the surplus labour but also a significant part of the necessary labour of the developing countries.

The entry of direct investment through merger or acquisition increases the concentration in few hands in a market of the Third World.¹ This indicates towards the creation of monopolies in developing countries, especially by the MNCs. These large obligopolistic firms ruin the small, medium and most of the large firms of the poor host country as they (MNCs) are mostly giant firms or are foreign affiliates of the giant firms. Being global giants these firms have better R&D (Research & Development) wing which

1. United Nations Organisation (UNO), World Development Report, (TNCs, Market Structure and Competition Policy), 1997, Bookwell Delhi, 1978.

makes their product superior and even sometimes relatively less costly as compared to the local firms. After establishing their control over the market, they exploit the people of the poor countries. They do this mainly on two fronts, i.e. one by employing relatively cheap labour viz-a-viz that of imperialist countries and, being monopolists, by selling their products (comparatively to cost) at higher prices. These companies earn lot of profits through the exploitation of the people of these poor countries. More often than not it is their discretion whether to re-invest the exploited money in the host country or not. They re-invest it, only if it ensures further opportunity for exploitation and profits. This neo-colonial exploitation by MNCs has become the order of the day.

2.4.5 Exploitation through multinational corporations

The multinational corporations also practise 'transfer pricing'. Transfer pricing is akin to transfer of foreign exchange earning, through under-invoicing of exports and over invoicing of imports. This means that a multinational corporation may overprice the inputs and underprice the outputs and vice-versa with a view to showing high profits in a low-taxed country and low profit in a high-taxed country. The essence of multinational corporations's exploitation of development countries is unequal exchange.

Out of the top 100 multinational corporations (MNCs) 87 per cent belong to European Union, U.S.A. and Japan and these account for 88 per cent of their foreign assets. This shows the grip of imperialist countries on the MNCs that have become as a major tool in hands of the imperialist countries for the exploitation of the Third World countries in modern times. In 1996, the global Foreign direct investment stock was valued at \$3.2 trillion. The rate of growth of FDI during 1986–1995 was more than twice that of gross fixed capital formation. This indicates an increase in the internationalization of national production system. Moreover, the assets of foreign affiliates increased more rapidly than world gross fixed capital formation in 1994.¹ This also shows the increasing level of the exploitation of the Third World by imperialists through MNCs and their foreign affiliates.

Whereas in 1991, the amount of foreign direct investment in India was \$155 million, it rose to \$2587 million in 1996. Further, the total FDI equity flows turned out to be US \$ 27,309 million in 2008-09.² This increase took place mainly due to more opening up of the Indian economy than before as is clear from the Industrial Policy of 1991. This policy was formulated and adopted under the process of globalisation which has been started by the imperialist countries through the so-called world bodies like World Bank, International Monetary Fund (IMF), World Trade Organisation (WTO) etc. There is very possibility, as the history shows, that this increasing trend of Foreign Direct Investment (FDI) mainly through MNCs of imperialist countries would lead to an ever increasing process of exploitation of the Indian economy.

The above discussion clearly brings out the role of neo-colonialism as 'backwash' effect on the development process of the Third World countries. The Third World countries are, by and large expanding public sector to speed up the development process on the non-capitalist path. In this context, it is significant to point out that imperialist

1. The World Bank, *World Development Report 1997*, Oxford University Press, New Delhi, 1996.
2. Government of India, *Economic Survey*, 2008-09, p-215.

countries and their counterpart capitalists in developing countries combine sabotage the non-capitalist path of development in developing countries. Even the international institutions like IMF and World Bank are controlled by imperialist USA. These institutions are used to pressurise the Third World countries to accept neo-colonial terms of aid and also give concessions to private sector.

The imperialist USA has been trying to create tension in Asia, Africa and Latin America. Violence, liquidation of nationalist and socialist political leaders and installation of puppet governments are some of these activities spearheaded by USA in the Third World.

In Short, existence of underdevelopment and the retardation of the development process in the Third World countries can be explained in terms of imperialism, colonialism and neo-colonialism.

2.4.6 SUMMARY

The countries of Asia, Africa and Latin America are countries of Third World. Development and underdevelopment are the two opposite poles of a dialectical unity. Underdevelopment in the Third World is the product of same historical process which resulted in the development of advanced capitalist countries. Imperialism and colonialism were the forces which operated to make the Third World underdeveloped.

The imperialist advanced countries of Western Europe and USA have devised new forms of colonialism, i.e. neo-colonialism. The process of unequal exchange is meant to exploit the developing countries. the unequal exchange process is manifested in the movement of terms of trade against developing countries, insignificant share of developing countries in world trade, the repatriation of profits and exorbitant royalties by the multinational corporation and high external tariff by Common Market Western capitalist countries. The international financial institutions like IMF, WTO and World Bank are also used by imperialist USA to pressurise and dictate terms to the developing countries. The imperialist countries like USA also create political and military tensions in the Third World.

In the present times, it is considered that the exploitation by the rich countries of the poor countries would continue i.e. the world has become unipolar. But due to the increasing problems, e.g. unemployment, poverty, etc; the exploited people/countries ultimately will have to start struggle against the imperialist countries and mainly their allies in the host poor countries.

2.4.7 SHORT ANSWER TYPE QUESTIONS

WRITE SHORT NOTES ON THE FOLLOWING

1. Imperialism
2. Methods of exploitation
3. Transfer pricing
4. MNCs

2.4.8 Long answer type question

1. How is third world underdevelopment integrated with imperialism?
2. Explain the methods of Neo-colonialism of third world countries
3. Explain the exploitation of third world countries through multinational corporations

2.4.9 Recommended Books:

1. P.M. Sweezy, *The Theory of Capitalist Development*, Monthly Review Press, New York, 1970.
2. Yuri Sdobnikov, *Political Economy*, Progress Publishers, Moscow, 1982.
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CAPITALIST SOCIAL PLANNING AND ECONOMIC DEVELOPMENT

The Capitalist State : Its Economic Role

Every state is an organ of class rule, an organ for the oppression of one class by another. Because the written history of all hitherto existing societies is the history of class struggle, therefore, “society thus for operating amid class antagonisms needed the state, that is, an organization of the particular exploiting class for the maintenance of its external conditions of production and therefore, especially, for the purpose of forcibly keeping the exploited classes in the condition of oppression determined by the given mode of production (slavery, serfdom or bondage, wage-labour)”¹, wrote Engels. The privileged position politically dominant position, in the structure of state goes to the economically dominant class (to the class of bourgeoisie in capitalist society) whose (ruling class) ideas also become the ruling ideas of that age.

The class structure of society is defined and demarcated by a given set of production relations in which classes owning means of production have material advantages over others. The state is a special institution capable and willing to use force, to whatever degree is required, as the guarantor of the maintenance of such a set of production and property relations. In a capitalist society, the highest purpose of the state is the protection of private property and this protection of property is fundamentally the assurance of social domination of owners over non-owners.

Every state is bound to play a vital economic role in a given historical situation, in one form or another, in the organisation and administration of economic processes and policies. The primary function of the state is protection of given property and more so, production relations and the secondary function is to serve as an economic instrument of social development, in the given framework of property relations. Without performing its primary function the state cannot perform its secondary function. In fact, among the casual factors causing historical change, the state power is a crucially significant social factor. As an economic instrument, wrote Engels, “the retroaction of the state power upon economic development can be of three kinds : it can proceed in the same direction and then things move more rapidly, it can move in the opposite direction, in which case it (the state) will go to pieces in the long run; or it can prevent the economic development from proceeding along certain lines and prescribe other lines. This case ultimately reduces itself to one of the two previous ones. But it is obvious that in cases of two and three the political power can do great damage to the economic development and cause

extensive waste of energy and material.”²

In a given historical social formation, organization of production and distribution of material social wealth is determined by the dominant form of ownership of means of production and by the production relations among the people and the process of material production. Those who possess basic means of production arrange production and distribution of social wealth to their own benefit and to the benefit of their classes.

In a capitalist society in Sweezy's views, “in the first place, the state comes into the action in the economic sphere in order to solve problems which are posed by the development of capitalism. In the second place, where the interests of the capitalist class are concerned, there is a strong predisposition to use the state power freely. And, finally, the state may be used to make concessions to the working class provided that the consequences of not doing so are sufficiently dangerous to the stability and functioning of the system as a whole.”³ In sum, in the capitalist society the state interference in economic processes is meant to strengthen property and private enterprise and the capitalist production relations. This is true even in respect of the functioning of the public sector.

Though economics is primary and politics secondary, since politics is engendered by economics it cannot but take precedence over economics. In this context Lenin said : “without a correct political approach to the matter the given class will be unable to stay at top and *consequently* will be incapable of solving *production problem* either.”⁴ Politics is always the expression of economic necessity and it can be successfully pursued only if it corresponds fully to the objective requirement of the economy and to the inner logic of economic development. Not only economics but also class and social make-up ideology, political and cultural traditions of the society and the international situation have a major impact on the state. The political nature of activity and the potential for choosing political variants lend the state a certain independence and permit it to exert an active influence on the character and direction of economic development. However, the interaction of the economy and the state is *sui generis* and complex. Externally, it is expressed in the ever growing intervention of the state in the fundamental processes of economic development.

Although the state cannot arbitrarily establish new social orders to carry out reforms for which the economic conditions have not ripened, yet it processes significant power to direct and reform the economy. Further, the specific structure of society, the absence in most of the developing capitalist countries of clear-cut differential gives relative independence to the state which has an extensive area for economic manoeuvre.

Through the economic function the state graphically discloses its social purpose and class substance and manifests its active involvement in economic development and resolution of economic problems. The state, as regulator of social contradiction making economic decisions, supporting specific classes and social groups. Even when such an activity seem to express the interests of the entire society and nation, its end result is to maintain or develop production relations of a specific type and consequently to strengthen

the position of a social class or alliance or social groups for which this is advantageous.

For the capitalist state, regulation of the economy is important for defending and deepening capitalist production relation. The state's influence on the economy can be exercised directly or indirectly. Direct regulation is a sum total of measures aimed at restricting or eliminating certain economic relations. The need for economic planning—an instrument of direct regulations—in developing capitalist countries, in order to carry out complex tasks in an historically brief period, stems from the inadequacy of the market mechanism—an instrument of indirect regulation. The state also employs indirect economic regulations to obtain desired results by creating conditions and situation which participants in economic activities must reckon with. This policy as a rule results in a sure formation and development of new economic relations. Indirect intervention is the basic method for influencing the economy in countries where the bourgeoisie holds or has a direct impact on political power.

The economy of the transitional period in the Third World involve three structures : small scale commodity production, private capitalism and state capitalism. The bourgeois state, even in the democratic form in any developing capitalist country, while stimulating and regulating the socio-economic development is all the same promoting the capitalist mode of production. But it is not a decisive factor in establishing the capitalist formation. The latter matures largely under the impact of the spontaneous forces of the capitalist evolution of small-scale commodity production and the development of private 'national' capitalism and (foreign) monopoly capital. As the private capitalist and the state capitalist sectors grow stronger, the small-scale commodity production is increasingly locked into the capitalist economy and becomes an extensive source for expanding that economy. In all of these processes the role of state of its policies and regulations, is significant. Regarding the nature of state power, to quote Lenin : "The state can on no account be something inert, it always acts very energetically, it is always active and never passive."⁵

World Imperialism and Third World Capitalism

After analysing the emerging international capitalist division of labour in his time Marx observed : "A new and international division of labour, a division suited to the requirements of the chief centres of modern industry, springs up and converts one part of the globe into a chiefly agricultural field of production for supplying the other part which remains a chiefly industrial field."⁶ It was indeed during the period of the Industrial Revolution of the eighteenth and nineteenth centuries that the international specialization between the industrial and agricultural countries was decided. The world become split in two groups, one the industrial 'town', and the other the agricultural 'country'. And thus was sealed the fate of the countries of Asia, Africa and Latin America for a long time to come. To quote Marx again, "The foundation of every division of labour thus is well developed and brought about by the exchange of commodities is the separation between town and country. It may be said that the whole economic history of society is summed up in the movement of this antithesis."⁷ So also is the case, today of the

history of world imperialism and development of capitalism in the Third World.

In different countries, world over, the unequal development of productive forces create different economic types and different production spheres, thereby increasing the prevailing international division of labour. Marx singled out production relation from all social relations as being the basic and primary determinant of all other relations including the centre periphery relations, of which that of unequal exchange is an integral part today.

Unequal exchange between the periphery and the centre of world capitalism has been going on for centuries. Rosa Luxemburg went to the extent of theorising that it had to be so. She argued that the realisation of surplus-value under expanded production necessarily calls for non-equivalent exchange between the capitalist centre and the pre-capitalist periphery. It is said that “desire changes in the form and modality of imperialist exploitation, the Third World in effect continues to remain a semi-colony of the metropolitan centre of world capitalism.”⁸

The centre-periphery relationship now revolves around four axes : first, the capital flow, second, the transnational production, third, the flow of technology; and finally trade. out of these, it is the trade of commodities among nations which mediates all other three, viz capital movement, international production and technology transfer.

Today, unequal exchange is no longer carried on with brute force or by way of ill-concealed fraud. The tactics of imperialist exploitation have changed with the time. Imperialism has changed its colour and now continues its exploitation through the medium of collaborating classes of the former colonies. In fact, colonialism has shaded of into neo-colonialism. Imperialism perpetrates its design through a certain medium of internal class collaboration. Class interests of the local ruling classes are protected by giving them a part of the surplus; at the same time robbing them of the other part and thus making them an instrument for keeping the economy of a Third World nation in the permanent limbo of underdevelopment.

At present, however, world imperialism is no longer a monolithic hierarchical machine of surplus extraction; the local industrial bourgeoisie does retain substantial room for manoeuvre; and the rural bourgeoisie or feudal-semifeudal landlords (whatever is the case) are equally aware of their degree of freedom and share of exploitation—thanks to the dialectal nature of class contradictions in most of the Third World nations. In a Third World country, imperialism is distinctly the most powerful among the three classes who form the ruling coalition. It is the triangle of alliance of the ruling classes working under the heavy weight of imperialism that makes unequal exchange not only possible but also inevitable. The unequal exchange has its roots not merely in the area of circulation but more fundamentally in the domain of production relations.

In the triumvirate of ruling classes of feudalism, capitalism and imperialism, the three sides are not equal in strength but on the whole it is a formidable confidence with imperialism usually the dominant partner. Imperialism is by far the strongest partner even though the degree of its influence and the mode of its operation varies time to time and place to place. The Third World bourgeoisie, feudalism and imperialism are

dialectically related; there are areas of conflict but the predominant aspect of their inter relationship now is one of complementary and reciprocity.

Agriculture occupies a key place in the Third World economy. It produces the bulk of the gross national product and accounts for the lion's share of export earnings. Besides, whatever industry is there, is largely based on agriculture. The bourgeoisie controls industry as well as foreign trade and is a major, if not the sole, purchaser of agricultural products which are partly used up in domestic industry and partly exported as such. The circuit of exchange of the products expropriated from primary produces by feudal landlords and peasant bourgeoisie is completed, through the mediation of the (industrial) bourgeoisie. "In league with the local bourgeoisie the imperialist bourgeoisie consummates the exchange of the agricultural products for industrial use within the Third World or for export abroad."⁹

The peasant bourgeoisie and feudal landlords exploit the peasants and agricultural labourers and the industrial bourgeoisie exploits the industrial proletariat. Together these two classes are dependent on and exploited by the imperialist bourgeoisie. The Third World bourgeoisie, as a class is united in defence of its interests in general, but at the same time it is a class that is riddled with internal strife. Imperialism takes full advantage of the squabbles among the bourgeoisie of the Third World; because of the process of differentiation of this bourgeoisie, the warring factions run into it for shelter, protection and nourishment. This is true not only of the top section but of the lower sections of the bourgeoisie as well. Imperialism is also in urgent need of an alliance with the Third World bourgeoisie. The tendency of the rate of profit to fall in nature capitalist countries is sought to be neutralised through rapid technological progress. And the home market in the Third World countries is thus becoming more important, in absorbing the products and obsolete technology of the advanced capitalist countries.

Because of the alliance of the national and international capital its underlying contradictions, the Third World economy continually goes through a process of uneven development, or more accurately uneven underdevelopment. "The Third World is kept in the limbo of underdevelopment in two ways. First, a large volume of surplus is being drained away, as a result of which the poor country cannot accumulate enough to make effective use whatever potentialities it has in terms of human and natural productive factors. Second, and related to the point above, the Third World economy is being continuously destroyed, as is reduced to a mere apparatus for supplying raw materials and for absorbing the obsolete products and technology of the advanced capitalist countries."¹⁰

With the development of World capitalism the Third World also moves on, but the direction of the movement is such that it cannot escape the denumbra of neo-colonialism and the consequent, underdevelopment. Not development but only a semblance of economic development takes place. Moreover, its focus is largely determined by the requirements of the metropolis of World imperialism. "Unequal exchange and underdevelopment are the joint manifestations of a single unified process

of imperialist exploitation in the Third World : that which makes imperialism possible also makes unequal exchange and underdevelopment inevitable.”¹¹ Unequal exchange is in essence, a corollary as well as cause of underdevelopment in the wake of imperialism.

But it is a gross over simplification to characterise the Third World bourgeoisie as lumpin-bourgeoisie, that is, the class which is a passive tool of foreign industry and commerce. True, the local bourgeoisie mediates the interests of imperialism in the Third World, but it does so because, thereby, it accomplishes its own ambitions in the process. “If the local bourgeoisie depends on imperialism so does imperialism upon the local bourgeoisie; they are mutually dependent in extracting surplus. And of course, there are also certain spheres where the interest of the ruling alliance tend to diverse. Under such circumstances the state plays an importance role.”¹² The recourse to state capitalism in many parts of Third World, in fact is intended to protect and foster the interests of the domestic bourgeoisie against the powerful onslaught of capital. But now under globalisation process the situation has changed and Third World State is to obey, more or less, the dictates of Imperialist rich countries of the world.

The home market for industry in the Third World economy actually declines instead of expanding, presumably in view of the pre-capitalist exploitation in the agrarian sector which is by far the biggest market. The Third World economy does not have a colony to dispose of its industrial output; often top of that the domestic market fails to respond, the capitalist production cannot but get satated. And herein lies the conflict between the interests of agrarian feudalism (or capitalism) and industrial capitalism. The local industrial bourgeoisie craves for a bigger market for its product; the imperialists insist on an assured supply of raw materials for their industry and a market for their obsolete plant and equipment and the feudal-semifeudal landlords and rural capitalist maintain their demands generate considerable frictions and the state has to preside over their reconciliation. As a result, the scale of activity in the economy expands but it is underdevelopment, not development of the country.

India's economic dependence on the Western capitalists power has arisen as a consequence of the class structure and the state power that characterised India at the time of independence. “The main conclusion to be drawn from the experience of independent India is that, in the absence of a revolutionary transformation of the domestic class structure, an ex-colonial underdevelopment country faces a choice between economic stagnation or economic dependence on the major capitalist powers. The latter can open the country to Western imperialism influence, which in turn reinforces the dependency relationship by strengthening those domestic classes most interested in a Western oriented capitalist path of economic growth. Thus, dependence and imperialism are closely woven together in the fabric of international capitalism.”¹³

Capitalist Social Planning

Social planning in a capitalist society is a conscious action of the ruling bourgeoisie classes upon the transformation of social structure of society, carried out through the apparatus of the state. For this purpose, economic planning is always subordinated to social planning because economic development and social exchange are interdependent

and any strategy of social transformation is necessarily an integrated socio-economic process.”¹⁴

The purpose of the capitalist social planning, in general, is to (i) eradicate all pre-capitalist remnants from different spheres of social life; (ii) realise expanded material reproduction, capitalist class profits through extraction and appropriation of surplus value and accumulation from it; (iii) extend the sphere of social manipulation of the existing social classes at the margin of class conflicts; (iv) ensure law and order, that is, forced class harmony, in the face of antagonistic class contradictions and struggles; and thereby to (v) ensure continuity of social hegemony of capital, of capitalism values, production relations and life pattern, based on them.

Among all the classes in a given socio-economic system only the basic classes determine the substance of the relations of production. They differ in respect to ownership, real disposition and effective control of means of production. Under capitalism, Balcerak wrote, “we observe the differentiation into two antagonistic basic classes—the ruling class, which is owning, disposing of and controlling the means of production” and the “subordinated class—deprived of this ownership, disposition and control.” Since “economic development is subordinated to the strengthening of the ruling system of relations of production”, in capitalism “the subordination finds its reflection of the maximisation of profits, as the economic foundation of the bourgeoisie rule.” This “economic development has never been an end in itself, but only a means to obtain a goal determined by the system of relations of production”¹⁵ that is, economic planning is always subordinated to the social planning of the dominant classes. For to admit that profit or extraction and appropriation of surplus-value and therefore, accumulation is the end purpose of capitalism, means considering relations between man and things, and economic aspect, only. Actually, profits or surplus-value or accumulation is only a means for the bourgeoisie to promote and maintain particular socio-economic cultural and political relations among the people. Only the means, the power base, (private property or social collective property) and the power-use media (market mechanism or planning or both) are different in different formulations.

In capitalism, the main responsibility for determining the social policy at the national level is of the bourgeoisie state. The working class and labouring masses remain the *object* of care. The social consumption fund is one of the important tools in the social policy of the bourgeoisie state to regulate, reorganise and reformulate the production relations among social classes. It is only through the state policy regarded social consumption fund that the income/wealth, both material, and non-material, at the disposal of different classes is manipulated, decided and controlled by the running classes. In a capitalist society, social consumption funds are subordinated to the requirements of competition in the international market and to the drive to weaken the revolutionary working class movement.

This policy of social manipulation plays a decisive role in social changes, indirectly conditions economic development and influences the material position of social classes, strata, groups and thereby of individuals, giving rise to specific social contradictions.

Further, this social policy is used by the capitalist state to harmonise the process of social and economic development and relations of classes in the productive spheres. But only through the practice of integration of social and economic development, and only within its limits, it is possible to determine the appropriate policy.¹⁶

For the capitalist countries, like India, the choice of the capitalist path in practice means as a further subordination to the international capital division of labour. The neepest source of social and economic backwardness of India is to be found in this subordinates, because the internal remnants of outlived socio-economic system (feudalism) are only a logical complement to the system of dependency imposed by imperialism. Moreover, the so-called national bourgeoisie, which supposedly has to develop the economy in an unhampered way exists only as dependent, if not as compardor bourgeoisite. For “the so-called non-capitalist way of development as a substitute for third way, may be only an attempt to advance a lack of attitude to the rank of principle of action. The anti-capitalist way of development is not in self a constructive guideline.”¹⁷ But nevertheless, this Indian bourgeoisie is successful in reducing the working classes including the small peasantry, to the framework of limited consumption. The main decision concerning the distribution of national income and the main direction of investments are taken only by the owners of the means of production. So, in most crucial questions, the working classes remain the object of social manipulation of the bourgeoisie and state bureaucracy, which is realised through the policy of social planning of the capitalist state.

The success of national liberation movements revolutions and the growing role of developing capitalist countries of the Third World on the World scene have compelled the imperialist states and international capitalists to reassess the significance of these countries for the destiny of the entire world capitalist system. It is in this light that the preservation of the emergent capitalist countries as object of exploitation and as means of protecting the capitalist relations is viewed by imperialism.

The programmes of economic and technical aid to developing capitalist countries by the imperialist states are an important means of protecting imperialist class interests on the international scene. The imperialist ‘aid’ has two aspects : (i) ‘From an economic viewpoint, the aim of the ‘aid’ given by countries of developed capitalism is to assist the sustaining of the process of simple reproduction in emergent countries. This means that it does not assist the development of productive forces and the growth of productive capital in these countries. (ii) “.....the imperialist state expresses, in concentrated form, the fundamental long-term interests of the entire exploiter system and first of all of international monopolies because the latter's foreign investments in emergent states make for the eventual development of capitalist production relations.” Thus, imperialism (international capital) is also engaged ‘in striving to form and strengthen in developing countries a large local bourgeoisie, interested in the development of capitalist production relations and in the retainment of these countries within the system of the world capitalist economy.’¹⁸ As a result “the international division of labour has taken on a new structure which is a consequence of the particular form whereby the peripheral economy is integrated into the industrial matrix of centre capitalist countries.”¹⁹ Moreover, “the

international division of labour no longer relates to the geographical location of commodity production. It relates more specifically to the nature of the labour process.”

The imperialist politico-propaganda campaigns are at present basically a continuation of the policy of manipulation of human consciousness and behaviour, which has always been a feature of capitalist society but which has now, with the aggravation of its general crisis, become a major instrument the hands of the ruling class in order to maintain its domination. “The tendency towards an increase in the role of the ideological factor in the domestic and foreign policy of present-day imperialism stems from the overall instability of the capitalist system. The deliberate indoctrination of the people is now aimed not only at stilling general ideological principles and goals in order to justify the capitalist order, but also at ensuring the ‘normal’ functioning of the economic machinery. Thus, bourgeoisie ideology has become for the ruling class an essential for regulating economic, political and social processes.”²⁰

The nature of the modern state and its role in the capitalist economy is such that state is not a neutral arbitrator, it is an integral feature of modern capitalism. In fact, monopoly capitalism cannot hope to survive without continued state involvement. Further in the state, bureaucracy has come to constitute a necessary ingredient for its continuing existence. In fact, in a capitalist society, as Marx and Engels wrote, “the executive of modern state is but a committee for managing the common affairs of the whole bourgeoisie.”²¹

The essential politico-ideological function of the capitalist state is to create grounds for acceptance of its policy of social manipulation and of obedience. In all class societies, the consciousness of the subordinated classes is a crucial factor of stability (or otherwise), including capitalist society. But the ‘acceptance’ of social order varies from enforced submission, through habitual conformity, to self-conscious commitment. To a considerable extent, the capitalist state achieves such legitimation directly, on the one hand, through its control over those institutions which are specialized in communicating ideas, notably the media and education system, and on the other hand by social benefits to the population at large and in particular in that social state which can be manipulated and won over thereby. However, for the capitalists as a whole the distribution of social benefits to vulnerable classes of society in an unfortunate necessary, the levels and nature of such expenditure, the social consumption funds, being a focus for class conflict.

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NATURE OF TRANSITION TO SOCIALISM

Distinction Between Transitions

The transition from capitalism to socialism takes place differently than the transition from feudalism to capitalism. The rise of cities and of the bourgeoisie, and the growth of commodity production contains elements of capitalism. Capitalist production relations, thus, originate in the loins of feudal society. The transition from capitalism to socialism takes place in an entirely different manner. Socialist production relations do not rise in the womb of capitalist society. They emerge only after the victory of the proletarian revolution, only after the acquisition of political power by the working class.

The basic distinction between the bourgeois and proletarian revolutions consists in the fact that the former is accomplished on the foundation of capitalist production relations already developed to a certain extent within the womb of the old feudal society. The bourgeois revolution removes the obstacles to the further development of these relations but it does not create them. They are created spontaneously within the womb of feudal society. The bourgeois revolution constitutes a kind of completion of capitalism's birth process which at the same time opens up for the capitalists possibilities of full development which they did not possess under the feudal order. The proletarian revolution, on the contrary, precedes the emergence of socialist production relations. Only working class power first liquidates capitalist production relations and makes possible the construction of socialist production relations. This fact constitutes the basic distinction between the bourgeois and proletarian revolutions. The bourgeois revolution already possessing the foundation of the new social system, or at least important elements of that foundation, effects changes in the political superstructure, which in turn opens a free road to the full development of the structure of the new society, on the contrary, the proletarian revolution and the new political superstructure erected by it liquidates the basis of hither to existing society and creates the pre-requisites for constructing the foundations of the new society. The establishment of the new political superstructure, that is working class power does not itself come spontaneously. It is the result of sharpening class contradictions within capitalist society, the contradiction between the capitalist production relations and the further growth requirements of social productive forces.

The new, post capitalist social foundation arises only after the political revolution is accomplished. The new political power, serving as the motive-force of the transformation from capitalist to socialist production relations, is defined by the concept 'dictatorship' of the proletariat. It is the power of the working class (in alliance with the peasantry)

over the former ruling classes, which removes the economic foundations of the old society and lays the foundations of the new social order. The dictatorship of the proletariat may assume various political forms, depending upon the socio-economic, and historical conditions in a given country. But the social functions of this new state power, are everywhere the same—the elimination of pre-socialist (capitalist or feudal) production relations and the construction and organization of socialist productive forces.

Thus, the transition to socialism does not and cannot, take the same course as the transition as from feudalism to capitalism. Sweezy wrote : “The distinguishing characteristic of pre-marxian or Utopian socialism was the deliberate selection of a road to socialism similar to that which had led from feudalism. Marx, of course, shared none of the illusions of the Utopians, and was fully aware of complex inter-relation of social systems, human action and social change. Socialism itself cannot take root and grow within the confines of capitalist society as capitalism has done under feudalism.”

The essence of capitalism is the self-expansion of capital, which takes place through the production and accumulation of surplus value. Production of surplus value in turn is the function of the proletariat. Since, the proletariat produces for capitalist and not for the satisfaction of his own needs, it follows that capitalism established an accumulation of misery corresponding with accumulation of capital. The proletariat is thus both essential to capitalism and its essential victim. Marx has always conceived of socialism as the negation of capitalism operating according to radically different laws and principles. Capitalism treats people as means to the expansion of capital which is the root of its manifold contradiction and evils. The main point of socialism is to reverse this and to enable people to take over and to arrange not only their productive activity but their whole lives with a view to satisfying their truly human needs. This implies, among other things, the abolition of private property in the means of production and of incomes derived there from, a high degree of equality in all things, allocation of resources by plan rather than by the blind forces of the market mechanism, the elimination as rapidly as possible of individual distinctions between manual and mental labour, between city and country, and the ultimate replacement of all money and commodity relations by direct human relations.

The capitalists would neither want nor be able to build and operate a socialist society. Their bourgeois human nature would be totally incompatible with the ensemble of social relations of socialist society. An attempt to combine the bourgeoisie nature and socialist relations would be doomed from the outset. This dilemma, however, near arose in the case of the transition to capitalism. Bourgeois relations grew up within the framework of feudal society and moulded bourgeois human nature over a long period. When capitalism finally conquered feudalism, it did so as an entire social order in which the correspondence between human nature and social relations was already fully developed. On the contrary, the socialist human nature cannot emerge through the practice of socialism within the framework of capitalism. Moreover, when capitalism had grown strong enough to challenge and defeat feudalism, there was no real possibility of a return to feudalism. But it is altogether different in the case of the transition to

socialism. Socialist human nature is not formed within the framework of capitalism but only in the struggle against capitalism. In this struggle the proletariat must not only change the relations of society but in the Process he change himself.

Essence of Transitional Period

About the necessity of a transition or socialist construction, Oskar Lange wrote : “The need for a certain transition period, or a period of socialist construction results from the fact that the transition from capitalism to socialism follows the political revolution which establishes the dictatorship of the proletariat, and launches construction of production relations affected by it. In contrast to the bourgeois revolution, the proletarian revolution is not the completion of a spontaneously accepted process of development.” It is but the beginning of a conscious process of the reconstruction of society, which, depending upon certain conditions, may last a longer or shorter period. This reconstruction of the social structure is not performed spontaneously as was the case with the transition from feudalism to capitalism but is the conscious and purposeful activity of the dictatorship of the proletariat i.e. of the new state as the organiser of socialist construction. The working class cannot accomplish the conquest of political power and leadership, the process of reconstruction of the economy the process of building socialism as an unorganized class. It can accomplish this as a class, whose advanced section atleast is organized in a revolutionary party. The party leads the working masses in conquering state power. It guides the process of maintaining the state power and of building socialism. The mere existence of a working class is however, not sufficient. To accomplish its tasks the party must base its policies and activities on a scientific undertaking of the social development.

The working class cannot simply lay hold of the ready made machinery of capitalism and wield it for its own purpose. The reconstruction of a new socialist society is impossible without smashing, breaking up the bourgeois state apparatus, all its instruments and institutions of state rule. Therefore, Marx and Engels said, “the first step in the revolution by the working class is to raise the proletariat to the position of ruling class, to win the battle of democracy.” This comes only through a forcible overthrow of the old state rule. The key problem of the entire proletarian class struggle is, as Lenin noted, ‘the question of the dictatorship of the proletariat, is a question of the relation of proletarian state to the bourgeois state, of proletarian democracy to bourgeois democracy.’ And the essence of “the revolutionary dictatorship of the proletariat is rule owned and maintained by the use of violence by the proletariat against the bourgeoisie rule, that is unrestricted by any law.”

The proletariat need state power, a centralized organization of force, both to crush the resistance of the exploiters and to lead the enormous mass of the population, (the peasants, the petty bourgeoisie and the semi-proletarians) in the way of organising a socialist society. In the transition between the capitalist and communist society lies the period of revolutionary transformation of one into the other. Corresponding to this is also a political transition period in which the state can be nothing but the revolutionary dictatorship of the proletariat. It is necessary for the entire historical period which

separates capitalism from 'classless society', that is from communism.

The classes, the class-division of society, cannot be abolished at one stroke. The classes will remain in the era of dictatorship of the proletariat. The dictatorship will become unnecessary when classes disappear, but without it, they will not disappear. In fact the abolition of classes requires a long, difficult and stubborn class struggle, without which the overthrow of capitalist rule and the destruction of the bourgeois state, does not take place. In the period of proletarian dictatorship this class struggle merely changes its forms and in many respects becomes fiercer. During the entire period of transition from pre-socialist to socialist (communist) social formation, Lenin emphasized, "The dictatorship of the proletariat is the continuation of the class struggle of the proletariat in new forms. The state is only a weapon of the proletariat in its class struggles." It is a weapon for the "suspension of the resistance of the exploiters, neutralization of the petty bourgeoisie, inculcation of a new discipline." In order to transform the economic base by replacing pre-socialist with socialist production and its production relations and to continue the revolution into the ideological sphere. Both before and after the proletarian revolution the proletariat have to wage a continuous class struggle against the bourgeois and petty bourgeois ideology.

The proletarian state is bound to play a very vital economic role in the organization and administration of economic processes and policies. The primary function of any state is the protection of given production relations and its secondary function is to work as an economic instrument within the framework of these production relations. Without performing its primary function (as political instrument of class rule) the state cannot perform its secondary function (as economic instrument of social development). Therefore, the proletarian state has to perform two historical tasks, as noted by Lenin. "In the first place to defeat the exploiters and to unhold the power of the exploited, in the second place, to accomplish the constructive tasks, that of establishing new economic relations, of setting examples of how this should be done. These two aspects of the task of accomplishing a socialist revolution are indissolubly connected." In fact, the proletariat represents and creates a higher type of social organization of labour as compared with capitalism. This is what is important to understand to role of the proletarian state in the period of transition to socialism.

The transition to socialism takes a fairly long period and this entire phase is the period of the dictatorship of proletariat. As an instrument of socio-economic development Lenin said, "the essence of proletariat dictatorship is not in force alone, for even mainly in force. Its chief feature is the organization and discipline of the advanced contingent of the working people, of their vanguard, their sole leader the proletariat, whose object is to build socialism to abolish the division of society into classes, make all members of society into working people and remove the basis for all exploitation of man by man."

Pre-requisites to Transition

In analysing the process of transition to socialism, there are some important considerations as mentioned by Paul Sweezy, which must be kept in view :

- (i) There is no such thing as a general theory of the transition between social systems. Each transition is a unique historical process which must be analysed and explained as such.
- (ii) A comparative study of transitions, nevertheless, can be extremely valuable. In particular, the study of past transitions can help us to ask fruitful questions about present and possible future transitions, to recognize similarities and differences, to appreciate the historicity of the process under examination.
- (iii) Transitions are never simple or brief processes. They typically occupy and define the whole historical epochs. One aspect of their complexity is what may be called multidirectionality, movement in one direction may turn back on itself and resume in a forward direction from a new basis. In some places the reversal may be prolonged.
- (iv) Transition from one social order to another involves the most difficult and profound problems of historical materialism. Marx wrote : “The materialist doctrine that men are products of circumstances and upbringing, and that, therefore changed men are the product of other circumstances and changed upbringing, forgets that it is men who change circumstances and that the educator must himself be educated. The coincidence of the changing of circumstances and human activity can be conceived and rationally understood only as revolutionizing practice.”

It is impossible to set out on the path of transition to socialism unless or until a preliminary condition has been fulfilled, that is, state power first be transferred from the bourgeoisie of the working classes (the proletariat and peasantry). This means not only that the leading governmental offices must be occupied by representatives of the working classes, that by itself is not enough. What is necessary is that the state apparatus and above all its armed forces, should be a loyal and reliable instrument in the hands of the representatives of the masses. In one way or another, the bourgeois state apparatus must be effectively and finitively transformed into an instrument of anti-bourgeois rule.

The transition to socialism cannot take place within any pre-socialist social formation. This transition is possible and can take place only and only under the dictatorship of the proletariat, in the proletarian state. It involves the revolutionary transformation of the institutional set up of the pre-socialist system. This means a process of complete and final negation of pre-socialist laws, forces, methods, principle and policies. This transition to the new society must be carried out through persistent class struggle, which should create a new man, a socialist man, both before and after the proletarian revolution.

Aims of New Society

While discussing, the transition process to socialism, Paul M. Sweezy has outlined the broad features of socialism. In his views, socialism is not the end of the road, it is itself a way station on the journey from capitalism to communism. As far as communism is concerned, there is a general agreement on its main features. Under communism,

classes have disappeared, the State has withered away, crippling forms of the division of labour have been overcome, distinctions between city and country and between manual and mental labour have been abolished, distribution according to need, etc. But it is impossible to move directly from capitalism to communism, because the two are separated whole historical epoch. In the meantime there must be a concrete target which a society setting out on the journey from capitalism to communism can aim at, can orient its policies toward and by references to which it can measure its advances or retreats. This target is called socialism.

The features of the socialist production structure and society, as outlined by Paul Sweezy, are :

- (i) State ownership of means of production.
- (ii) Comprehensive planning of the economy.
But socialism defined as a society characterized by state ownership of the means of production and comprehensive planning is not necessarily a way station on the journey from capitalism to communism. The reliance on the theory that such society must automatically develop toward communism can lead to movement in the exact opposite direction, that is to be reconstitution of class rule. Because state ownership and planning are not enough to define a viable socialism. Sweezy added the following features to the above two.
- (iii) Egalitarianism is an important principle of socialist society organized on Marxian lines.
- (iv) Just as workers should participate in management, the managers should participate in work, because the aim is to abolish all such distinctions.
- (v) All producers must have complete freedom of discussion and criticism.
- (vi) Agriculture and industry must be combined, and also there must be a radical decentralization of industrial production based on modern technology.
- (vii) Work should not be treated as a means of acquiring income and consumer goods but as life's most important creative activity.
- (viii) Complete elimination of the entire system of distribution through the earning and spending of money income.

Marx and Engels wrote in the *Communist Manifesto*, "the distinguishing feature of communism is not the abolition of property generally, but the abolition of bourgeois property. In this sense, the theory of the communists may be summed up in the single sentence : abolition of private property."

In contrast to the bourgeois society, communism deprives no man of the power to appropriate the products of society all that it does is to deprive him of the power to subjugate the labour of others by means of such appropriation. That is communism aims at eliminating once for all the exploitation of man by man.

In a communist society, in place of the classes, class antagonism and class struggles of a capitalist society, we have an association in which the free development of

each is the condition for the free development of all. This society is based on common ownership of the means of production. In it, after the development of productive forces and after labour has become life's prime want, the principle of distribution of material wealth becomes "from each according to his ability, to each according to his needs."

The new society has a revolutionized mode of production without the crippling forms of division of labour. In this respect, Engels wrote : "In making itself the master of all the means of production to use them in accordance with the social plan, society puts an end to the former subjection of men to their own means of production." Communism is viewed by Marx "as the complete return of man to himself as a social (that is, human) being, a return accomplished consciously and embracing the entire wealth of previous development.

In the first phase of communism (called socialism) labour may be performed with expectation of reward, but in the higher phase of communism, the human labour is voluntary labour performed without expectation of reward, with reward as a condition. It is "labour performed because it has become a habit to work for the common good." But until the 'higher' phase of communism arrives, in the period of transition to socialism, there is need for strict control by society and by the state over the 'measure of labour' and the 'measure of consumption.' The communist system work to inculcate in people's minds the rule" all for each and each for all." The worker in the new society cannot be a single-skill worker, as in the capitalist division of labour, but a fully developed individual.

In a higher phase of communist society, labour will become life's prime want. For achieving this, it is necessary to eliminate the enslaving subordination of the individual to the capitalist division of labour. Only then antagonism of interests between town and country, between industry and agriculture and between mental and manual labour is bound to disappear.

When the more important functions of the state are reduced to accounting and control by the workers themselves, then the state will cease to be a 'political state' and public functions will lose their political character and become mere administrative functions. Only in communist society when the resistance of the old exploiters has been completely crushed. When there are no classes (that is, when there is no distinction between the members of society as regards their relation to the social means of production) then "the state ceases to exist" and then complete democracy is realised.

AIMS, POLICIES AND PROBLEMS OF TRANSITION TO SOCIALISM**Nature of Socialist Transition**

While studying the process of transition to socialism from a pre-socialist system, it is important to remember that there is no general theory of transition between social systems. In fact, each social transition is a unique historical process and involves the most difficult and profound problems of historical materialism that is, problems associated with the birth of a new socialist man, new human nature, new social relations, etc. Moreover, the social transitions are never simple or brief processes and they have their 'multi-directionality'. That is why the movement of transition in one direction may turn back on itself and resume in a forward direction from a new basis. In some places the reversal may be very prolonged or even permanent.

"After the victory of the proletarian revolution, we have to deal and construct a new society, Marx wrote, not as it has developed on its own foundations, but, on the contrary, just as it emerges from capitalist society, which is thus, in every respect economically morally and intellectually, still stamped with the birth marks of the old society from whose womb it emerges."

The direct transition from capitalism (or feudalism) to communism is impossible. These two historical social formations are separated by a whole historical epoch. In the meantime concrete targets are formulated for achievements called the aims of the first phase of communism, known as socialism. In this sense, socialism is a way station (and not an end) on the journey from pre-socialist society to communism. Socialism is incomplete communism. It is communism in the course of construction.

Between a capitalist and communist society there lies the period of the revolutionary transformation of the one into the other. Lenin wrote that "the transition from capitalist society.....to communist society is impossible without a 'political transition period' and the state in this period can only be the revolutionary dictatorship of the proletariat." Only the vanguard of the proletariat (through their party) "is capable of assuming power and leading the whole people to socialism, of directing and organising the new system of being the teacher, the guide, the leader of all the working and exploited people in organising their social life without the bourgeoisie and against the bourgeoisie", Lenin emphasized.

The communist society, the society in which all must work, the society in which there will be no class distinctions, will take a long time to build, because the distinction between the first and the higher phase of communism will, in time, probably be tremendous. The transitions from pre-socialist society and from socialist to communist society cannot be smooth as the "remnants of the old surviving in the transition period

confront us in life at every step, both in nature and in society.”

The society after the proletarian revolution must be much more solidly constructed than capitalism. This is done by socialization of means of production and by introducing a comprehensive socio-economic planning in the society. There will then be neither disintegration of production nor anarchy of production. In such a social order, production is consciously planned and thoroughly organised.

In the period of transition, the socialist principles ‘he who not work, shall not eat’ and an equal amount of products for an equal amount of labour are implemented. But this gives unequal individual, in return for unequal amounts of labour, equal amounts of products. In this context, Lenin wrote, the first phase of communism, therefore cannot yet provide justice and equality. Differences in wealth will have become impossible because it will be impossible to seize the means of production, the factories, machines etc. and make them private property.”

Since, right can never be higher than the economic structure of society and its cultural development conditioned thereby, in the period of transition to socialism a very rapid development of forces of production must take place. This rapid development of productive forces becomes possible in the proletarian society because enormous energy spent before class struggle will be saved and energy which under capitalism is wasted and destroyed in competition, wars and crises will be saved. The expropriation of the capitalists will result in an enormous development of productive forces of society. The organisation of large scale industrial and agricultural production on the basis of a purposive and comprehensive social plan, and the development of the initiative of the workers who control the conditions and products of their work, also helps in this process of development of productive forces.

We can move on the road to socialism only by radically remoulding and transforming the totality of knowledge, organisations, institutions, human forces and material means left by the old society. Only the organized proletariat, that is, the dictatorship of the proletariat can endure everything concerning their transition.

It is an historical fact that, as Lenin emphasised, “all nations will arrive at socialism, this is inevitable but all will do so not exactly the same way, each will contribute something of its own to some form of democracy, to some variety of the dictatorship of the proletariat to the varying rates of socialist transformations in the different aspects of social life.”

The nature of transition to socialism is determined by the structure and class relations of pre-socialist society (capitalist or feudal). Therefore, the road to socialism cannot be the same, and the transition to socialism is conceivable in different forms depending upon whether big capitalist or small production relationships predominate in the country before the proletarian revolution. In fact, the world history will lead mankind towards the dictatorship of the proletariat and transition to socialism, by paths that are smooth, simple and straight.

Strategy and Problems of Transition

Immediately, after the seizure of political power by the proletariat, the newly

constructed proletarian state has to adopt general measures for socialisation of banking system, railway, communication, trade, basic industries and mineral resources of banking private enterprises and investments, domestic and foreign trade, surpluses of the industrial and agricultural capitalists landlords; organising population in consumers societies to start distribution of essential commodities are reasonable prices to the masses; abolishing commercial secrecy; and exercising control and providing definite security to private enterprises yet not socialised.

In specific, if the pre-socialist social formation is feudal or semi-feudal, then in the first period of transition to socialism, the proletarian state attempts at completing some of the tasks of the bourgeois-democratic revolution, abolition of landlord system in all forms, distribution of land to the tillers, abolition of all tenancy and share-cropping practice, freeing the poor masses from the state credit and private debt, etc. In case, before the proletarian, revolution, the bourgeois-democratic revolution is completed (even partially), that is the social formation is capitalist (developed or developing), then the proletarian state adopts more direct policies or strategy of transition to socialism.

The transition from pre-socialist to socialist societies cannot be smooth. The remnants of the old, surviving in the new, confront us in life at every step, both in nature and in society. Lenin told that “the contour of new world, the world of socialism.....does not come into being readymade, does not spring forth like Minerva from the head of Jupiter.” The limitation is that we can only build new society of socialism/communism out of the material created by capitalism, out of that apparatus which has been moulded under bourgeois conditions and is therefore, inevitably imbued with the bourgeois mentality, as far as the human material in the social apparatus is concerned.

In every capitalist society, there are proletarians hardened by the exploitative capitalist work conditions; ignorant, scattered and oppressed peasants; scientific, technical and military experts trained under the bourgeois condition and thoroughly imbued with the bourgeois world outlook, and also there exist conditions of landed proprietorship. The new society of socialism has to be built out of these conditions and this culture because there is no other material.

The ideology of the past creates a serious problem in the process of transition to socialism. In particular the struggle against the petty-bourgeois ideology of the petty proprietors is very difficult. In every capitalist society the proletariat are inevitable connections with the petty bourgeois by a thousand ties, therefore, the petty bourgeois atmosphere (and ideology) “permeates and constantly causes among the proletariat, relapses into petty bourgeois spinelessness disunity, individualism, and alternating moods of exaltation and dejection,” wrote Lenin.

The preliminary tasks and problems of the period of socialist transition or construction are many. There are some tasks and problems which the proletarian state must resolve instantly and others whose solution takes place gradually.

- (i) An important problem is of allies of the working class in the struggle for power and for maintaining power. Those who are the working class in the struggle for,

and in the conquest of power, are by the nature of things also its allies in maintaining power. The principal ally of the working class in Eastern Europe and Asia is the peasantry. The sphere of the working class alliance may be wider or narrower depending on the specific conditions in different countries and on the phase of capitalist development in a given country.

- (ii) There exists the necessity to carry out an economic change which will eliminate the economic bases of the former exploiting classes. This means that it is necessary to eliminate by means of agrarian reforms the feudal elements that still exists, and to expropriate big capitalist property, which must be taken over by the revolutionary state. The appropriation of the banks, large-scale industry and means of transport and communication is the first step of every proletarian revolution and it is an instrument which makes possible the further development of the national economy. The proletarian state which does not take this step is doomed to failure.
- (iii) Having deprived the former exploiting classes of their economic bases. The new state power must undertake a series of measures which satisfy the aspiration of the working class and its allies. Besides expropriating capital, the proletarian state always introduces agrarian reforms satisfying the needs of the small and middle peasantry and takes concrete steps to neutralize the well to do peasants and other middle strata.
- Socialist elements only appear in measures which consolidate and raise the economic position of the working class. Such steps as workers' control in work establishment, their participation management and decision-making help in this direction.
- (iv) While removing the economic base of the former exploiting classes, while satisfying the aspirations of its allies and neutralising the middle strata, the socialist revolution must also consolidate the economic position of the working class. This process is accomplished simultaneously with the socialisation of large scale industry, of the banks, of means of transportation etc. This creates a new foundation for the direction and control over the national economy by the working class and its state. Only the working class can give a socialist direction to the process of development. The remaining classes and strata, regardless what position they may take in the struggle against monopoly capital, do not pursue socialist aims. They set themselves only anti-feudal, anti-monopoly and anti-imperialist goals. Therefore, leadership of the revolutions and of socialist constitution must be assumed by the working class, and this is an indispensable pre-requisite for the revolutionary changes taking a socialist direction.
- (v) The creation of socialist section in the national economy is an important task of the period of socialist construction. This task appears practically the day after the revolution but his full expression is crystallised only after the consolidation of the new political power. The new power of the dictatorship of the proletariat requires from positions and control of the commanding heights of the national economy

from which it can exert influence upon the entire economy, including the part outside the socialist sector. Socialisation of means of production is the condition for the further development. With this condition, without socialisation of the means of production, there are no possibilities for social progress in all spheres. The more developed the pre-socialist society, the greater are the means inherited by the new socialist state and the primary task of the state in the organized, planned utilization of these means of production.

- (vi) The next step on the road to socialist construction is the adjustment of the socialist and capitalist (small and medium) economic sector, with the objective of assuring the leading role of the proletarian state in relation to the non-socialist economic categories. In order to realise this objective there are different forms of state control over the capitalist sectors as well as the direct worker's control. The organisation of the socialist sector is accomplished on a more or less identical basis in different countries, disregarding differing organisational forms. But control over the capitalist sector, its adjustment to the socialist economy and its socialist transformation is carried out differently in different countries depending rather on political situations than on economic causes.
- (vii) A further task of the proletarian state is the integration of petty commodity production in the sphere of agriculture and handicraft into the socialist economy followed their socialist transformation. Neither expropriation nor elimination can operate as a principle in relation to petty commodity economy because it is the economy of the allies of the working class. Co-operative make possible the transformation of petty private property into socialist property. The co-operative property appears, besides socialist or state property in the process of socialist construction.

In the context Oskar Lange wrote : "Owing to all these transformations it becomes possible to introduce planned economy which is the true ingredient of socialist construction. The foundation of a planned economy is the socialist, the state sector, because it holds the key position in the national economy which makes it possible to plan and to exert direct or indirect influence upon the whole national economy. With this, joined state control over the capitalist sector and varied means of state influence over the petty commodity sector. The development of co-operatives strengthen the possibilities for economic planning; particularly in agriculture, trade etc."

- (viii) Two fundamental problems appear after the proletarian revolution and creation of a socialist sector by expropriating big and medium capital. These are the problems of socialist industrialization and modernising agriculture. Capitalism accomplished the industrialization and modernisation of agriculture in the old capitalist countries. But the first victorious proletariat revolutions confronted tasks which were not formerly delineated as the historical task of socialism, but as those of capitalism. Among these tasks, appeared the problems of modernizing agriculture which was unusually backward and the modernization of which was a

condition for industrialization. On the other hand, industrialization was the primary condition in these countries for increasing agricultural production. Industrialization and modernization of agriculture are closely connected and these are the specific tasks to be faced by all under-developed, poor countries in their attempts of socialist construction after revolution.

- (ix) One of the basic problems of socialist development in the post-revolutionary economy is to find the necessary means of development because industrialization and modernization of agriculture require accumulation. Apart from others, there are three main possible primary sources of accumulation : (a) profits from the socialist or state sector; (b) taxing the peasants in the forms of obligatory deliveries, among other means; and (c) various forms of levies attracting means from the people, through taxes, state loans etc. These are three main sources of socialist accumulation constituting the economic foundation of socialist industrialization of agriculture. The smaller the economic role of industry in the take-off period, the more accumulation depend upon agriculture, and the greater the importance of agricultural modernization or collectivisation for socialist industrialization. The more it serves as the main source of socialist industrialization, the smaller is the industry developed, the more role of agricultural collectivization.
- (x) The policy of socialist construction in general, and particular under the conditions of under-developed countries which confronts additional tasks of industrialization and the rapid modernization of agriculture, requires a great degree of centralization of leadership and management of the national economy. Without centralized direction it is not possible to ensure the decisive, leading course of the socialist : it is possible to guarantee that the capitalist sector will not be a source of continuous opposition, that it will not dominate the petty commodity sector and mobilize it against the socialist sector and the proletarian state power. To an extent all socialist countries have gone through a phase of centralized leadership. But in latter period there appeared in them numerous distortions expressed in the bureaucratization of the management of the economy.
- (xi) Under the conditions of bureaucratization of the leadership and of the society and management of the economy, there arise new problems which create the necessity for a retreat from excessive centralization, for assuring democratic control in the state, ruling party and economic apparatus. It means need on emphasis for the direct workers self-government, for autonomy of co-operatives, of agricultural societies, as well as for the activation of the trade unions in the workshops as organs of social control which must rest to a great extent on the initiative of the workers. While mentioning the basic problems of socialist construction. Oskar Lange wrote, "New forms of organization of socialist economy have begun to take shape. The organizational forms of the socialist economy are not established once and for all. Established once and for all is the social content of the socialist economy. Organizational forms change, however they vary with different stages of development of the socialist economy, and all they differ in individual countries, depending of historical condition. The superstructure of the administration of the

socialist economy and direction of its development also changes ever more.” In fact, the more developed the socialist economy, the more difficult it is to administer, it in a centralized manner; and the more there is need for democratic decentralization.

- (xii) The proletarian revolution leads to the transformation of the social and economic structure of the economy. The dictatorship of the proletariat is the motive force which affects the transformation of the socio-economic structure. This means that in the initial stages, the socialist transformation is accomplished to a great extent by means of non-economic compulsions. But the proletarian at the same time organizes, regulates appeals to the consciousness of the working class and employs a whole range of non-economic, legal and administrative means. The usefulness of these methods diminishes in importance with the maturing of the socialist system. The more mature the new socialist structure, the less does it need the aid of non-economic methods of compulsion, the more it stands ‘on its own feet’ that is, the more it relies on the operation of economic law. It may be asserted in Oskar Lange's words that, “when non-economic compulsion as a means of leadership and administration of the socialist economy becomes unnecessary and when the economy is ready and relies on the operation of its own economic laws which are scientifically employed by the leadership of the national economy for the realization of the consciously fixed social goals—then the transition period is ended.”

NATURE OF POST-REVOLUTIONARY SOCIETY

Proletarian-State Power

The State is an organ of class rule : The history of all past societies has consisted in the development of class antagonisms which assumed different forms in different epochs. Because the written history of all hitherto existing societies is the history of class struggles, therefore, the state has arisen where, when and so for class antagonisms objectively could not be reconciled. In fact, as Engels wrote, the state is “a product of society at a certain stage of development; it is the admission that this society has become entangled in an insoluble contradiction with itself, that split into irreconcilable antagonisms which is powerless to dispel.” In this situation, “it becomes necessary to have a power seemingly standing above society that would alleviate the conflict and keep it within the bounds of ‘order’, and more from it, is the state.”¹ The chief instruments of state power, distinct from the mass of the people, are the police and the standing army. The privileged, politically dominant position in the state goes to the economically dominant class, to the bourgeoisie in a capitalist society and to the proletariat in a socialist society.

In a capitalist society, of all the classes that stand face to face with the bourgeoisie today, the proletariat alone is really a revolutionary class. The other classes decay and finally disappear in the face of modern industry, the proletariat is its special and essential product”, wrote Marx and Engels. Further, “the first step in revolution by the working class is to raise the proletariat to the position of ruling class to win the battle of democracy.”² Both the workers and the poor peasants have common interest in the historical task of over-throwing the bourgeois rule, through the struggle under the leadership of the proletariat.

But the working class cannot simply lay hold of the readymade state machinery of the bourgeois rule and wield it for its own purpose. The construction of a new socialist society is impossible without smashing; breaking up the bourgeois state apparatus, all its instruments and institutions of class rule. This is possible only if there is a forcible overthrow of the old state rule by proletariat, as force is a midwife of every old society pregnant with a new one, it is the instrument with which social movement forces its way through and shatters the deed fossilized political forms. The key problem of the entire proletarian is class struggle, and every class struggle is a political struggle. Lenin said, “the question of the dictatorship of the proletariat, is the question of the relation of proletarian state to the bourgeois state, of proletarian democracy to the bourgeois democracy.” The essence of “the revolutionary dictatorship of the proletarian is rule won and maintained by the use of violence by the proletariat against the bourgeoisie

rule that is unrestricted by any laws.”³

Further, Lenin wrote “the proletarian needs state power a centralized organisation of force, and organisation of violence both to crush the resistance of the exploiters and to lead the enormous mass of the population the peasants, the petty bourgeoisie, & semi proletarians in the way of organising a socialist economy.” As compared to a bourgeois state, the proletarian state is, “a more democratic state machine, but a state machine nevertheless, in the shape of armed workers who proceed to form a militia involving the entire population.”⁴ For the entire historical period which separates capitalism from a classless society called communism, in the transition “between capitalist and communist society lies the period of the revolutionary transformation of the one into the other. Corresponding to this is also a political transition period in which the state can be nothing but the revolutionary dictatorship of the proletariat,”⁵ emphasized Marx.

The classes cannot be abolished at one stroke. The classes, and thus class division of the society, remain in the era of the dictatorship of the proletariat. This dictatorship becomes unnecessary when classes disappear, but without it they cannot disappear. In fact the abolition of classes requires a long, difficult and stubborn class struggle, which, after the overthrow of capitalist rule, after the destruction of the bourgeois state and after the establishment of the dictatorship of the proletariat does not disappear but merely changes its form and in many cases becomes fiercer.

During the entire period of transition from pre-socialist to the socialist (communist social formation, the dictatorship of the proletariat is the continuation of the class struggle of the proletariat in new forms. “The state is only a weapon of the proletariat in its class struggles for suppression of the resistance of exploiters”, neutralization of the petty bourgeoisie”, and “inculcation of a new discipline”⁶, in order to transform the economic base by replacing pre-socialist with socialist production and to continue the revolution into the ideological sphere. The struggle of the proletariat and other working masses against the big bourgeois ideology is largely a struggle within the rank of the working class. Never the less both before and after the proletarian revolution the proletariat have to wage a continuous struggle against bourgeois and particularly, petty bourgeois ideology. Thus, there is historically, only one road to socialism, the road that lead to and through the class struggle and the dictatorship of the proletariat.

Every state is bound to play a vital economic role in a given situation, in different forms in the organisation and administration of economic processes of the society. The revolutionary state of the proletariat has to perform two historical tasks, as mentioned by Lenin : “in the first place to defeat the exploiters and to uphold the power of the exploited.....in second place, to accomplish constructive task, that of establishing new economic relations, of setting an example of how this should be done. These two aspects of the task of accomplishing a socialist revolution are indissolubly connected.”⁷ Since, the dictatorship of the proletariat is the iron hand that destroys and also creates, therefore, the proletarian power represent and creates a higher type of social organisation of labour compared with capitalism. Thus, the dictatorship of the proletariat is not only an instrument for crushing the class enemies, it is likewise a lever for effective economic transformation.

Post-Revolutionary Society

The direct transition from capitalism (or feudalism) to communism is impossible. These two historical social formations are separated by a whole historical epoch. In the meantime concrete targets are formulated for achievement in the first phase of communism that is socialism. In this sense, socialism is a way station (and not an end) on the journey from pre-revolutionary society to communism, it is incomplete communism; it is communism in course of construction. Between capitalist and communism society there lies the period of the revolutionary transformation of the one into the other, therefore, as Lenin emphasized, "the transition from capitalist society to communist society is impossible without a political transition period and the state in this period can only be the revolutionary dictatorship of the proletariat." Only the vanguard of the proletariat (through their part) is "capable of assuming power and leading the whole people to socialism, of directing and organising the new system, of being the teacher, of all the working and exploited people in organising the social life without the bourgeoisie and against the bourgeoisie."⁸

After the victory of the proletarian revolution, we have to deal and construct a new society not on its own foundation, but just as it emerges from capitalist society. In this period of transition, the socialist principles, "he who does not work, neither shall he eat' and an equal amount of products for an equal amount of labour, are implemented. But this gives unequal individuals, in return for unequal amounts of products. "The first phase of communism, therefore, cannot yet provide justice and equality; differences and unjust differences, in wealth will still, but the exploitation of man by man will have become impossible because it will be impossible to seize the means of production the factories, machines, land etc. and made them private property." This transition, however cannot be smooth, as the "remnants of the old, surviving in the new, confront our life at every step both in nature and in society."⁹

Under the dictatorship of the proletariat, only by radically remoulding and transforming the totality of knowledge, organisations, institutions, human forces and material means left by the only society, that we can move on the road to socialism. The nature of transition to socialism is determined, above all, also by the structure and class relations of pre-socialist society. Therefore, the road to socialism cannot be the same, this transition from capitalism to socialism is conceivable in different forms, depending upon whether big capitalist or small production relationships predominate in the country before the proletarian revolution.

In specific, the transition to socialism, cannot take place within pre-socialist social formation and it takes place only and only under the dictatorship of the proletariat after the revolutionary transformation of the institutional set-up of the pre-socialist system, through the complete and final negation of pre-socialist laws, forces, methods, principles and policies. This transition to the new society must be carried out through persistent class struggle both before and after proletarian revolution.

In the process of transition to socialism, the foundation for a transition to a communist society is also laid. The distinguishing feature of communism is the complete abolition of (bourgeois) private property. Communism deprives no man of the power to

appropriate the products of society, all that it does is to deprive him of the power to subjugate the labour of others by means of such appropriation. A communist society would have an association of people, in which the free development of each is the condition for the free development of all. In this society based on social ownership of means of production, after the development of productive forces and after labour has become life's prime wants, the principle of distribution of material wealth become, from each according to his capacity and to each according to his needs.' The new society has a revolutionised mode of production without the crippling forms of division of labour, 'communist labour' is thought to be a voluntary labour performed because it has become a habit to work for the common good. In the communist society, with the elimination of enslaving subordination of the individual so the division of labour, will become life's prime want and then antagonism of interest between town and country; industry and agriculture and mental and manual labour, is bound to disappear. Also the state will cease to be a political state."¹⁰

Since a direct transition from capitalism to communism is impossible, it is the construction of a socialist society which is the immediate aim of the proletarian state. In order to move in this direction the newly constructed proletarian state has to adopt general measures for socialisation of banking system, railways, communication, trade, mineral resources and basic industries; controlling private enterprises and investments, domestic and foreign trade, surpluses of the industrial and agricultural capitalist, land owners; organising population in consumer's societies; abolishing commercial secrecy; exercising control and providing definite security to private enterprises yet not socialised. In specific, if before the social revolution the structure of society was pre-capitalist, then is the initial stage of transition to socialism, the proletarian state attempts completing the incomplete bourgeois democratic revolution and reforms. In case the structure of pre-socialist society was capitalist; then the proletarian power adopts more direct policies of transition to socialism.

Now, in what follow, we have outlined the main elements of the structure of production relations in a socialist system.

Social Ownership of Means of Production

Whenever, the capitalist state directly owns a proportion (large or small) of the means of production it converts property of private individuals into state property (of a group of individuals) and not into social property. After the seizure of political power, said Marx, "the proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, then centralise all instruments of production in the hands of the state, i.e. of the proletariat organise as the ruling class, and to increase the total or productive forces as rapidly as possible."¹¹

Under the dictatorship of the proletariat, if in spite of the socialisation of the means of production, entirely new social relations (of workers controlling their conditions of existence fail to develop, then even the new apparatus reproduces the bourgeois social relations. The development of new social relations, opposed to the bourgeois social relation cannot and will not come into being automatically. If state apparatus owns the means of

production, but “this apparatus is not subject to control by the party which is linked to the masses and which helps the masses to struggle to gain control over the use made of means of production.” Wrote Bettelheim, then the separation of direct producers from their means of production will emerge and this reproduces the capitalist relations of production. “Their elimination results from a revolutionary process extending over a historical period, from a process during which all social relationships and all the participants in this process are revolutionized.”¹²

The programme of comprehensive socialisation of the basic means of production cannot be gradual programme, it has to be carried out at one stroke. But as far as the petty private property particularly of the small peasants is concerned, a very cautious policy is required. The programme with respect to small producers has to declare in an unmistakable way that all property and enterprises not included in the general socialisation measures will remain in private lands upto a ‘given’ and specified limited period, and in this context the required security is to be guaranteed. Otherwise, investments improvements and management of such petty production concerns get adversely affected.

A genuine socialist society enables people to control and arrange the productive activity and their whole lives with a view to satisfying their human needs. This means, as Sweezy, noted, among other things abolition of private property in the means of production and of income derived therefore, a high degree of equality in all things, allocation of resources by plan rather than by the blind forces of the market, the elimination as rapidly as possible of individual distinctions between manual and mental labour and between city and country, and the ultimate replacement of all money and commodity relations by direct human relations.”¹³

Planning and Market Mechanism

The socialist society is consciously organised society by man in a planned way ‘errors’ are corrected before they are embodied in bricks and steel-because, wrote Engels “only conscious organisation of social production, in which production and distribution are carried in a planned way, can lift mankind above the rest of the animal world as regards the social aspect.”¹⁴

The socialist planning is based on the principle of democratic centralism that is it involves in its formulation the working masses and it is implemented with the proletarian discipline. If instead of democratic centralism, the basis of socialist planning, the system of bureaucratic centralism, then the proletarian state runs into increasing difficulties; producing mass apathy, faltering productivity; strengthening of bourgeois attitude and even economic stagnation. At this stage, then there are two paths : one of a ‘cultural revolution’ and the other of increasing reliance of the discipline of market mechanism, profit and material incentives. The first path opens the possibility of an around campaign to rouse the masses. The second path-easy to adopt, but dangerous in consequences is that of ‘market socialism’ which produces strata in society by giving and protecting power and privileges of state bureaucrats, technocrats, and state functionaries of ruling party, the first is the socialist path and the second is a one way street which, however, long the journey, has only one destination of restoration of capitalism.

A contradiction between 'plan' and 'market' is a contradiction in practice, is a surface effect caused by a deeper contradiction situated at the level of the production relations and productive forces. This contradiction can continue throughout the period of transition from capitalism to communism. In this context, as Bettelheim mentioned, "the real contradiction concerns domination or non-domination by the producers over conditions and the results of their activity." And, "it is only under social, political and ideological conditions that a plan is an instrument of the domination by the producers over conditions and the results of their activity." To fulfil these conditions a plan must be elaborated, formulated and implemented on the basis of the initiatives of the masses, as a 'concentrate' of the aspirations, correct ideas and revolutionary will of the masses. In a situation when the focus of power, of dominance, on state is shifted away from the proletariat, the 'market' and state that is, the plan are not in fundamental conflict but rather complement, each other. Thus, the relevance of the mode of regulation (through plan or market) depends upon the nature of the class which holds political and ideological power."¹⁵

In fact, as Sweezy wrote, "the market plan contradiction is not an absolute contradiction in the sense that the two forces cannot exist side by side, it is a contradiction in the sense that the two forces are in opposition to each other and are necessarily locked in an uninterrupted struggle for the dominance. The question here is not how extensively the market is used but the degree to which the market is used as an independent regular. "This depends on the nature of class power, the factor which ultimately decides the direction in which the system is moving. The disappearance, the immediate abolition of the market relations can not be achieved by the political action of the proletarian state. The point is that "market relationships (which of course imply money and prices) are inevitable under socialism for a long time but that constitute a standing danger to the system and unless strictly hedged in and controlled will lead to degeneration and retrogression." In the period of transition "control of enterprises in the enterprises themselves" co-ordination through the market and reliance on material incentives—these three factors, taken together, make inevitable a strong tendency toward an economic order which function more or less like capitalism. In this way, the pre-conditions for and the functions of marketing relations negate the class aims of the proletarian state which stands for new social priorities and a drastic overhaul of the whole existing economic system and its patterns."¹⁶

Commodity Production and Profit

The commodity production must not be identified with capitalist production because later is only the highest form of the former. Under capitalism, Marx pointed out, "only such products can become commodities with regard to each other, as result from different kinds of labour, each kind being carried on independently and for the account of private individual."¹⁷ The features which characterize capitalist commodity production are specialisation in production isolation of producers and exchange between owners of products of labour.

In the period of transition to socialism the production for profit and reliance on market relations cannot be immediately abolished. But production for profit must be

systematically discouraged and rapidly reduced to the smallest possible compass and the market (commodity) relations must be strictly supervised and controlled, otherwise they can get out of hand and fatally undermine the health of the socialist system. In a socialist society “profit and market based efficiency criteria must not be elevated to the status of dominating social value as under capitalism. If this happens then, as Sweezy has warned, “the demand for more trade, more technology, more finance and finally more investment from the advanced capitalist countries is bound to increase”¹⁸ with all bad consequences for the emerging socialist society.

Under the proletarian states, in the economy with socialised means of production, with increasing stress on the elimination of the petty ownership (particularly of the peasants), the basis of maximising individual, or group profits through production of commodities becomes weak. This process of elimination of profit, commodity production etc. can only be a gradual (marked by advance and retreat) process. But the existence of these categories in the economy means existence of the essential production and class relations of capitalism, in fact the existence of market mechanism for exchange. The division of labour based on market incentives and the profit as the criteria of success of enterprises act against workers control over the conditions and results of their work. This, then converts the socialised means of production under collective social ownership into group ownership of the managers, technocrats, bureaucrats and party elites. Social production under these conditions become commodity production almost all the features of capitalist production.

In the period of transition to the new society, the role of the proletarian state also consists in not allowing these categories to develop, not by suppressing them but replacing them with new, socialist categories. The advance toward socialism requires that commodity relations disappear and give way to socialist relations, that is to direct human relations. The essence of the proletariat is the dominance of the working masses (the producers) over the conditions and results of their work. For this the elimination of commodity, market relations is a historical task that the proletariat must accomplish in the course of a struggle carried out on political, ideological and economic fronts, for both ideological and political limits exist to the elimination of market categories and judicial bourgeois relations, as well as economic linked to the existing state of development of the forces and relations of production. This is why the task of eliminating market relations is a historical task,¹⁹ wrote Bettelheim.

No society can afford to consume its total production and any society which has to develop must realise accumulation, this part of the social production which is produced and not consumed, in a given period. Marx said, “A society can no more cease to produce than it ceases to consume. When viewed, therefore, as a connected whole, and as flowing on with incessant renewal every social process of production is at the same time, a process of reproduction. No society can reproduce, unless it constantly reconverts a part of its products into means of production, or element of fresh products.”²⁰ The relation of contradiction between production and consumption is dialectical; more current consumption, means less reproduction and then less consumption less current

consumption (thus more accumulation makes possible the reproduction, and an increase in social wealth comes through the cycles of expanded reproduction. Moreover, there must be relative balance between production and consumption in any economic system, if it were to work smoothly.

The contradiction between the social character of production and private character of appropriation and ownership is one of the fundamental contradictions of capitalism. Impelled by the pursuit of profits, the capitalists endeavour to reduce expenditure on wages. Thereby reducing the real purchasing power of the bulk of the population they restrict the market for their commodities. The ultimate reason for all real crises under capitalism always remains the poverty and restricted consumption of the masses, further intensified by the existence of unemployment and inflation. Moreover, in society in search of profit maximisation consumption pattern are largely imposed on the consumers by the powerful private interests.

The relations of production and consumption stand on entirely new and different basis in a planned society under the proletarian state power. The socio-economic life of society and individuals is planned in this society. Consumption, as also production, is planned in advance, at local levels and centrally. In a capitalist society based on individual (private) earnings there is no escape from private consumption and, thus for many, no escape from starvation. In a proletarian society, the problem demands a different solution. For the relation of social goals, the necessity of high and rising living standards cannot be denied.

Immediately after the seizure of political power by the proletariat in an advanced capitalist country, the decision can be more favourable to current consumption; whereas in less developed country, after preliminary concessions to the working classes, more weightage must be assigned to accumulation and thus less stress on consumption. But it should not mean low standard of consumption than the pre-revolution days. In fact, socialisation of means of production and elimination of wasteful and unproductive consumption of the possessing class makes it possible to increase the current consumption above the pre-revolution level even in a relatively less developed country.

In the proletarian state, in the early period, income and earnings are still based on the value of work performed and therefore a differentiation of incomes remains. Under these conditions, social consumption is an ideal means of satisfying the wants of consumers most economically, irrespective of their earned incomes. Moreover, stress on social consumption helps in realising a highly egalitarian society. If in proletarian state decides to go for private consumption in a big way, then this results in increased material incentives and material inequality production to satisfy the wants of a privileged minority and then mass living standards will less rapidly and less fully than otherwise.

Only by stressing the social aspect of consumption, we can realize a society with more security and income not for some but for all, with expanded opportunity for developing and deepening the human associations and socialist social relationships.

Labour Incentive and Work-Remuneration

The material incentives are the guiding force under capitalism. Against this,

more incentives, based on the political consciousness of the workers, must for the basis of remuneration under socialism. The immediate and complete elimination of material incentives, as a guiding force for work, is out of question in the transition period. But nevertheless, their existence, like that of market and profit, signifies the existence of a capitalist category.

Moral (collective) incentive system presupposes a higher level of consciousness than majority of the workers acquire under capitalism. The incentive system underlines a behaviour directed towards improving the lot of every one, including oneself, as against the material (private) incentive system which means the behaviour directed toward immediate private gain.

All workers are not alike; some are more skilled, educated, trained experienced, active and alert than the others. In a similar way, they contribute unequal labour in the process of production. If money payment for their unequal labour is according to the labour contribution, then inequalities exist because of income and status differentials.

The reliance and emphasis on material incentives go a long way to depoliticize the society. In these conditions, the concern and motivation of individual careers and family consumption level are strengthened. The existence of distinction between manual mental labour means a profound split in the socialist between the economic managers and the workers. Then society develops gradually the economic ideology which emphasizes the only goals of production, more production, productivity and the sense of competitiveness in international markets. And to achieve these ends, the society manipulates workers by propaganda and material incentives. Thus, the depoliticized society instead of moving towards socialist goals, in period of transition; comes in the grip of economic ideology of capitalism. A depoliticized society will increasingly rely on private incentives.

In a transitional period of socialist construction material incentives may play a role out of necessity and not out of concession. When material and moral incentives are combined, the move must be toward the negation of material incentives by moral incentives. To the extent both types of incentives exist together, basic contradiction remains and to resolve this contradiction in favour of socialism, the appeal of moral incentive system must be strengthened. In order that this incentive system functions and develops, a pre-condition is the politicisation on the masses or repoliticisation. It means uninterrupted cultural revolution in the society, because, only and only then a socialist structure of production and its production relations can emerge. The transition on this pattern alone can create a socialist society of more security, of higher standard of living and of a better quality of life.

A pre-condition, for eliminating distinction between manual and mental labour and for establishing the hegemony of moral over material incentives, is the ideological radicalization of the proletariat. In case this does not happen, then a socialist society itself will be, as Sweezy wrote "a stratified society, with a deep chasm between the ruling stratum of political bureaucrats and economic managers on the one side and the mass of working people on the other and an impressive spectrum of income and status

differentials on both sides of the chasm.”²¹

Only by thoroughly smashing the pre-socialist relations and by the revolutionary practice of replacing them with radically new social relations that all terms of exploitation of man by man can be eliminated. But this cannot result automatically from the practice of production and from the development of the productive forces. This comes only through a protracted class struggle of the proletariat waged under the dictatorship of the proletariat. This requires, alongwith other things, that the political cadres, technicians, intellectual live among the masses, share their lives by engaging themselves manual labour and subject themselves to their guiding control.

Socialist Control and Management

Everywhere and in all time, “the key question of every revolution is undoubtedly the question of state power.” “Which class holds power decides everything”, wrote Lenin and “the whole question of control boils down to who controls whom i.e. which class is in control and which is being controlled.”²² Whereas the bourgeois state apparatus exists part from and above the masses and it controls and represses them. The proletarian state is an instrument of the exercise of power by the working masses themselves.

Only in a working class state, the masses can actively take part in the formulation and implementation of decisions. In this way the mass of population will rise to take an independent part, not only in voting and elections, but also in the everyday administration of the state. In fact, in the socialist society without revolutionary enthusiasm and mass participation, centralised planning becomes increasingly authoritarian and rigid. The workers and peasants must set to work to take account of and control the production and distribution of products, and this alone is the road to the victory of socialism. To make the control of the workers meaningful, they must enter all the establishments so as to supervise the entire state apparatus.

The struggle of the workers against the bureaucracy and technocracy after the proletarian revolution will be a long and persistent struggle. In the period of transition to socialism, and to communism, the process of the gradual ‘withering away’ of all bureaucracy (technocracy, intellectocracy) is through the elimination of “the special functions of a special classes of the population”, noted Lenin. The workers, during their fight for political power and after winning it, should smash the old bureaucratic apparatus and replace it with “immediate introduction of control and supervision by all, so that all many become bureaucrats’ for a time and that, therefore, nobody may be able to become a bureaucrat.”²³

After the victorious proletarian revolution, “the advance toward socialism is nothing other than the increasing domination by the immediate producers over their conditions of existence and, therefore, in the first instance, over their means of production and their products. This domination can only be collective, and what is called an ‘economic plan’ is one of the means of this domination, but only in politically determined conditions” wrote Bettelheim. “In conditions of highly socialized production, control by the producers over their conditions of existence require the development of entirely new social relations, and to.....the extent.....these new relations are not developed, the old relations which permit exploitation and class domination continue reproduce

themselves. In the period of transition to socialism there is always danger of bureaucratic, degeneration and restoration to capitalism through the reproduction of capitalist social relations.”²⁴

In Lenin's, view “The dictatorship of the proletariat means a persistent struggle bloody and bloodless, violent and peaceful, military and economic; educational and administrative against the forces and traditions of the old society.” In this regard, the proletarian revolution provides for the first time the opportunity “for actually drawing the majority of working people into a field of labour in which they can display their abilities, develop the capacities, and revel their talents, so abundant among the people.” A proletarian party being an instrument of the initiatives of the masses, refrains from imposing orders on the masses, rather it submits to criticism on their part. It guides and direct the masses by defining social objectives, by grasping what the masses are prepared to do. It must be controlled by the workers and directs the non-party workers and peasants to get involved “in the informal verification and appraisal of work.” This means direct control on the state and working apparatuses of society by the general masses.”²⁵

If the working apparatus (as well as state apparatus) of the post revolutionary society is not under direct domination of the producers, then the economic managers operate according to capitalist standards of work considering more production and productivity as ends, and means to these ends become the workers to be manipulate by propagandas and market incentive measures. In Sweezy's view, “this not only resembles the economy ideology of capitalism it is the economy ideology of capitalism.” In a given situation, according to Bettelheim “the effective dominate role of the workers grows to an extent to which the proletarian ideology becomes their own ideology.” It is through ideology class struggle based on the principle of mass line”, that the proletariat succeeds in transforming itself ideologically. The transition to socialism depends fundamentally, on the ability of the proletariat to eliminate all obstacles to the control by the direct producers over their conditions of existence working and result of their work. In this context Bettelheim wrote that, “the proletarian character of revolution, in fact, depends more on the dominant role of the proletarian ideology and of the party which embodies this ideology, than on ‘numerical’ strength of the proletariat.”²⁶ The dominant role of the proletariat in the revolution, therefore, is primarily ideological and political.

Characterization of Post Revolutionary Society

To win, to succeed in making a proletarian revolution is only first step in a long march of translation to socialism/communism. The problems of transition to a new society after the proletarian revolution, in a proletarian state must be recognised and correctly posed. Until this done, there is not even a change of finding a satisfactory solution.

The history of human society is the continuous transformation of human nature and even in the post revolutionary society the positive task of transforming human nature never ceases. Unless the process of material reproducing goes hand in hand with the formation of production and comprehensive socio-economic planned with genuine content of socialist production relations.

The idea that raising material living standards of the masses will itself foster socialist consciousness, that the 'new man' will fully flourish only under conditions of abundance and that, as a result, the socialist production relations will emerge automatically, leads to the inevitable decision to subordinate everything else to the possible rapid economic development, with the aim to create the highest living standards in the world. This is the ideology of 'economic in command.' The higher living standards based on the accumulation of goods for private use do not, and cannot, create, automatically, a new socialist man. On the contrary, they inevitably, tend to bring out the worst in the 'old man' stimulating greed and selfishness, envy and hatred.

The aim of socialism is not only maximising economic growth and creating the highest living standards in the world. Once you have reached a level of adequate food, clothing and shelter, you have a choice; to make socialism a mechanism for forced growth, or to consider socialism as a way of life. To consider socialism as a way of life is the proletarian line, the line of 'politics in command.' If the living proletarian ideology is the ideology of the society and the state then in this proletarian state, as Lenin remarked, politics must take precedence over economics, to argue otherwise is to forget the ABC of Marxism. "Since transitions have multi-directionality, the deviation from the proletarian line and thus movement back on capitalist line leads to a society of the old maxim 'everyman of himself and the devil takes the hindmost.'"²⁷

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STRUCTURE OF PRODUCTION RELATIONS UNDER SOCIALISM

Main Feature

The working class people, from one generation to the next, have dreamt of a secure decent human and happy life. Marx, Engels and Lenin believed that the socialist mode of production would remove the antagonistic contradictions between the social character of production and the private capitalist form of appropriating the results of production. Socialism replaces private appropriation of the products of labour by social appropriation. The basis of social appropriation of production is the social ownership of the means of production. The social appropriation of production leads to harmonious production relations. Thus production relations are not based on exploitation in the form of capitalist appropriation of the product of labour.

It is significant to point out that Marx and Engels did not write much about the detailed framework of a socialist society. The nature and framework of socialism emerged clearly only after Bolshevik revolution in Russia. Socialism as a mode of production had/had been adopted in a number of countries : Russia, Rumania, Poland, Yugoslavia, Bulgaria, Hungary Czechoslovakia, China, Cuba etc.

Maurice Dobb defines socialism as follows :

“The fundamental character of socialism consists in its abolition of the class relations which form the basis of capitalist production through the appropriation of the propertied class and the socialization of land and capital.”

The definition of socialism emphasizes the ‘classless’ character of a socialist society to be realised through the socialisation of means of production etc. The main features of a socialist socio-economic system are :

(1) Socialist Ownership of the means of Production

In socialist society the ownership of means of production is vested in the state or the whole society rather than in private individuals. It must, however, be pointed out that, during the period of transition from capitalism to socialism, the private property is allowed to exist in some sectors of production. This is due to some problems in the transformation capitalist mode of production in just after the proletarian revolution.

(2) Non-antagonistic Production Relations

In a social economy the workers have the collective ownership in means of production. As a result, in a socialist society it becomes possible for the people to use the means of production to produce the output for their welfare. As a matter of fact the social ownership of the means of production becomes essential to resolve the

contradiction between the developed productive forces and capitalist production relations. Hence, the social ownership of the means of production leads social appropriation of the product of labour. Exploitation of man by man does not take place. Production relations become harmonious and non-antagonistic. As a result of the elimination of private property and the exploiting classes the basis of class struggle in society disappears. This leads to a permanent, and not just a temporary, unity of the basic interests of all the members of the society. The socialist society tends to become a classless society.

(3) Existence of Personal Property

Social ownership under socialism extends to the means of production and their output. Part of this output, consisting of consumption goods, is distributed among working people. This becomes the personal property of individuals. Under socialism the predominance of socialist ownership of the means of production is the firm basis on requirements of the working people will be increasingly satisfied, and their personal property grow larger.

(4) Economic Planning

In a capitalist economy production, consumption and distribution decisions are taken by economic units freely on the basis of market conditions. In a socialist economy it is the responsibility of the state to take decisions relating to production and investment. Planning commission, as an organ of the state, decides the size of total investment on the basis of social time preference. The structure of production is determined by the planning commission on the basis of social opportunity costs. Instead of free market prices, the accounting prices and the prices determined by collective price mechanism are the basis of all economic calculations. The aim of planning is to co-ordinate the production decisions of various departments of the government and to achieve the various socio-economic objectives. The socialist society seeks to achieve by means of planning the objectives other than those of 'acquisitive society.'

(5) Social Character of Labour

The social ownership of the means of production is accompanied by the elimination of production relations based on antagonism. It means that in a socialist social means of production cannot be used as the instrument of the exploitation of labour. In such a situation the character of labour power no longer remains that of a commodity. Labour power becomes a society entity. The necessary labour enables the workers to produce commodities to satisfy their wants. The surplus labour, on the other hand, enables the socialist society to produce those commodities which can be used for the economic, social and cultural development of the society.

The above discussion bring out clearly that socialist mode of production tends to lead to a classless society based on the collective ownership of the means of production.

Nature of Property in Means of Production

The basis of socialist production relations is social ownership of the means of production in all sectors of the national economy. Under socialism working people are not opposed to the means of production but own them. The means of production belong to the people who work and are consequently no longer capital, a means of exploitation. Thus,

the manner of property in means of production is not that of 'capital' which is an instrument of exploitation of labour.

Socialist property arises during the period of transition from capitalism to socialism. After winning political power the working class encounters a large scale capitalist property which it nationalises and turns over to the socialist state. However, the small peasants and handicraftsmen with small private property associate voluntarily in the form of producer's co-operatives and their property becomes socialised on co-operative principles. This leads to the emergence of collective farms and co-operative property. Thus, there are two forms of property in the means of production under socialism : (1) State (public) property and (2) Collective form and Co-operative property.

(1) State Property

It is the public property. It belongs to the state and so its ownership is vested in the people. In Soviet Union, the state property in the means of production consisted of the land mineral wealth, waters, forests, factories, mines, banks, communication. State owned trade and the output from state enterprises.

(2) Collective form and Co-operative property

These are the means of production which are held by the people in collective or co-operative forms. The co-operative forms of property exist not only in agriculture but also in trade in the shape of consumer co-operatives, whose members are mainly from the rural population.

The above discussion clearly brings out that under socialism the nature of property in the means of production is collective. The collective nature of the property in the means of production is the basic feature of both the state property as well as that of co-operative property. The collective nature of property in the means of production does not allow exploitation of man by man. It is also significant to point out that it is the collective nature of the property in the means of production in a socialist society which makes its structure different from a capitalist society in which the property in the means of production is individual.

Nature of Class-Division

The social structure of the socialist society presents a fairly intricate picture. Historical experience shows that the elimination of private property in the means of production and thereby the elimination of exploiting class do not yet result in the removal of class division. Under socialism there still remains the division of labour into industrial and agricultural, and manual and mental. There still remains distinctions in the educational, cultural and skill standard among different sections of the population. Alongside the workers and peasants there is a section of the intelligentsia and the office workers.

Socialism establishes equality with respect to the means of production, but maintains inequality in the sphere of distribution. The distribution of output is based on the principle of remuneration for work in accordance with its quantity and quality. The fact that society's make up is uneven means that under socialism there are still social distinctions and social inequalities. But there is no antagonistic class struggle among

classes and social groups in socialist society owing to the elimination of private property and the exploiting classes. But it would be wrong to conclude from this that a socialist society remains outside the context of class struggle altogether.

It is characteristic feature of socialism that the class distinctions do not spread and grow but are on the contrary gradually obliterated, giving rise to a drawing together of classes and social groups. The most important factor which operate in this direction is the establishment of an equal status vis-a-vis means of production. That is the economic basis for gradually overcoming the remaining class distinctions between workers and peasants. Thus, the pre-dominant tendency in the changing social structure of socialist society is the advance towards the classless society homogenous society. Attainment of this goal will mean the establishment of the full-scale communist society.

Nature of Work Participation and Social Production

The social ownership of the means of production unites the action of people in a unified socialist economy. Satisfaction of the needs of the members of society is the objectively determined aim of production under socialism. The motto of social production is to produce everything for the sake of man, for the benefit of man. The nature of labour participation in production in a socialist society is different from that of a capitalist society. In capitalist society the character of labour is compulsory because various methods are used to compel working people to create riches for the exploiters. The situation in a socialist society is different where people work for themselves and their own society. The greater the amount of goods produced the cheaper they are, the more of them will be for the working people in socialist society. Thus, under socialism it has become possible for a worker to work for oneself.

The creative nature of labour in socialist countries is seen in the fact that the workers themselves invent & improve machinery. They participate in the organisation of production. This scheme had been implemented in an erstwhile socialist country, Yugoslavia, where Workers' Councils were supposed to manage enterprises within the framework of certain general prescription. The working people enjoy the right to work in a socialist society and it implies the right of every person to obtain work in his own country. While guaranteeing to every citizen the right to work, socialism at the same time demands that all people should work and play their part in social production. Thus a specific attribute of labour under socialism is its social character. Socialism leads to a new social division of labour, which is fundamentally different from division of labour under capitalism. Socialism united all enterprises in one economic organism and all the people work collectively. Therefore, the labour of workers, peasants and intellectuals is a part of the aggregate socialism labour participating in social production.

The social character of labour under socialism leads to a new attitude of the workers to labour. This new attitude is most strikingly expressed in 'socialism emulation.' Socialist emulation implies socialist production relations, the relations of comradesly co-operation and mutual assistance among workers in a socialist society. However, an essential condition for the correct organisation of 'socialism emulation' is the material incentive to workers so that they have an interest in the results of their labour in the form of large

social production & productivity.

Nature of Labour Incentive and Work Remuneration

Every mode of production has its corresponding mode of distribution. The relations in distribution correspond to these in productions. Under socialism the social product is distributed according to the work performed. It must be pointed out, therefore, the basic differences still remain between mental and physical work and also between skilled and unskilled labour.

Distribution according to work is an economic law of socialist society. Lenin said that the principle, "he who does not work, neither shall he eat", contains "the basic nature of socialism." the law of distribution according to work means that there should be : (1) distribution of the fund of commodities available for personal consumption according to the amount and quality of the work contributed; (2) higher payment for skilled as against unskilled work over equal periods of labour time; and (3) higher material encouragement for labour in the more arduous branches of production as compared with labour normal under conditions. The economic law of distribution according to it is an expression of the need to distributed material wealth in direct relation to the quantity and quality of work contributed by every one, and to give equal pay for equal work to all citizens.

Distribution according to work ensures that people have a material interest in the results of production. As a result, this mode of distribution leads to certain labour-incentives. Wages according to work, for example, stimulates the working people to have a material interest in the most efficient use of working hours. This leads to increase labour productivity.

Similarly, higher payment for skilled as against unskilled work gives an incentive to working people to raise their technical qualifications and skill. Higher wages for labour in the more arduous work gives material compensation for additional expenditure of labour.

Labour power is not a commodity under socialism. It is neither bought nor sold. As a result wages are not a form of the price of labour power but are a form of the distribution of material wealth according to work. Wages under socialism are the proportion of the social production which serves to compensate the workers for the expenditure of necessary labour. The level of wages under socialism is planned by society on the basis of the existing level of production. The principle elements in the organisation of wages under socialist state differentiates the payment for work depending on the nature, quality and conditions of work. The centralised regulation of wages of industrial officer and professional worker is effected through the grading system.

In a social society material incentives are given to the salaried workers such as engineers, technicians and offices workers. The incentives are in the form of awards given for fulfilment or overfulfilment of production plans. As socialist production develops real wages constantly rise. This leads to rise in the consumption level. In U.S.S.R., between 1940–1960, the amount of milk and dairy produce consumed in worker's families increased more than 3.6 times per head.

In a socialist economy collective farm incomes take the form of produce and money.

The collective farms sell products to the state at planned prices. These farms also create funds in the form of seed resources, fodder resources and food resources for the event of poor harvests. The remainder output is distributed among the members of the collective farms according to the number of work day units put in. The work day unit is a measure of the work the collective farmer contributed to the common economy of the farm; it also determines the share each member is entitled to out of the farm's income.

NATURE OF THE STATE POWER

Marx and Engels held the view that the first step in the revolution by the working class is to raise the proletariat to the position of ruling class, to win the battle of democracy. Marx pointed out that the old state machine cannot be used to tackle the new tasks of the proletarian state, because it is bound with the system of exploitation and oppression and is designed to suppress the working people. The proletarian state also differs from all earlier states as the economic function becomes one of its most important tasks. The proletarian state sets itself the task of building the new socialist economy.

While in socialist society antagonistic classes have been eliminated, the triumph of socialism does not mean that society has entered into conditions where there is no state. The institution of the state is necessary one even under socialism. Since the state is the owner of the principal means of production and represents the interests of society in the economic sphere, it has the task of controlling and planning the economy.

Development of productive forces and improvement in relations of productions do not come about themselves, spontaneously. The socialist state has the decisive role in organising production, distribution and exchange at all stages of socialist construction. The socialist state is the state in the first workers' state in the history of mankind. It reflects the interests of the people. The socialist state performs all its functions with the support and active participation of the board mass of the working people.

The state in a socialist society determines the scale, speed and proportions of the development of all the sectors of the economy. It is done on the basis of the principle of centralised economic planning. The state determines the wage policy, organises the commodity turnover and fixes the prices of goods.

The socialist state fulfils other functions besides those of organising the economy, including cultural and educational work. It organises the defence of the country and the protection of socialist property.

In short the nature of socialist state is the state of whole people. Socialist laws fixed all forms of state activity, tasks and function.

Purpose of Social Production

Under socialism, the age old hope of working people to lead a decent life is at last realised, socialist production is organised to satisfy the material and spiritual needs of all members of society. Thus, the purpose of social production is to rise the standard of living of the population and to satisfy the growing requirements of all people. In a socialist society the surplus product is used for the development of science, technology, culture and for the defence of the system. The production in a socialist society has three elements. First, the values of the means of production used up in the productive process, that is, 'C'. Second, the value of output produced by necessary labour that is 'V'. Third, the value of output

produced by the surplus labour that is 'S'. Thus the total output is equal to $C+V+S$ whereas the net output is $V+S$. The purpose of V is to satisfy the current wants of the people in the socialist society. The purpose of S is to accelerate the process of economic development. In short the purpose of social production is the welfare of the people both in the present as well as in the future. The very fact that in socialist society the surplus product, that is, 'S' is appropriated by the society, such a society offers the great scope for the development of the productive forces.

Management Control

In a society the property in the means of production is held by the state as well as by the collective farm. The different degree of socialisation of production gives rise to different forms of management. In state enterprises, the socialist state administers through its representative, directors, who is appointed and dismissed by the organs of the state. They are salaried managers. They are guided by the principle of social profitability in the day to day performance of their functions. These managers undertake planning of output and investment at the departmental level. All the affairs of the co-operatives and collective farms are administered by the general meeting of members and the boards of management elected by the members. The central organs only give planned guidance on the main questions. Thus, the management and control of socialist enterprises are conducted both on the centralised and decentralised basis.

Planning and Market

Planning management of the economy is one of the decisive advantage of socialism over capitalism. Economic planning in a socialist society primarily reflects the economic and organisational functions of the state. Socialist planning is a planning by direction in contrast to planning by inducement in capitalist society. The chief task of socialist planning is to ensure the continuous and rapid progress of social production for the well being of the people. The socialist state draws up economic plans, that is organises production; distribution and exchange on a planned basis and on the scale of the society as a whole. The plans are regarded as directives and their fulfilment is binding and it is an important principle of socialist planning.

The state guidance in the planning of different enterprises is an important aspect of socialist planning. The plans of all enterprises and industries have to be brought together in order to ensure planned and proportional development in all branches of material production. Each enterprise complies its own plan. The plans of individual enterprises of state industry, collective and state farms are shaped into the unified plan of the national economy by the central planning authority. Thus, centralised guidance combined with local initiative forms the corner stone of 'democratic centralism' in socialist planning.

The inter-temporal planning involves the preparation of long-term plans for five, seven or twenty years and these long-term plans set out the main line or strategy of economic development over several years. The long-term plans map out the solution of great socio-economic task. It must, however, be pointed out that term plans contain only the most general induces are then given concrete shape in current plans. The combination of current plans (monthly, quarterly, annual and long-term plans) is also one of the principles of socialist planning.

The permanent balance between the different links of social production is also important principle of socialist planning. There must be definite proportions in the rates of development within departments-I and II of social production. Department-I produces the means of production and department-II produces consumer goods. The whole trends of social production, that is, the ratio of the production of the means of production to the socialist planned economy. Accelerated development of the economy requires priority development of the production, the means of production, primarily of heavy industry. Similarly correct proportions between industry and agriculture is essential for planned economic development. In short, inter-sectoral and inter-industry proportional relations are basic to socialist planning.

Material balances is also important aspect of socialist planning. The system of material balances make it possible to work out in advance requirements of a particular material for the production of a particular product. The planned rates of development of the different branches of production are co-ordinated with the rates of development of inputs and the reserves of inputs. Input output analysis is carried out to achieve planning in material balance. For example, if it is decided to build 15 lakh flats, a prior calculation is made of the amount of inputs such as cement, labour and steel resources needed.

In a socialist society free market in the sense of competitive market does not exist. The consumer goods market, of course, exists. But in the working of consumer goods market the price mechanism does not work. In such a market the prices are formed on the basis of the position of stock. The managers of shops, within a limit, raise the prices of goods if the stocks are depleting and reduce the prices if the stocks are piling up. This is called the collective price system in contrast to price mechanism in a capitalist economy. The consumer goods market held in the planning of a socialist economy. In a socialist economy, the working of a factor market is on the basis of bidding for means of production. The managers of state enterprises give bid for means of production and the manager of factor leasing state agencies release the supply of means of production to highest bidder. However, certain administrative rules have to be followed by both the managers of state enterprises and manager of the state factor leasing agencies. This social rationality functions in place of private rationality.

SUMMARY

1. Socialism replaces private appropriation of the products of labour by social appropriation. The basis of appropriation is the social ownership of the means of production. Socialist society is characterised by (a) social ownership of the means of production; (b) non-antagonistic production relations; (c) existence of personal property alongwith social property; (d) economic planning and (e) social character of labour.
2. Under socialism the nature of property in the means of production is unlike that of capitalism, which is an instrument of exploitation. State property and collective farms are the two forms of property in the means of production under socialism. The collective nature of property in the means of production is the basic features of both the states as well as co-operative property. Collective nature of property does not allow exploitation of man by man.
3. The elimination of private property and the liquidation of exploiting class have not

yet resulted into a classless socialist society. The division of labour into industrial and agricultural, manual and mental leads to class division under socialism. Socialism establishes equality with respect to the ownership of the means of production, but maintains inequality in the distributions of income. However, class distinctions do not spread and grow there they are gradually overcome. The establishment of full scale communism means a classless society.

4. In socialist society people work for themselves and their own society. While guaranteeing to every citizen the right to work, socialism at the same time demands that all people should work and play their part in social production. Socialism unites all enterprises in one economic organism and all the people work collectively. The nature of work participation is social in character.
5. Distribution according to work is an economic law of socialist society. Thus in a socialism material wealth is distributed in direct relation to quantity and quality of work distributed by everyone. Equal wage for equal work is the rule in socialism. The level of wages under socialism is planned on the basis of existing level of social production in a socialist society; various types of incentives are given to the workers.
6. Socialist society is a planned economy. State undertakes the task of planning production, exchange and distribution.

UNIT NO. 4 QUESTIONS

1. What do you understand by 'monopoly capitalism' and 'imperialism'? Explain how in its economic sense imperialism is monopoly capitalism.
2. Explain the nature of capitalist socio-economic development. What are the contradictions of this development?
3. 'Imperialism is the highest stage of capitalism and neo-colonialism is the last stage of imperialism.' Comment.
4. What is 'neo-colonialism'? Explain the methods of neo-colonial exploitation of the Third World countries.
5. Explain the nature of Third World underdevelopment and its integration with imperialism.
6. What is the theoretical basis of the economic role of the capitalist state? How does this role get subordinated to capitalist social planning?
7. What do you understand by capitalist social planning? Explain its role in the strategy of social manipulation in a capitalist society.
8. Analyse the historical necessity of a period of transition to socialism and explain the aims of new society.
9. Describe the process called 'transition to socialism.' Also explain the problems of this transition.
10. Write on the nature of post-revolutionary society as envisaged in the Marxist theory.
11. Write an essay on the structure of production relations in a socialist economy.
12. How does the relations of production in socialist society differ from in a capitalist society?

SHORT ANSWER TYPE QUESTIONS

1. Proletarian state power.
2. Centralization of Capital.
3. Cartels
4. State
5. Neo-colonialism
6. Financial oligarchy
7. Need for a socialist transition period.
8. Difference in the nature of transition period between capitalism and socialism.
9. Major sectors of the socialist transition period.
10. Any four main objectives from capitalism to socialist transition period.
11. The role of communist party leaders in the dismantling of the Soviet and other socialist economies.
12. Objective nature of the socialist laws.
13. Work incentive and work remuneration.
14. Mergers
15. Banks and imperialism.

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Type Setting :

Department of Distance Education, Punjabi University, Patiala