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著者	Hidai Takeo
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〈自由論文〉

State Capitalism Theories of Lenin and Bukharin

- ‘Leviathan’ or ‘Three-quarter of Socialism’? -

Takeo Hidai

[Abstract]

After Vladimir Putin came to the power, contributions of economic activities by the state and state-owned companies toward the Russian economy as a whole has become significant, and the proportions of those actors to the Russia’s GDP are still increasing. At first we will discuss at first the increasing role of the state and state-owned companies in the economy of Russia, mainly using the official reports by the Federal Antimonopoly Service of Russia.

Then, we will consider the concept of “state capitalism” in the context of economic theories. The most famous non-Marxist view on the Russian state capitalism is Ian Bremmer’s, but his concept of “state capitalism” is very simple and vague, and lacks theoretical background. We will mainly review the Marxist approach to the analysis of “state capitalism”, especially the theories of Lenin and Bukharin’s.

[Keywords]

state capitalism, Russia, Lenin, Bukharin, Hilferding, Putin, socialism

1. Russia’s state capitalism under Putin

After the inauguration of Vladimir Putin, contributions of economic activities by the state and state-owned companies toward the Russian economy as a whole has become significant, and the proportion of those actors to the Russia’s GDP is still increasing. According to the Federal Antimonopoly Service of Russia, around the financial crisis of 1998, the ratio was about 25% , in 2008 — 40-45% , in 2013 it — over 50% , and in 2017 — it became 60-70% (source: The Report on the Conditions of Competition in Russian Federation 2018, by the Federal Antimonopoly Service of Russia). This proportion

means that the economy of Russia is a not normal common market-oriented economy, but a kind of state-oriented (state-led) economy. According to the report, in the four major economic sectors — energy, transport, mining and finance —, the percentages of state-owned companies’ revenue in the total revenue of each sector’s top 100 companies was on or over 50%. The share of economic activity of two gigantic state-owned companies — Gazprom and Rosneft’ — was 12-14% of GDP. State-owned companies, or “state capital”, is the dominant capital of Russia nowadays, and this type of economy can be said to be “state capitalism”.

After the 10 years turmoil of “neo-liberalism” economy at the term of Yel’tsin administration,

Russian economy has changed not only gradually, but fundamentally. We need to investigate the backgrounds of this change from neo-liberalism to state capitalism. In this paper we will discuss the concept of “state capitalism” in the context of the history of Soviet Russian economic thought. We will review the Marxist approach to the analysis of “state capitalism”, focusing on the theories of Hilferding, Lenin and Bukharin.

2. State capitalism theory from Hilferding to Bukharin

The most famous non-Marxist view on the Russian state capitalism is Ian Bremmer’s, but his concept of “state capitalism” is simple and vague, and lacks theoretical background. So, we have to use another approach to analyze the current economic process of Russia under the Putin administration. So, now we all have to know the history of the theoretical concept of “state capitalism”, which was originally formed by Rudolf Hilferding at the beginning of 20th century in Germany, and some Bol’sheviki economists followed this concept, including Lenin and Bukharin.

In 1902, Hilferding used the term “state capitalism” instead of “finance capital” to analyze the economic changes after the death of Marx¹⁾. Japanese scholar KONO Hiroyasu describes the usage of the term “state capitalism” by Hilferding as follows²⁾. At first, in the paper written in 1902 Hilferding grasped the function of customs policies of states as protecting the cartels by capitalists, and he saw the capitalist class renounced the laissez-faire and openly demanded the interventions of states into economy. At this time Hilferding thought that the age of the public control of economy by the state had been coming. And Hilferding pointed

out that capitalist class demanded the intervention by states in economies and there was some sphere of state control of the economy. He categorized these phenomenon as “state capitalism”.

Then, Hilferding changed the wording from state capitalism to “organized capitalism”, and wrote his book, *Finance Capital* in 1910. Lenin and Bukharin absorbed the ideas of “finance capital” category, and used it to grasp a new imperial stage of capitalism. In 1915, Bukharin wrote *Imperialism and World Economy*. And in 1916, Lenin published *Imperialism, the Highest Stage of Capitalism*.

However, both theorists, Bukharin and Lenin, used the term “imperialism” in ways different to Hilferding. As Anthony Brewer pointed out, we see in the *Finance Capital* ‘the absence of any clear concept of imperialism, an absence indicated by the variety of phrases Hilferding used to indicate different aspects of the phenomenon. The major elements of the idea were there, but they were never pulled together: the credit for that must go to Bukharin.’³⁾

Bukharin defined imperialism as a policy of finance capital and an ideology.

We speak of imperialism mainly as of a policy of finance capital. However, one may also speak of imperialism as an ideology. In a similar way liberalism is on the one hand a policy of industrial capitalism (free trade, etc.), on the other hand it denotes a whole ideology (personal liberty, etc.)⁴⁾.

Lenin defined imperialism not only as a policy of finance capital, but as a stage in the development of capitalism (this is illustrated by the parenthesis of the title of his book *Imperialism*). And, both theorists’ views were different not only in the dimension of imperialism, but of state capitalism.

Following Hilferding, Bukharin used the term

“state capitalism” in his 1915 draft of *World Economy and Imperialism*, and in 1917, it was published. In the book Bukharin developed the theory of imperialism, a little ahead of Lenin. Hilferding’s imperialism theory had some impact on the framework of Bukharin’s theory. Bukharin categorized the development stage of world capitalism as follows: commercial capitalism, industrial capitalism and financial capitalism. According to him, imperialism was the main economic policy at the stage of financial capitalism, and Bukharin made some original point of view to the new sphere of capitalism: internationalization and nationalization of capitals. At the end of chapter 3 in *World Economy and Imperialism*, Bukharin pointed out ‘internationalization of capitalist interests’ and ‘nationalization of capitalist interests’ as follows.

since the internationalization of capitalist interests expresses only one side of the internationalization of economic life, it is necessary to review also its other side, namely, that process of the nationalization of capitalist interests which most strikingly expresses the anarchy of capitalist competition within the boundaries of world economy.

After the indication of ‘internationalization of capitalist interests’ and ‘nationalization of capitalist interests’, he wrote about internationalization and nationalization of capital at chapter 4, as follows.

together with the internationalization of economy and the internationalization of capital, there is going on a process of “national” intertwining of capital, a process of “nationalizing” capital, fraught with the greatest consequences.

In the same chapter, he emphasized the organization process of economy under the dominance of finance capital.

various spheres of the concentration and orga-

nization process stimulate each other, creating a very strong tendency towards transforming the entire national economy into one gigantic combined enterprise under the tutelage of the financial kings and the capitalist state, an enterprise which monopolizes the national market and forms the prerequisite for organized production on a higher non-capitalist level.

Here, Bukharin pointed out the “concentration and organization” sphere of economy, common to the theory of Hilferding.

In the chapter 7, he illustrated capital export.

Looked upon from the point of view of the spreading of the organizational forms of modern capital, capital export is nothing but a seizure and a monopolization of new spheres of capital investment by the monopoly enterprises of a great nation or taking the process as a whole by the organized “national” industry, by “national” finance capital.

Next, in the chapter 8, Bukharin pointed out the policy of finance capital.

the “system” as a whole facilitates the increase of the rate of profit for the monopoly organizations. This policy of finance capital is imperialism.

In the same chapter, he noted the split of bourgeoisie into “national” groups, as follows:

we find that there is here a growing discord between the basis of social economy which has become world-wide and the peculiar class structure of society, a structure where the ruling class (the bourgeoisie) itself is split into “national” groups⁵⁾ with contradictory economic interests, groups which, being opposed to the world proletariat, are competing among themselves for the division of the surplus value created on a world scale.

In addition, Bukharin commented on the “national” trusts and their mutual competition in chapter 8.

This process of the organization of production has proceeded from below; it has fortified itself within the framework of modern states, which have become an exact expression of the interests of finance capital. Every one of the capitalistically advanced “national economies” has turned into some kind of a “national” trust. This process of the organization of the economically advanced sections of world economy, on the other hand, has been accompanied by an extraordinary sharpening of their mutual competition.

Then, in the chapter 10, we come to the definition of “state capitalist trust” by Bukharin.

Finance capital seizes the entire country in an iron grip. “National economy” turns into one gigantic combined trust whose partners are the financial groups and the state. Such formations we call state capitalist trusts.

In chapter 14, he continued the description of state capitalist trusts.

the state organization of capital, the “fatherland,” having turned into a state capitalist trust, took the place of the individual enterprise and appeared on the world arena with all its heavy and ponderous apparatus.

In the Bukharin’s grasp of state capitalist trust can be found obviously the negative view to the organization of state and state capital. As Cohen pointed out in his distinguished book *Bukharin and Bolshevik Revolution* (pp. 30–31), we can see the same negative view to the state organization in the Bukharin’s article *Toward a Theory of the Imperialist State*, written in the year 1915 after the writing of *Imperialism and World Economy*.

In the chapter 2 of the article, Bukharin indicated the tendency of the movement of capital in the age of state capitalism, compared to the age of industrial capitalism, or, using Japanese influential Marxian economist UNO Kozo’s term, “pure capitalism”.

The formula of laissez-faire was a symbol of faith within the leading circles of the bourgeoisie, who left everything to the “free play of economic forces.” Our own time, by contrast, is characterized by exactly the opposite tendency, the logical limit of which is state capitalism, or the inclusion of absolutely everything within the sphere of state regulation.

In the same chapter, he described state capitalism and state organization with the expression as below.

Thus, state capitalism is the completed form of a state-capitalist trust. The process of organization gradually removes the anarchy of separate components of the “national-economic” mechanism, placing the whole of economic life under the iron heel of the militaristic state.

Bukharin used another expression on state organization in the next chapter 3 as follows.

The once-independent organizational groupings become the divisions of a gigantic state mechanism, which pounces upon the visible and internal enemy with crushing force. Thus emerges the finished type of the contemporary imperialist robber state, the iron organization, which with its tenacious, raking claws embraces the living body of society. This is the New Leviathan.

Here we can find many negative portrayals on state organization in the age of state capitalism.

Next, we will follow the state capitalism theory of Lenin, comparing to that of Bukharin.

3. State capitalism theory of Lenin

After the completion of draft of the book *Imperialism and World Economy*, Bukharin asked Lenin to write foreword to his book, and Lenin wrote it at the end of the year 1915. In the foreword, Lenin did not refer to the “state capitalism” and “state-capitalist trust” at all. As influential Japanese historian WADA Haruki pointed out⁶⁾, Lenin at that moment showed no interest in the concept of “state capitalism”.

For almost one year, Lenin’s ignorance of Bukharin’s state capitalism theory had continued, but there happened the theoretical change in Lenin at the end of the year 1916. Lenin wrote the article “A Turn in World Politics” in *Sotsial-Demokrat* No. 58, January 31, 1917, and in the article he mentioned the idea of state capitalism, as follows.

World capitalism, which in the sixties and seventies of the last century was an advanced and progressive force of free competition, and which at the beginning of the twentieth century grew into monopoly capitalism, i.e., imperialism, took a big step forward during the war, not only towards greater concentration of finance capital, but also towards transformation into state capitalism.

However, after the February Revolution, Lenin changed his idea from state capitalism to state monopoly capitalism, as follows⁷⁾.

The main question dealt with in the resolution is this: what tasks will confront the Russian proletariat in the event of the world movement raising the issue of a social revolution?

"The objective conditions for a socialist revolution, which undoubtedly existed even before the war in the more developed and advanced countries, have been ripening with tremendous rapidity as a result of the war. Small and middle enterprises

are being squeezed out and ruined at a faster rate than ever. The concentration and internationalization of capital are making gigantic strides; monopoly capitalism is developing into state monopoly capitalism. In a number of countries regulation of production and distribution by society is being introduced by force of circumstances. Some countries are introducing universal labor conscription."

Before the war we had the monopoly of trusts and syndicates; since the war we have had a state monopoly. Universal labor conscription is something new, something that constitutes part of a socialist whole — this is often over looked by those who fear to examine the concrete situation.

These sentences were the parts of Lenin’s Speech in favor of the Resolution on the Current Situation, April 29 (May 12) 1917, delivered at the Seventh (April) All-Russia Conference of the Russian Social Democratic Labour Party (Bolsheviks). In this phrase on state monopoly capital, Lenin’s concept of the current situation was reflected. The sentence of the Resolution shown above was followed as below.

Under private ownership of the means of production, all these steps towards greater monopolization and control of production by the state are inevitably accompanied by intensified exploitation of the working people, by an increase in oppression; ... But with private ownership of the means of production abolished and state power passing completely to the proletariat, these very conditions are a pledge of success for society’s transformation that will do away with the exploitation of man by man and ensure the well-being of everyone.

And the resolution raised the takeover of state power by the proletariat in Russia, by these steps.

first, nationalization of the land. This measure, which does not directly go beyond the framework of the bourgeois system, would, at the same time, be a heavy blow to private ownership of the means of production, and as such would strengthen the influence of the socialist proletariat over the semi-proletariat in the countryside. The next steps are the establishment of state control over all banks, and their amalgamation into a single central bank; also control over the insurance agencies and big capitalist syndicates.

Here, we can see the conversion from state monopoly capitalism to socialism, and this vision is positively colored.

This vision is clearly shown in the text of *The State and Revolution*, written from August to September 1917.

A witty German Social-Democrat of the seventies of the last century called the postal service an example of the socialist economic system. This is very true. At the present the postal service is a business organized on the lines of state-capitalist monopoly. ... To organize the whole economy on the lines of the postal service so that the technicians, foremen and accountants, as well as all officials, shall receive salaries no higher than "a workman's wage", all under the control and leadership of the armed proletariat — that is our immediate aim⁸⁾.

After the October Revolution, Lenin had continued to use the term "state monopoly capitalism" for several months, until April 1918. Then, at the session of the all-Russian central executive committee, held at April 29, 1918, Lenin returned to use the term "state capitalism", as below.

I said that state capitalism would be our salvation; if we had it in Russia, the transition to full socialism would be easy, would be within our

grasp, because state capitalism is something centralized, calculated, controlled and socialized, and that is exactly what we lack: we are threatened by the element of petty-bourgeois slovenliness, which more than anything else has been developed by the whole history of Russia and her economy, and which prevents us from taking the very step on which the success of socialism depends. ... If the petty bourgeois were subordinated to other class elements, subordinated to state capitalism, the class-conscious worker would be bound to greet that with open arms, for state capitalism under Kerensky's democracy would have been a step towards socialism, and under the Soviet government it would be three-quarters of socialism, because anyone who is the organizer of state capitalist enterprises can be made one's helper⁹⁾.

In these sentences, Lenin shed the positive light on the term "state capitalism", and put it into the way to socialism, and expressed as "three-quarters of socialism". Then, after the Civil war was intensified, Lenin had stopped to make reference to the term "state capitalism", until the turning point to NEP. Then, Lenin spoke on state capitalism at the Report on the Tax in Kind Delivered at a Meeting of Secretaries and Responsible Representatives of R.C.P. (B.) Cells of Moscow and Moscow Gubernia, April 9, 1921, as below, referring the five different types of economic systems (structures) in Russia.

State capitalism is nothing to fear in Russia; it would be a step forward. That sounded very strange: How could state capitalism be a step forward in a Soviet socialist republic? I replied: Take a close look at the actual economic relations in Russia. We find at least five different economic systems, or structures, which, from bottom to top, are: first, the patriarchal economy, when the peasant farms produce only for their own needs, or are in a

nomadic or semi-nomadic state, and we happen to have any number of these; second, small commodity production, when goods are sold on the market; third, capitalist production, the emergence of capitalists, small private capital; fourth, state capitalism, and fifth, socialism. And if we do take a close look we shall find all these relations in Russia's economic system even today¹⁰⁾.

We have seen here the development steps toward socialist economy. This Lenin's view to state capitalism opened the way to analyze the underdeveloped economies. From this point of view, after the World War II, some Marxian economists extended the theoretical range of state capitalism, to a type of development economics, applicable to the "third world". In Japan, a Marxian economist OZAKI Hikosaku succeeded Lenin's idea on state capitalism, and led to what some scholars called "third world state capitalism school" of Japan since 1960's.

However, this Lenin's positive vision on state capitalism contrasts to that of Bukharin. In the book *Economics of the Transition Period*, written in 1919–20, he wrote on state capitalism as below.

Since state capitalism represents a union of the bourgeois state with the capitalist trusts, it is obvious that there can be no such thing as "state capitalism" under the dictatorship of the proletariat. <...> The system of socialist dictatorship, which could be called state socialism were it not for the fact that the latter term has been based in usage, is the dialectical negation and antithesis of state capitalism.

Here, Bukharin showed his continual negative concept of state capitalism through the October Revolution, and did not apply the concept to the economy of Soviet Russia. Here diverged the concept of state capitalism between Lenin and

Bukharin, and Bukharin had kept his negative position to the idea of state capitalism until his death forced by Stalin Regime, with the attacks that Bukharin's theory was very contrary to the Lenin's authoritative theory of state capitalism.

Concluding remarks

Ironically, in 1940, after the Soviet Union established the doctrine of "socialism in one country", Hilferding criticized the economic policy of the communist party of Soviet Union, and made criticism on the concept of "state capitalism" as follows¹¹⁾. 'The concept of "state capitalism" can scarcely pass the test of serious economic analysis', and he denounced Soviet Economy as 'Totalitarian State Economy'. This view to the Soviet Union is the exact opposite of Lenin's.

These days, state capitalism economies are magnifying world economy. Are we facing 'Leviathan' or 'Three-quarter of Socialism'? We could analyze these phenomena with the Marxian theories of state capitalism.

[Notes]

- 1) Jan Greitens, "Marxian and Non-Marxian Foundations of Rudolf Hilferding's Finance Capital", *The History of Economic Thought*, Vol. 55, No. 1, 2013.
- 2) KONO Hiroyasu, *The Economic Policy Thought of Hilferding*, Hosei University Press, 1993 (in Japanese).
- 3) Anthony Brewer, *Marxist Theories of Imperialism: A Critical Survey*, second edition, Routledge, 1990, p. 107.
- 4) Nikolai Bukharin, *Imperialism and World Economy*, The Merlin Press, 1972, p. 110.
- 5) Underlines in this article are by HIDAI.
- 6) WADA Haruki, "The Revolution at the Age of the State", ARATA and TANIUCHI (eds.) *From NEP to the Age of Stalin* (in Japanese), Bokutakusha, 1982, p. 263.
- 7) Lenin's Speech in Favour of the Resolution on the Current Situation, April 29 (May 12 in the Gregorian calendar), at the Seventh (April) All-Russia Conference of the Russian Social Democratic Labour Party (Bolsheviks).
- 8) *Lenin Collected Works*, Vol. 25, Progress Publishers, Moscow, 1964, pp. 426–427.

- 9) *Lenin Collected Works*, Vol. 27, Progress Publishers, Moscow, 1965, pp. 294-296.
- 10) *Lenin Collected Works*, Vol. 32, Progress Publishers, Moscow, 1965, pp. 295-296.
- 11) Rudolf Hilferding, "State Capitalism or Totalitarian State Economy", *Socialist Courier*, April 25, 1940.

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