

Dear discussants and workshop participants:

I am extremely grateful to you for reading and responding to my paper, and humbled to be presenting it to such an audience for this its first presentation. I wanted to give you some background as to how this paper came about and where it fits into my work and plans.

It represents the culmination of several years of work during which (quite against my will) I have tried to come to terms with the Marxism of the Second International. I proceeded in reverse: I was trying to write a history of Soviet economists' attempts to imagine alternatives to the forms of organization bequeathed by Stalinism, but was bothered by not knowing from whence those forms themselves came. This led me in two interconnected directions: 1) an attempt to figure out what Marx himself might have meant by socialism and 2) if I did not find there anything like the Soviet model (and I did not), then where did that model come from. The understanding of Marx that I developed is mostly presupposed in this paper as background, not argued for. (It also hints at a larger argument I aim to write a paper explicitly about, in which I will insert Marx and Marxism into the lineage of republican or democratic thought.) The paper attempts to answer the second question: what happened to Marxism after Marx such that the Soviet Union became possible?

I would like to publish this piece as a standalone paper and would love feedback to that end. I think I will send it to *Modern Intellectual History* or *Journal of Modern History*, but welcome suggestions. It is currently 15500 words including notes and apparatus, so options are few. I don't particularly want to or see how to make the deep cuts, to excise whole arguments, as would be needed to make it short enough to cast a wider net, but suggestions as to how to do so would be interesting.

This piece or some version of it will also be the first chapter of my book, which examines episodes of the economic imagination in Russia from the before the Revolution until 1992— from Lenin to Gaidar. The following chapter (not yet drafted) will examine the history of agricultural statisticians, the creation of the Central Statistical Administration, the "Balance of National Economy for 1923-24", the runup to the first Five Year Plan, and the advent of macroeconomic planning. Together they form the first section of the book. Subsequent chapters then will resume my original intent, of writing a history of Soviet attempts to imagine (and institute) alternative forms of socialism. So I am also very interested in advice as to how this paper would need to change to become a book chapter.

I am not a German historian, and my grasp of both the history and historiography is uncertain, and I welcome all suggestions and corrections. Similarly, the literature on the Russian Revolution is so vast that I do not feel myself to have mastered it, though I have more obligation to, and welcome all suggestions and corrections there as well. Lastly, I have had my nose to the grindstone for too long with this paper, and to some extent feel I've lost my perspective of whether I have made myself intelligible, my major points sufficiently clear.

With enormous gratitude in advance,
Adam

“State socialism,” “State Capitalism,” “War Communism”: On Marxism’s
Transformation into a Statism, 1876-1936*

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Introduction

At the turn of the twentieth century, the phrase “state socialism” has come to seem pleonastic, for what else could socialism be but state? Bespeaking a deep structure within the global political imaginary, all major political positions agree that more state means more socialism and more socialism means more state. If socialism means statism, then to many its paradigm and apotheosis seem to be Stalinism, theorized as “totalitarianism”. Yet only a little rummaging through socialist history ought to give pause. Lenin’s *State and Revolution*, his most detailed programmatic writing on socialism, is about the “smashing”, “abolition”, and “withering away” of the state. He baldly declared his ends the same as those of the anarchists. And for decades prior to the Revolution, “state socialism” [*Staatssozialismus*] was a pejorative used by Marxists to describe their opponents’ programs, from Louis Blanc’s “social workshops” to Bismarck’s “social monarchy,” never their own goals. Finally, Marx’s own writings are bookended by attacks on the state: in 1843 his *Critique of Hegel’s Philosophy of Right*

* I thank Alyssa Battistoni, Aaron Benanav, Eric Blanc, and Thea Riofrancos for comments on earlier drafts.

deconstructed that justification of Prussian liberal monarchy, declaring for democracy against the state, and in 1871 his pamphlet *The Civil War in France* celebrated the Paris Commune as an anti-state.

Although this requires more evidence than I can offer here, I claim that there were statist forms of socialist thought in the nineteenth century, but Marx's was not among them. His was heir to a radically democratic strand of the French Revolution, as interpreted through German Enlightenment and Romantic Hellenomania. To Marx the state was not a transhistorical form of political life, but rather an apparatus recently created by would-be absolutist monarchies striving to domesticate feudal aristocratic polyarchy. Socialism would democratize this state out of existence, deprofessionalizing it and returning politics to the citizen-amateur *a la* romanticized Athens at the same time as it replaced capitalist with cooperative (i.e. republican, democratic) production.¹ If the Marxist tradition prior to 1917 was so vociferously anti-statist—and it was—then how could the Bolsheviks create the Soviet Union claiming they were realizing socialism? And how could many (though never all) Marxists accept the claim?² The question has been rendered so unintelligible—by the divorce of Soviet from German historiography, by the hegemony in the Western academy of “totalitarianism” (and the reaction against it) and in the non-academic left of Leninism (and its descendants) that both buried knowledge of the Second International's Marxism, and more deeply by the eclipse of the nineteenth century political imaginary itself—that almost no one has

¹ My reading of Marx is indebted to such works as Richard Hunt, *The Political Ideas of Marx and Engels*, 2 vols. (London: Palgrave Macmillan, 1974 & 1984), William Roberts, *Marx's Inferno: The Political Theory of Capital* (Princeton: Princeton University Press, 2016), Alexandros Chrysis, ‘True Democracy’ as a Prelude to Communism: *The Marx of Democracy* (London: Palgrave Macmillan, 2018), George McCarthy, ed., *Marx and Aristotle: Nineteenth-Century German Social Theory and Classical Antiquity* (Savage: Rowman & Littlefield, 1992).

² Marcel van der Linden, *Western Marxism and the Soviet Union: A Survey of Critical Theories and Debates Since 1917* (Chicago, IL: Haymarket Books, 2007) canvasses Marxist theories of what else the USSR might have been.

attempted to answer it.³

My contention is that the identification of socialism with the state within Marxism proceeded not by imagining the state swallowing up civil society, but the very opposite: by imagining the capitalist corporation swallowing up the state. This happened almost unconsciously, as a conceptual byproduct of three distinguishable but interconnected debates. The first was over the meaning or possibility of “state socialism” versus “state capitalism” [*Staatskapitalismus*]. The second was over the necessity of social revolution under the conditions of democratizing political participation (the famous “revisionism” controversy) and especially the subproblem of the “theory of collapse” [*Zusammenbruchstheorie*]. The third sought explanations for capitalist states’ turn to “imperialism”. The three debates touched on various shared topics, arguments, and claims, but one was industrial combinations: syndicates, rings, cartels, trusts. Such combinations were not thematically central to any of the three debates, yet unnoticed the theorization of them was little by little advanced. With Hilferding’s *Finance Capital*, industrial combinations finally moved to the foreground of socialist attention— and became a speculative model for the future socialist polity.

As businesses combined into ever larger structures, the anarchy of market competition seemed to be sublating itself, and in its place bureaucratic, managerial, conscious orders were coagulating. Did this process have any necessary end? They answered: At least theoretically, the asymptote of this process would be the unification

³ The two important essays to which I am most indebted are those of Willy Hühn and Werner Olle. Hühn, a council communist, was alive to the problem of how Marxism became a statism, but was politically committed to an internal historiography of the Party that I contest in which Lassealleanism is the original sin, revisionism its continuation, and Nazism its culmination. Olle, an economist, seemingly alone has captured the crucial importance of “state capitalism” and its transformations, but did not grasp the problem of statism. Huhn, “Etatismus - „Kriegssozialismus“ - „Nationalsozialismus“ in der Literatur der deutschen Sozialdemokratie” in *Der Etatismus des Sozialdemokratie: Zur Vorgeschichte des Nazifaschismus* (Freiburg/Wien: Ça Ira, 2003[1952]); Olle, “Zur Theorie des Staatskapitalismus. Probleme von Theorie und Geschichte in Theorien der Übergangsgesellschaft,” *Prokla* 11–12 (1974): 91–144.

of all capital into one “general cartel”. In the process capital and the state also became imbricated in a new way. The state became ever more literally a “committee for managing the common affairs of the bourgeoisie,” bent on imperial conquest. In place of the liberal, anti-state, pacifistic, capitalist ideals of the first half of the century, arose a new bellicose ideal of an interventionist state regulating an organized economy. Some proponents called it “state socialism”; socialists rejected as “state capitalism”.⁴ The worry imposed itself ever more insistently: If capitalism was anarchic markets, and socialism rational order, might not this “state capitalism” *actually* be “state socialism”, or *very nearly* socialism, or *at least* its preconditions, taking shape before their eyes? With the enthusiasm of war, some even heralded wartime mobilization as “war socialism,” this trajectory’s apogee. All eyes were fixed on the necessarily conceptually ambivalent horizon at which the forms of ripening capitalism became those of socialism itself.

I argue that this vision of the general cartel fused with the state animated early Soviet state building, from the periods called “War Communism” to the “New Economic Policy” to Stalin’s industrialization drive. Lenin, intimately familiar with these analyses of German capitalism’s transformations, repurposed them as a blueprint for building socialism in Russia. Thus in 1936, Stalin could declare the achievement of socialism upon the final consolidation of the general cartel merged with the state. If the German analysis of state capitalism saw self-consolidated capital digesting the state, the Soviet construction of state capitalism proceeded in reverse, with the state digesting private capital and consolidating it within itself. This is how a strand of nineteenth century anarchism became the apology for the twentieth century apogee of étatisation. In the process, that early nineteenth century version of radical, deprofessionalized

⁴ It is common but, as I show, incorrect, to attribute the notion to either anarchist critics of Marxism or theorists of the German war economy.

democracy and cooperative production became eclipsed and nearly forgotten.

1. State Socialism/State Capitalism

Before “state socialism” was ever used to refer to the Soviet Union, it was a target, touchstone, and theory in German political discourse. Though attested before then, it was truly coined in 1876 by liberals as a term of condemnation for Bismarck’s interventions into socioeconomic life—tariffs, nationalizations, insurance schemes— but then was adopted by conservatives to praise them. To members of the Social Democratic Party (the SPD), especially the Marxists, this state socialism seemed dangerously seductive, and they fought it in two stages, from 1878 to 1884 and from 1889 to 1893. In these debates, the Party refined its positions on class struggle, the state, nationalization, the dictatorship of the proletariat, and other key constructs. This decade and a half long battle thus generated much of the Party’s theoretical orthodoxy, which became for subsequent generations Marxism *simpliciter*. The far better known “revisionism controversy” of 1896, I claim, represented their continuation, their third round as it were, even as it generated further conceptual innovations. In attacking state socialism, Marxist Social Democrats retrojected a lineage of state socialist thinking, which became abstracted into a typological concept, the beginnings of a theory. They derided it as ersatz socialism, and relabeled it “state capitalism” [*Staatskapitalismus*]. This invective synonym for “state socialism” recuperated the rhetorical opprobrium of its liberal coiners: if the liberals thought it was bad because it was state and because it was socialism, and the conservatives liked it for the same reason, the socialists thought it was bad because it was state and because it was *not* socialism.

This was not then taken for a theoretical innovation, and “state capitalism” was

only rarely attested over the next twenty years. Only later, from approximately 1916, would the label be backfilled with theoretical content generated by the debates on cartels and imperialism and become widely used. “State capitalism” would then become crucial to how Social Democrats understood the nature of German capitalism, their own historical position in, and the shape of socialism to come. Finally, Lenin transformed this descriptive concept into a prescriptive one, setting the achievement of state socialism as his regime’s near-term policy goal. This journey—a liberal sneer adopted by paternalistic monarchists, attacked by social democrats, expanded into a typology and theory, flipped into the mirrored sneer of state capitalism, which was itself then elaborated into a master theory, finally transformed into by Lenin into the object of policy—was barely noticed as it occurred.

In this process, the radical democratic and cooperative vision of Marx began to be eclipsed by a statist one. Few social democrats seem to have noticed, and those that did only dimly and intermittently.

First stage: Kathedersozialismus and Bismarck’s program, Nationalization and Cooperation

Chancellor Otto von Bismarck envisioned a nationwide net of steel, the *Reichseisenbahn*, to bind together the new German Empire. On April 29th, 1876, the Prussian House of Representatives was debating the transfer of Prussian railroads and railroad regulatory powers to the Reich.⁵ During the debate, Rudolf Virchow, a member

⁵ Hugo von Kremer-Auenrode and Philipp Hirsch, eds. “Entwurf eines Gesetzes, betreffend die Uebertragung der Eigenthums- und sonstigen Rechte des Staates an Eisenbahnen auf das deutsche Reich,” in *Das Staatsarchiv. Sammlung der Officiellen Actenstücke zur von Geschichte der Gegenwart*, (Leipzig: Duncker & Humblot, 1877), 30: 91–110. For an overview of railway politics see Dieter Ziegler, *Eisenbahnen und Staat im Zeitalter der*

of the oppositional liberal Progress Party, accused Minister of Agriculture Karl Rudolf Friedenthal of “state socialism” [*Staatssozialismus*].⁶ These preludes to railroad nationalization are thus if not the first use then the true minting of the phrase; its circulation followed Bismarck’s program’s expansion in the following years: in 1879 Prussian railroad nationalizations both bailed out well-connected investor banks and gave the government revenue not subject to Reichstag review; in 1881 an accident insurance law was defeated by liberal parties; in 1882 Bismarck tried and failed to pass a tobacco monopoly; in 1883 the illness insurance law passed, followed in 1884 by accident insurance, and in 1889 by old age and disability insurance.

A group of conservative economists soon adopted the label “state socialism” to defend those same policies.⁷ Liberal journalist Heinrich Oppenheim had in 1871 derisively dubbed them *Kathedersozialisten*, “socialists of the [professorial] chair.”⁸ These enthusiastically pro-Prussian and anti-liberal professors of the *Kameral-* or *Staatswissenschaften* believed that the era of “Manchesterismus,” of free trade and unregulated production, had ended, that all modern governments intervened in trade and production. Through such intervention they hoped to solve “the social question” without democratization. The *Kathedersozialisten* lauded Bismarck as the architect of state socialism and hoped it would win over worker support for Kaiser and Chancellor.

For the SDP, the late 70s to early 80s were a multiplex crisis. First, the Party was still working through its 1875 creation by merger when it was severely repressed by the

Industrialisierung (Stuttgart: Franz Steiner, 1996), esp. ch. 5. “*Staatssozialismus*” is attested before the late 1870s, but extremely rarely.

⁶ *Stenographische Berichte über die Verhandlungen durch die allerhöchste Verordnung vom 8. Januar 1876 Einberufenen beiden Häuser des Landtages*. Bd. 2. (Berlin: W. Moefer Hofbuchdruckerei, 1876).

⁷ Adolf Held, “Die Übergang der deutschen Bahnen an das Reich,” *Landwirtschaftliche Jahrbücher* 5, 6 (1876): 1065–1128.

⁸ Heinrich Oppenheim. “Manchesterschule und Katheder-Sozialismus.” *National-Zeitung*, no. 573 (Dec. 7, 1871).

Socialist Law of 1878 and struggled to devise survival tactics. More moderate members, never convinced by revolutionary rhetoric, considered jettisoning it prudent if not necessary. Tensions were at times acute enough to raise fears of schism. Second, Bismarck's new policies attracted many workers, who often shared nationalist and monarchist sentiments. Third, the Party had no theoretical orthodoxy to guide its responses. Self-understood Marxists were only one faction, and even they knew very little of Marx's and Engel's thought, most of which was long out of print. And they too had absorbed quite a bit of *Kathedersozialismus*. Adding to the confusion, the *Kathedersocialisten* proffered an alternative *maître-penseur* to Marx, Johann Rodbertus (d. 1875), who had described a Ricardian monarchical socialism in the 1840s. In 1878 Adolf Wagner published Rodbertus' letters with Lassalle, creating a flurry of interest within the Party, especially among ex-Lassalleans uncomfortable with Marxist insistence on class struggle and revolution. This context shaped the first party debate over "state socialism," from roughly 1879 to 1884.

Engels determined to unite the Party—reeling from repressions, the seductions of Bismarck's programs, and theoretical eclecticism—by Marxifying it. For this fight he intensely schooled Karl Kautsky and Eduard Bernstein; they cut their polemical teeth attacking Rodbertus, Lassalle, Bismarck.⁹ Due to these polemics, the three became exemplary of "state socialism", despite none having described themselves as proponents thereof. This identification was induced from both sides. From one, the *Kathedersozialisten* aimed to build a bridge over which Social Democrats could come to

⁹ Engels intended to write a series of articles attacking all three ("Engels to Eduard Bernstein. 12 September 1882" *MECW* 46: 323–26) but only wrote one on Bismarck, "Le Socialisme de M. Bismarck," in *Marx-Engels Gesamtausgabe*, (Berlin: Dietz Verlag, 1880), I/25: 188–97. He gave the anti-Rodbertus campaign (1884–6) to his protégés, on which Vernon Lidtke, *The Outlawed Party: Social Democracy in Germany, 1878–1890* (Princeton: Princeton University Press, 1966), 174.

State Socialism by linking themselves to Bismarck's popular reforms and those reforms to the party's sainted founder, Lassalle, and to Rodbertus as alternative founding theorist. From the other, SDP Marxists drew upon the authority of Marx and Party animus against Bismarck to discredit the State Socialists, impugn lingering love for Lassalle, and reject Rodbertus.

Engels himself made the first and perhaps deepest intervention. His book *Anti-Dühring* (1878; composed of columns from the two years previous), which became catechism for the prewar cohorts of Marxists, attacked the common perception of nationalization as *ipso facto* socialist. Bismarck's nationalizations had given rise to a delusion, a "false socialism" degenerating into "flunkeyism," he stated. Workers have no more control over the means of production in nationalized enterprises than in private ones. Labor, still alienated, still produces surplus value for the boss. Progressive nationalization would only make the state approximate a "total capitalist" [*Gesamtkapitalist*]. Engels continued with a second argument that would also become important later. Some nationalizations are *historically necessary* because in some sectors, like railroads, production has achieved such a scale that the most innovative form of investment and management, the joint stock company, was insufficient, and only the state could undertake it.¹⁰ But his third important claim was that even such necessary nationalizations were only steps *towards* socialism, not *of* socialism. At best, pre-revolutionary nationalizations might save the victorious proletariat some trouble.

But what *would* production be like in the society Marx called communism, socialism, the republic of labor, the society of free and associated producers, association, cooperative society, community, the (re)union of free individuals, and the associative

¹⁰ Engels, *Anti-Dühring* in *Marx/Engels Collected Works* (hereafter *MECW*) (London: Lawrence and Wishart, 1975-2004) 25:1-309, on 264-70.

mode of production? I venture that to Marx and younger Engels étatisation was only a means to cooperative production, i.e., coordination without arbitrary direction, in which workers directed themselves. That Marx seldom discoursed about cooperation suggests to me such consensus on cooperation among mid-nineteenth century socialists that it did not require discussion.¹¹ But that Engels did not spell it out decades later in the context of debates in which socialism was equated with nationalization suggests to me that he was no longer so sure.

Engels may have been reticent partly because the SDP had defined itself as Marxist against two movements that centered cooperation, one liberal bourgeois and the other social monarchistic. On one side, it rejected the cooperative and credit union schemes of Franz Schulze-Delitzsch, a co-founder of the bourgeois democratic Progress Party from which many of the Eisenachers had begun their political journeys, and on the other, the socialism via state supported cooperatives of Lassalle.¹² Finally, the very changing nature of capitalism, the emerging multi-sited multi-industry corporation may have rendered the directly democratic cooperative less easily imaginable.¹³ Cooperative

¹¹ On nationalization as prelude to cooperativization, Engels' draft used by Marx for the *Manifesto* is illuminating, "Principles of Communism" (1847) *MECW* 6:341-57. For Marx's explicit statements on cooperation, see "Inaugural Address of the International Working Men's Association" (1864) *MECW* 20:5-13, on 11-12, "Instructions for the delegates of the provisional general council" (1866) *MECW* 20:185-94, on 190, Fred Moseley, ed., *Marx's Economic Manuscript of 1864-1865* (Boston, MA: Brill, 2016), 326-327, 489-90, 538-9; left-wing Chartist Ernest Jones collaborated with Marx to write "Letter to the Advocates of the Co-operative Principle, and to the Members of Co-operative Societies" (1851) *MECW* 11:573-81 and "Co-operation. What It Is, and What It Ought To Be" (1951) 11:582-9. The First International's important debates at the Lausanne (1867) and Brussels (1868) Congresses on cooperation, property, and the state can be found in Jacques Freymond, ed., *La première internationale: Recueil de documents* (Geneva: Librairie E. Droz, 1962), 1:126-30, 135-8, 151-5, 190-205, 231-3, and 361-79, 407-12, respectively. On Marx's vision of communism, Paresh Chattopadhyay, *Marx's Associated Mode of Production: A Critique of Marxism* (New York: Palgrave Macmillan, 2016). On cooperative socialism more generally see *inter alia* Gregory Claeys, *Machinery, Money and the Millennium: From Moral Economy to Socialism, 1815-1860* (Princeton, N.J.: Princeton University Press, 1987) and Bernard Moss, *The Origins of the French Labor Movement: The Socialism of Skilled Workers 1830-1914* (Berkeley: University of California Press, 1976).

¹² E.g. Eduard Bernstein, "Produktivassoziationen mit Staatskredit," *Der Sozialdemokrat* (hereafter *DS*), no. 26 (26 June 1884).

¹³ Engels' defense of authority in large complex workplaces suggests such a position; see "On Authority" (1871) *MECW* 23:422-25.

production, I claim, was becoming eclipsed along with anti-statist democracy by the rising vision of totally étatized production— and this increasingly blurred the boundary between social democracy and state socialism.

Bernstein, as editor of the main party paper and in close consultation with Engels, waged a sustained campaign against “state socialism” from 1881 to 1884.¹⁴ Some Social Democrats’ sympathy to it was comprehensible, because they were so accustomed to fighting *Manchesterismus*, but they must not adopt liberal terms of debate and allow that anything the state did was socialist. “State socialism” was a ploy for revenues not subject to Reichstag approval, to buy the votes of nationalized industries’ employees, and to bail out insolvent investors. More, it was the ruling classes’ implicit admission that the capitalist order was running out of political legitimacy, a bid to distract workers from social democracy. State socialists had extended the old royalist argument that the king stood above the estates and embodied the common good to encompass the state apparatus that absolutism had bequeathed. The state’s supraclass status was illusion. Insofar as it regulated class domination, it did so only to maintain the conditions for exploitation.¹⁵

There is yet another, even more fundamental, argument towards which these articles only gestured. State socialists claimed that they supported the same socialistic measures as Social Democracy, just not the democratic political program. But their “socialism” was founded on *worker welfare*, not *worker self-determination*. State socialist

¹⁴ Bernstein, “Die Impotenz des Klassenstaates,” *DS* no. 2 (5 Jan. 5 1882); “Bekannt Farbe!” no. 16 (13 April 1882); “Das Märchen vom ‘sozialen Königtum’,” no. 10 (1 March 1883); “Klassenkampf und soziale Reform,” no. 30 (24 July, 1884); “Manchesterthum, Sozialdemokratie und ‘soziale Reform’,” no. 49 (1 Dec. 1881), Staatshilfe!” no. 2 (2 Jan. 1881); “Staatssozialismus und Klassenstaat,” no. 41 (Oct. 6, 1881). Kautsky also wrote “Der Staatssozialismus und die Sozialdemokratie,” *DS* no. 10 (6 March 1881), but Engels did not like it; “Engels to Eduard Bernstein. 12 March 1881” *MECW* 46: 73–76.

¹⁵ See the 1904 debate between Kautsky and Kurt Eisner; Kautsky constructs parallel concepts of “republican superstition” and “monarchical superstition,” *Vorwärts* no. 206 (2 Sept. 1904), Beilage, 1-2, no. 210 (7 Sept. 1904), 3-4, Beilage 1-2. Reprinted in Eisner, *Gesammelte Schriften* (Berlin: Paul Cassirer, 1919) 1:285-325.

nationalization would not return to workers control over their means of production. Rather, the state would be a more beneficent—paternal—employer: it could maintain employment in slumps, pay better wages, and provide more salubrious, even morally improving, labor conditions. Nationalization, labor protection, and insurance all shared this purpose.

Marx did not think this way. In Aristotelian fashion, he understood freedom *qua* self-government as the condition for the realization of humanity's nature, its final cause. Socialism was the radicalization of democracy into the economic, ultimately abolishing its autonomy. For Marx, the proletariat's poverty was the result of its domination in the form of the wage labor relationship. The material benefits of socialism derived from workers' restored independence, their becoming their own bosses. A socialism that merely raised wages was thus, in Marx's terms, no socialism at all. But by the end of the century Marx was becoming unintuitive if not unintelligible to newly identifying Marxists.

Second stage: Vollmar and the pre-history of "revisionism"

The second stage of the debate on state socialism began in 1891. Bismarck had clashed with the newly crowned Emperor Wilhelm II amidst a disintegration of his parliamentary coalition and massive spontaneous miners' strikes. On January 25, 1890, parliamentary deadlock killed the renewal of the Socialist Law. Then, on February 4th, to the dumbfounded jubilation of socialists, the Emperor, in sympathy with a major miner's strike, issued a decree instructing the Chancellor and diplomatic representatives to convene an international conference to examine the "worker's

question” and establish international labor standards.¹⁶ That month, in their first election operating as a legal party, the Social Democrats won almost 20% of the vote. A month later the Emperor requested the Chancellor’s resignation. Greeting the opening of the Reichstag on May 6th, Wilhelm II called for a worker protection law to establish holidays, cap the allowable hours for children and women, set hygiene and safety standards and found a factory inspectorate.¹⁷ The law would pass a year and two days later. In 1889-1890, labor union membership nearly tripled.

As midnight approached on 29 September 1890, official expiry of the Socialist Law, party leaders prepared to deliver speeches to celebrating Party members. In Berlin, one was Bavarian leader Georg von Vollmar.¹⁸ Hailing the victory, Vollmar claimed that, the government having embarked upon a “new course,” the Party must only continue its steady advance, uphold its tactic of legal parliamentary activity, and work to pass reforms building proletarian strength for the still distant revolution. But he went further, arguing that the Party should welcome claims of non-proletarian parties to support these reforms, and work with them.

His speech was not especially noted, but 1 June 1891 he gave a similar one in Munich, and that time the bourgeois press reprinted it, calling it a sea change in the SDP’s politics. *This* caught Party attention, especially that of the radical Berlin faction led by the clique of young intellectuals dubbed “the Youngsters” [*die Jungen*]¹⁹.

Enthused by the Party’s explosive growth, the Youngsters attacked the Party’s

¹⁶ Wolfgang Ayass, Florian Tennstedt, and Heidi Winter, eds., “Erlaß’ des deutschen Kaisers uund preußischen Königs Wilhelm II. an den Reichskanzler Otto Fürst von Bismarck, 1890 Februar 4,” in *Quellensammlung zur Geschichte der deutschen Sozialpolitik 1867 bis 1914*, (Darmstadt, 2003) Abt. 2, Bd. 1., 545.

¹⁷ Christian Gauss, ed., “Opening of the Reichstag, Berlin, May 6, 1890,” in *The German Emperor as Shown in His Public Utterances* (New York, NY: Scribner, 1915), 53-60.

¹⁸ F.L. Carsten, “Georg von Vollmar: A Bavarian Social Democrat,” *Journal of Contemporary History* 25, no. 2/3 (1990): 317–35.

¹⁹ Stanley Pierson, *Marxist Intellectuals and the Working-Class Mentality in Germany 1887-1912*. (Cambridge, MA: Harvard University Press, 1993), 11-34, and Lidtke, *The Outlaw Party*, 305-19.

investment in electoral politics as “petty bourgeois corruption” when it instead to focus on preparing the coming insurrection. Vollmar’s speeches gave them a perfect exemplum of the rot they saw undermining the party: abandoning the revolutionary horizon, betraying the class war, trading internationalism for chauvinism. He rejoined that that he was merely repeating Party doctrine, especially the resolutions of the Halle conference of 1890 that had rejected the Youngster’s anti-parliamentarism.²⁰

At the Erfurt Congress of October 1891 the Party adopted its first new program since unification, finally codifying Marxism as its orthodoxy, but the discussion of Vollmar’s positions and the Youngster’s rebellion nearly dominated the agenda.²¹ Party leaders so concentrated on destroying the last of the Youngster’s opposition that, though they expressed sharp disagreement with Vollmar, they ended up protecting him. Vollmar repeated all his defenses, but he also came to the heart of the issue, as would not be clear until the revisionism controversy irrupted: reforms and accepting extra-class help to pass them only threatened to reconcile workers to the present order *if* such a reconciliation were possible. Since the Party claimed that the intensification of class antagonism unto revolution was driven by iron laws of history, the threat would be real only if the Party’s socialism itself were wrong.²² Vollmar did not argue this—but Bernstein soon would.

Noteworthy, the Congress did *not* attach Vollmar’s views to “state socialism,” which it barely discussed. The draft program had denounced state socialism, but that

²⁰ Georg von Vollmar, *Über die nächsten Aufgaben der deutschen Sozialdemokratie* (München: Verlag von M. Ernst, 1899).

²¹ *Protokoll über die Verhandlungen des Parteitag der Sozialdemokratischen Partei Deutschlands* (Berlin: Vorwärts, 1891). Vollmar’s two major speeches are 179-90 (discussion 190-202) and 254-65 (discussion 265-288); he continued to have them reprinted years later. Further discussion of Vollmar can be found 56-60, 97-9, 104-6, 188, 122, 146, 207-10, 216-226, 235-51. Bebel’s speech on the Berlin opposition follows his introduction of a resolution on “The Tactics of the Party,” 156-78, treating Vollmar, 173-5; he also attacks Vollmar in a second speech, 269-74. An inflammatory pamphlet of the Berlin opposition is reprinted 61-67.

²² *Ibid.*, 183-4.

point was cut in an early version.²³ It had defined it much more narrowly than either its liberal opponents or its conservative proponents had, as “nationalization for fiscal goals,” i.e. as merely a state revenue source out of Reichstag control (occasionally we encounter *Fiskalismus* as a synonym). Like a private entrepreneur, the state exploited workers for surplus value. *This* is the germ of Liebknecht’s re-baptizing state socialism as “state capitalism”—the sole example of this phrase during this Congress, and if not the actual coinage than certainly among the first uses. But the lack of attention to state socialism would soon change.²⁴

The dispute died away after the Congress, until Vollmar’s letter in the *Revue politique et littéraire* reignited it. There he defined state socialism as “a theory according to which the state should be not only a political organization, but should also extend its sovereignty to the whole social domain.” In fact, “state socialism differs from democratic socialism only in one point: ... in what sense and by whom the state should be governed.” Reforms the SDP had proposed “may well be regarded as belonging to state socialism”—either way, they prepared society for social democracy, so social democrats need not oppose the introduction of state socialist measures.²⁵

This letter too was quoted in the bourgeois press, inciting yet another Party furor. Liebknecht, newly editor of *Vorwärts*, itself newly elevated to the role of central organ, attacked Vollmar all summer and fall.²⁶ In his editorial of 12 July he repeated that state socialism could only be “state capitalism”—establishing the connection between the two terms and Vollmar. An increasingly exasperated Vollmar parried that there was

²³ Ibid., 14, 21 for discussion, and for a variorum of drafts Ben Lewis, ed., *Karl Kautsky on Democracy and Republicanism* (Leiden: Brill, 2020) 312ff.

²⁴ Ibid., 247, 269-70; Liebknecht’s use of “state capitalism” on 334.

²⁵ Vollmar, “Le socialisme de Bismarck et le socialisme de l’Empereur Guillaume,” *Revue Politique et Littéraire* 49, no. 25 (12 July 1892): 789–92, on 789.

²⁶ Nos. July 6, 12, 21, 28, 30, and 31.

little practical divergence between social democracy and state socialism aside from who ruled the state, and that nothing he had said so contradicted accepted doctrine to be worthy of such controversializing.²⁷

Kautsky, on the eve of the November 1892 Berlin Congress, conciliatorily granted Vollmar's unoriginality. But he also expounded a new critique of "state socialism". Taking Rodbertus (anachronistically, as we have seen) for its theorist, Kautsky defined it as an ideology figuring the state as harmonizer of class relations. It aimed at a polity organized not to the benefit of workers, but one that gave to each estate—workers, but also capitalists and landowners—its proper due. He grounded this ideology in Germany's uneven development. The *Junker* estate, rooted in the agricultural East, used the absolutist state over which it retained some control to harness and shape development of the industrial West; the fantasy of the state's supra-class standpoint derived from the *Junkers'* fantasy of themselves as having supra-class, i.e. national, interests. His principal disagreement with Vollmar was over whether state socialist measures should be welcomed by social democrats. They should not be, he argued, because such measures obscure or mitigate class antagonism; conversely reforms (like the British Factory Acts) conceded from fear of the organizing working class and which increased proletarian strength indeed ought to be welcomed, but, no longer tending to class harmony they would definitionally not be state socialist.²⁸

By the Congress, Liebknecht and Vollmar had arranged a public reconciliation, cosponsoring a resolution condemning state socialism that reused language from the Erfurt Program drafts. Liebknecht delivered a lengthy report, declaring repeatedly that

²⁷ Vollmar, *Über Staatssozialismus* (Nürnberg: Verlag von Wörlein & Comp.), 1892.

²⁸ Karl Kautsky, "Die Parteitag und der Staatssozialismus," *Die Neue Zeit* (hereafter *DNZ*) 11/I, no. 7 (1892): 210–21; Vollmar, "Zur Streitfrage über den Staatssozialismus." *DNZ* 11/I, no. 7 (1892): 196–210; Kautsky; "Vollmar und die Staatssozialismus." *DNZ* 10/II, no. 49 (1892): 705–13.

“state socialism” was only “so-called” [*sogennant*], a “counterfeit word” [*Wortfalschmünzerei*], and actually state capitalism; Bebel added that it was only thinkable in Germany due to Prussia’s “Caesarist-demagogic character”; together they linked it to Lassalle, Rodbertus, and *Kathedersozialismus*, reinforcing the historical series in which concept formation would take root.²⁹

But in his articles that year, Vollmar had made an important innovation that, again, would not be fully grasped until the revisionism controversy. He argued that the democratization of the state was inevitable, and to the extent that the state democratized, “state socialist” measures became *actually* socialist.³⁰ In the 1881-4 debate, “state socialism” had referred to monarchical socialism, clearly the opposite of social democracy. It had posed Kaiser and state as supra-class harmonizers of social interests. But by the 1891-3 debate, with the rising power of the social democratic movement *within* and over the state, “state socialism” was losing its connection to anti-democratic reaction. Would not growing representation of growing worker power make the state for the first time *actually* supra-class, and eventually an organ of the working class? We can see the outlines of the revisionist problematic coming into focus.

The terms of this debate reveal that the Party had nearly completely lost any sense it still had had of Marx’s radical democracy, which attacked the state form itself, not merely its control by oligarchic classes. Marx saw in the parliamentary state only a disguised monarchy and demanded the deprofessionalization and decentralization of the bureaucracy. And the SPD’s years of distancing itself from cooperatives (plus the new scale of corporate capitalism, difficult to imagine as cooperative) had sidelined

²⁹ *Protokoll über die Verhandlungen des Parteitagés der Sozialdemokratischen Partei Deutschlands* (Berlin: Vorwärts, 1892), 173-215.

³⁰ Vollmar, *Über Staatssozialismus*, 41, 45-6.

early century understandings of democratic control of the workplace. That the parliamentary democratization of the state by degrees made “state socialist” étatisation actually (i.e., democratically) socialist increasingly lacked any intelligible alternative. What was the form of socialist governance, if not the state? What was the form of socialist property, if not nationalization by the state?

Five results of these debates are important. First, the statist, nationalization-based vision of socialism gradual was beginning to obscure the anti-statist, cooperative one. Second, there was as yet no particular form of organization implied by nationalization. State ownership was understood to alter the goals toward which nationalized industries would be managed—the good of the ruling class if nationalized by a bourgeois state, the good of all if by a proletarian state—but not to merge them, re-organize them, plan them, etc. Third, “state socialism” was declared fraudulent, and really a form of capitalism. Nationalization’s fiscal function enabled the metaphorical transfer of “capitalism” to “state capitalism”, but the phrase mostly served as mere rhetorical rejection, in the same way that the “socialism” in “state socialism” had to the liberals who had coined that phrase. Fourth, state capitalism/socialism at this point was understood as seductive policies of the ruling classes. It was not yet posited as the *telos* of a material dynamic endowing it with Historical necessity. So fifth and last, while social democrats defined themselves in opposition to state capitalism, it still lacked its positive theorization. If state socialism was fake socialism, state capitalism could be real capitalism, but what kind?

The word practically dropped out of use until 1916, but the answer to this question was developed in other debates. The theory of the cartel, and its uptake into the theory of imperialism would create the ingredients for a positive theory of state capitalism: to mere nationalization would be added organization, and its policies would be endowed

with Historical necessity, thus positing it as the unavoidable penultimate stage to socialism.

2. The Corporation, Imperialism, and the General Cartel

Social democrats thus more or less agreed that nationalization was not *ipso facto* socialism. Minimally, nationalized industry had to be under the control of a workers' state to count as socialist. But such democratic nationalization implied, and envisaged, very little specificity in organization. There was, for example, no hint at this time of "planning." I argue that the content of socialist organization developed not from meditation upon political ideals, but was transferred from the theorization of the modern corporation.

This developed in three stages: first, an appreciation of the joint stock company, second, the theorization of the cartel, in which Social Democrats began to participate in 1890, and third, the theorization of imperialism that began in 1896. Industrial combination and Europe's imperialist descent became understood not only as two separate phenomena of capitalism's last phase— rather, the very institutions driving Europe toward war *were* the organizational forms of socialism to come. Capitalism's terminal crisis became refigured: it would no longer be a general economic collapse, but an inter-imperialist *Götterdämmerung*. These lines all found their *summa* in Hilferding's *Finance Capital* (1910); Bukharin's and Lenin's comparatively minor contributions stood on its gargantuan shoulders. After the War began, this theory of capital's most recent development would finally become attached to the by then almost forgotten rhetorical joust of "state capitalism," transforming the latter into a social scientific concept, and casting it as the transitional stage to socialism.

The modern corporation and its combinations

Cartel theory was built atop Marx's theses about increasing economic concentration and centralization. As he explained in *Capital*, growing firms capitalized extracted surplus value, *concentrating* capital into ever larger unities; simultaneously, firms outcompeted and swallowed up other firms, *centralizing* their acquired capital. In the 1864-5 manuscripts that became the third volume of *Capital* Marx went further, tentatively analyzing the emergence of corporate capitalism. Firms had been the private property of one man or family, usually a single mill. But joint stock corporations by "socializing" private property enabled concentrating capital and increasing scale seemingly without limit. And separating management from ownership, they showed the dispensability of the latter. Marx speculated that the corporation, like the cooperative, was a form both prefigurative of and transitional to socialist organization: "[the corporation] is the abolition of the capitalist mode of production within the capitalist mode of production, and hence it is a self-abolishing contradiction." Indeed, he went further: just as the capitalist factory is the basis for cooperative labor, the joint stock corporation combined with modern finance is the basis for the extension of cooperative labor to the national scale.³¹

Engels also posed the joint stock company as penultimate to socialism in *Anti-Dühring*. But Social Democracy had no grasp of the emerging macrostructure of capitalism until Bruno Schönlink's article of 1890.³² Schönlink, a rising star in the Party

³¹ Moseley, ed., Marx's Economic Manuscript, 537-538.

³² Bruno Schönlink, "Die Kartelle: Beiträge zur einer Morphologie der Unternehmerverbände." *Archiv für Soziale Gesetzgebung und Statistik* 3 (1890): 489-538. For context see Pierson, *Marxist Intellectuals*, 21, 71-8, and Erika König, *Die deutsche Sozialdemokratie und die aufkommenden Wirtschaftsmonopole* (Berlin: Dietz, 1958), 29-34.

press, was an unusually well-educated socialist for the period. He thus was acquainted with and responding to a non-socialist literature that began in 1883 with Friedrich Kleinwachter's first study of cartels, which introduced the term into economic discourse.³³ Kleinwachter and the *Kathedersozialisten* began to interpret cartels in an anti-liberal mode, as a salutary corrective to the market's anarchy, particularly to cyclical crises of overproduction. Schönlanck's response established positions that delimited social democratic theorizing henceforth.

Schönlanck charted a new position. Tariffs and insurance requirements stimulated cartel formation but, *contra* free-trading liberals, they were not the primary cause. He accepted the *Kathedersozialistische* claim that cartels were "children of necessity", responses to crisis that would mitigate future crises: German cartels may have begun in the 1860s, with tinsplate (1862) and railways (1864), but it was overproduction and falling prices following the 1873 "founding crisis" that triggered their rapid proliferation. But, cartels were not the rebirth of medieval guilds, as some *Kathedersozialisten* mused. Rather they were the necessary form of a new stage of capitalism emerging in all advanced capitalist countries. Schönlanck thus may have been the first to internally differentiate the capitalist mode of production into stages.

He then offered a typology of cartelization, proposing that it tended toward tighter fusion, the current height of which then achieved was the Standard Oil Trust (1882). Capitalism's tendency toward centralization / concentration had found expression on a higher, supra-firm, level. (*Kathedersozialisten* would in response deny this teleology,

³³ Friedrich Kleinwachter, *Die Kartelle, ein Beitrag zur Frage der Organisation der Volkswirtschaft* (Innsbruck: Wagner, 1883). "Kartelle" had previously meant a set of conventions or agreements, as in diplomacy, etiquette, or dueling. It began to be used by the German railway companies to describe their semi-secret agreements with each other by the late 1870s; Holm Leonhardt, *The Development of Cartel+ Theory between 1883 and the 1930s – from International Diversity to Convergence* (Hildesheim: Universitätsverlag Hildesheim, 2018), 15-19.

distinguishing in kind, and not by degree, the good German cartel from the bad American trust.³⁴) Finally, cartels created the foundation for a “common economy” [*Gemeinwirtschaft*] at the same time as they facilitated workplace regulation and worker organization.

The logic of the state socialism debates repeated—the ultimate stage of capitalist production creates forms that persist as socialism—but with a difference. But whereas “state socialism” was mere policy, Schönlanck showed that cartelization was historical necessity. Eliminating cartels would be not only counterproductive, but impossible.³⁵ The era of competition was over; that of *capitalist cooperation* dawned.

Schönlanck’s research immediately became SDP dogma through his cooperation with Kautsky on the new Party Program and its interpretation. After the program’s adoption, Kautsky and Schönlanck published together a sixty-four page commentary, and Kautsky a book length expansion.³⁶ Both included Schönlanck’s propositions. Engels added a footnote to the 1890 edition of *Capital* posing trusts as a fulfillment of Marx’s prophecy of capital concentration, and in the 1891 edition of “Socialism: Utopian and Scientific,” changed the text to incorporate Schönlanck’s teleology: joint stock corporation, cartel, trust, state ownership.³⁷

The Party did not hold a real discussion on cartelization until the 1894 Congress, where Max Schippel introduced a resolution on the topic—and it would be the last for quite some time.³⁸ Schippel had been much influenced by the *Kathedersozialisten* and

³⁴ Leonhardt, *The Development of Cartel+ Theory*, 19-26.

³⁵ Vollmar, for instance, despite supporting nationalization had actually called for government intervention *against* combinations; *Über die nächsten Aufgabe*, 13-14.

³⁶ Kautsky, *Das Erfurter Programm in seinem grundsätzlichen Teil erläutert* (Berlin: Dietz, 1892), retitled and thenceforth known as *Der Klassenkampf* in its 1904 edition; Kautsky and Schönlanck, *Grundsätze und Forderung der Sozialdemokratie: Erläuterungen zum Erfurter Program* (Berlin: Vorwärts, 1892).

³⁷ Karl Marx, *Capital: A Critique of Political Economy* (New York: Vintage Books, 1977), 779.

³⁸ *Protokoll über die Verhandlungen des Parteitages der Sozialdemokratischen Partei Deutschlands* (Berlin: Vorwärts, 1894), 159-67.

would be considered a “revisionist” in the future, but in the 1890s was on the editorial boards of both *Die Neue Zeit* and *Der Sozialdemokrat*. His resolution stated that cartels, trusts, and rings served capitalist interests, but that the working class had no reason to oppose them because they furthered both economic organization and proletarianization. Anti-trust legislation was unnecessary because cartels could not significantly suppress competition or raise prices. And by smoothing market cycles, cartels were good for workers, as long as workers had rights of association enabling them to unionize and demand some of the gains.

This argumentative line settled into party dogma. At the 1900 Congress of the International in Paris, the resolution on trusts declared industrial combinations oppressive but inevitable and more “rational” economic forms, and therefore declared against breaking them up.³⁹ And in 1902 August Bebel assured the Reichstag, then beginning to investigate cartels for their exploitation and exacerbation of a crisis the year before, that his party was on the whole *for* the cartels, for “we will get out of cartels to the trusts, and from the trusts come to the nationalization of the entire industry and thus to socialism.”⁴⁰

We see here the point of emergence of the vision of the socialism that would underly the statist projects of the twentieth century. Capitalism’s own inner dynamics led to the increasing organization of production, the self-overcoming of market competition, at ever larger scales until, in the trust, the scale approached that of the nation, and became ripe for nationalization. In his notes on the Erfurt Program (not published until 1901) Engels zeroed in on the draft’s attribution to capitalism of “planlessness,” declaring that

³⁹ *Cinquième Congrès Socialiste International tenu à Paris du 23 au 27 septembre 1900* (Paris: Société nouvelle de librairie et d’édition, 1901), 116-8.

⁴⁰ *Stenographische Berichte. Über die Verhandlungen des Deutschen Reichstags. 10. Leg.-Periode, II. Session, 1900-1903.* (Druck und Verlag der Norddeutschen Buchdruckerei und Verlags-Anstalt, 1903), 7:6125.

with the advent of trusts, *capitalism itself becomes planned*.⁴¹ Planning was what industrial combinations already did. Now, nationalization was becoming the state's fusion with already organized, planned, production. As Kautsky wrote, socialism is "nothing more than a single gigantic industrial concern."⁴² What falls increasingly out of focus are two other elements of Marx's receding radical democracy: that he understood nationalization as only a requisite for generalized cooperativization, the advent of industrial democracy, and that the state bureaucracy was not only to be under the control of democratically elected magistrates, but was to be democratized out of existence. What then characterized socialism? Generalized democracy, or generalized organization? The picture was blurry, but increasingly tended to resolve in the latter direction.

Revisionism, cartels, and the theory of collapse

The next stage of thinking about cartels unfolded across two lines of debate originating in the controversy over Bernstein's "revision" of Marx: the "theory of collapse" [*Zusammenbruchstheorie*] and the theorization of imperialism. The two were intertwined in Bernstein's first presentation, but evolved separately for the next several years. They came back together by 1910: the problem that cartels might avert capital's great crisis was solved by recasting the form of that crisis—it would be the inter-imperial war to come, already visible on the horizon, a Great War.

Bernstein announced his "revision" in 1896, in the context of the "Eastern Question," i.e. the implications of the Ottoman Empire's decline. European public opinion was

⁴¹ "A Critique of the Draft Social-Democratic Program of 1891" *MECW* 27: 217–32, on 223–4.

⁴² *The Class Struggle* (Chicago, IL: Charles H. Kerr & Co., 1892), 138.

outraged by massacres of Christian Armenians, and the German Social Democratic Party was trying to determine what, if anything to do. Bernstein argued that Armenians were capable of development, of transition to capitalism and thence socialism, whereas the Ottoman Empire, a historical cul-de-sac, was not. Socialists should thus support a free Armenia and an Ottoman state that, shorn of empire, could restart its stalled historical development— but socialists need not oppose historically progressive colonizers (such as, say, Germans in Africa), so long as they do not abuse the natives overmuch.⁴³ He thus posed imperialism as a mode of transition to capitalism, a progressive prerequisite to socialist revolution. Ernest Belfort Bax, a British socialist philosopher-journalist, attacked Bernstein. Capitalism was not “civilizing,” it was *more* barbarous than the culture of any primitive people, and empire was *unnecessary*, because every people need not move through all of history’s stages for capitalism to be overthrown in the core. Imperial capitalism was regressive because by creating new markets for the metropole’s chronic industrial glut it staved off otherwise imminent terminal crisis.⁴⁴

Bernstein’s response revealed how far he had come from the orthodoxy he had done so much to create. He claimed that the SDP’s political strategy of intransigent opposition to the government and refusal of coalition with bourgeois parties relied upon a hitherto poorly articulated empirical claim about the inevitability of revolution: that the concentration of capital and the immiseration of the working classes would bring the proletariat to revolutionary consciousness as they brought capitalism to the

⁴³ “Die deutsche Sozialdemokratie und die Türkische Wirren,” *DNZ* 15, no. 1 (1896): 112–14. The debate is collected in Henry Tudor and J. M. Tudor, eds. *Marxism and Social Democracy: The Revisionist Debate, 1896–1898* (Cambridge: Cambridge University Press, 1988).

⁴⁴ “Our German Fabian Convert; or, Socialism According to Bernstein,” *Justice*, 7 Nov. 1896; “The Socialism of Bernstein,” *Justice*, 21 Nov. 1896; “Kolonialpolitik und Chauvinismus,” *DNZ* 16, no. 1 (1897): 420–27.

point of collapse [*Zusammenbruch*]. But instead small and medium businesses persisted, the stock market dispersed ownership, the *Kleinbürgertum* was not proletarianizing and the proletariat itself was socioeconomically differentiating, while cartels, along with innovations in finance and transport, were mitigating crises. Bax was just wrong that capitalism was on the verge of collapse-*cum*-revolution that only imperialism could delay.⁴⁵

If the SDP's politics rested on false empirical presuppositions then it ought to act in cross-class coalition to reform toward socialism. Socialism would only be achieved through a virtuous cycle in which class antagonism lessened and collaboration increased, enabling a progressive democratization of state and economy. The true heart of his revision was this rejection of the politics of class antagonism, not a tactical preference for reform over insurrection. But, Bernstein held that the Party would still in good Marxian fashion be pushing in the direction of history's movement, for the very adaptations that enabled capitalism's indefinite survival were the forms that would undergird socialism.⁴⁶

At first Bernstein's sociodemographic claims drew the most criticism, not his thesis about cartels, because there was nothing controversial about it: that cartels dampened crises and were transitional forms had been accepted both by *Kathedersozialisten* and Social Democrats since Kleinwachter and Schönlanck. But the thesis of the end of industrial crises had now become unacceptable, once woven into a frontal assault on the

⁴⁵ Bernstein's worries about collapse date from at least 1894, when Engels published the third volume of *Capital*. Bernstein among others expected it would provide a rigorous theory of collapse, but it did not. Bernstein published a series of articles extolling the book, but they did not entirely hide his disappointment, and Engels was displeased with them. Bernstein's experience living in England (understood as the most advanced country) also reinforced his sense capitalism was integrating socialism and its goals and the likelihood of revolution receding; Tudor, "Introduction," in *Marxism and Social Democracy*, 9-11.

⁴⁶ Bernstein, "Die sozialpolitische Bedeutung von Raum und Zahl," *DNZ* 15, 2 (1897), 100-7 and 138-43, "Der Kampf der Sozialdemokratie und die Revolution der Gesellschaft: 1. Polemisches, 2. Die Zusammenbruchstheorie und die Kolonialpolitik." *DNZ* 16, no. 1 (1898), 484-97, 548-57.

SDP's self-understanding, strategic stance, and historical vision. Rebuttals varied—never having been a point of dispute, no clear orthodoxy about crises existed—but together led both to a rapid overturning of the preexisting Party orthodoxy on cartels on which Bernstein relied and to a rethinking of crisis and collapse.

Rosa Luxemburg, believing crisis theory crucial, launched a volley of economic arguments in Schönlanck's *Leipziger Volkszeitung*, later collected as a book, *Social Reform or Revolution*. For many reasons cartels could not avert crises, but if they could, they would be not a bridge to socialism, but would make socialism unnecessary.⁴⁷ Parvus (Alexander Helphand) declared that "if [capitalism] is not interrupted by general trade crises, it must eventually lead to the prosperity of all! This means that we would have to abandon our social-revolutionary position, accept the bourgeois majority... and direct our political energies against what are commonly called 'abuses'."⁴⁸ In subsequent articles he painstakingly fought Bernstein's statistical arguments.

Heinrich Cunow argued that Bernstein had incorrectly extrapolated from an exceptional historical moment. Marx and Engels had not foreseen how the industrialization of Europe and the U.S., and the beginnings thereof in their colonies, would expand the world market, soaking up overproduction. But the industrial core was now far more productive than England had been, and new markets would be saturated that much more quickly. When they were, crisis would return. Cunow forecast that the "general crisis" would either take the form of a endless stagnation (as the 23 years of Great Depression indicated), or—and he was perhaps the first to moot

⁴⁷ Rosa Luxemburg, "Anpassung des Kapitalismus." September 22, 1898; "Die metode," September 21, 1898; "Einführung des Sozialismus durch soziale Reformen," September 24, 1898; "Praktische Konsequenzen und allgemeiner Charakter der Theorie," September 28, 1898; "Zollpolitik und Militarismus" September 27, 1898. The first two and fourth contain the arguments on crisis.

⁴⁸ Parvus, "Eine Erklärung E. Bernsteins." *Sächsische Arbeiter-Zeitung*, February 9, 1898, trans. Tudor and Tudor, op. cit., quotation on p. 195.

this variant—“a European war of that has been waged to the point of mutual exhaustion.”⁴⁹ Within the next three years, Kautsky and Luxemburg, among others, would echo this theory.⁵⁰

In a series of articles in April 1899, then edited into a book, Kautsky finally weighed in. He argued that Marx and Engels never saw the economic dynamic of capitalism *alone* as leading to the final crisis. A proper Marxian grasp of “immanent economic necessity” included the growth of class consciousness and organization. This too was “objective.” Bernstein had fatally distorted the masters in mistaking this material reality for the spread of a humanistic “ethical” ideal and, conversely, restricting social history to its purely economic face. His distortion put all the revolutionary burden on the narrowly “objective” economic crisis. Second, Kautsky claimed no one, save maybe Bax, had ever believed a great business crisis was a prerequisite for socialism— though Luxemburg and Parvus would have disagreed.⁵¹ Economically, Kautsky wrote, capitalism’s end might be more whimper than bang (as Schönlanck had conjectured in 1890), stangating in chronic overproduction and underemployment.⁵² Capitalism would

⁴⁹ Heinrich Cunow. “Zur Zusammenbruchstheorie,” *DNZ* 17, no. 1 (1898): 356–64, 396–403, 424–30. The war or stagnation dilemma is posed on 428. Cunow also wrote two series of economic articles on cartels and their inability to prevent crisis in 1903 and 1904. The context was the Office of the Interior’s whitewashing Cartel Inquiry (1902–5), created in response to public uproar at the Rhenish-Westphalian Coal Syndicate for keeping prices high and production low and exacerbating a small crisis in the winter of 1900–1901. Cunow refuted the entire former Party orthodoxy on which Bernstein had built his revisionism: cartels were not “children of need” birthed by busts; rather they formed to maximally exploit booms, and there was no evidence at all that they could mitigate crises. “Die Kartelle in Theorie und Praxis,” *DNZ* 22, no. 2 (1904): 173–80, 209–15, 267–75, 292–302; “Kartellfragen,” *DNZ* 21, no. 1 (1903): 420–27, 645–52, 689–95; see also Fritz Blaich, *Kartell- und Monopolpolitik im kaiserlichen Deutschland: Das Problem der Marktmacht im deutschen Reichstag zwischen 1879 und 1914* (Dusseldorf: Droste, 1973), 253–268.

⁵⁰ Luxemburg, “Rede über Volkerfrieden, den Militarismus und die stehenden Heere,” in *Gesammelte Werke* (Berlin: Dietz, 1970 [1900]) 1.1:807–9; Kautsky, *Handelspolitik und Sozialdemokratie: Populäre Darstellung der handelspolitischen Streitfragen* (Berlin: Vorwärts, 1901), 91.

⁵¹ Bernstein had by this time already qualified his first arguments, noting three forms of collapse theory extant in socialist literature: 1) constantly growing crises; 2) generalized stagnation; 3) an intolerable “general cartel economy” [*allgemeine Cartellwirtschaft*] in “Allgemeine Zurückweisung,” *Vorwärts*. 26 March 1899, in *Zur Theorie und Geschichte des Socialismus: Gesammelte Abhandlungen* (Berlin: Akademischer Verlag für sociale Wissenschaften, 1901), 291–304, on 293–4.

⁵² Schönlanck, “Die Kartelle,” 491, 533–4

approach a limit as cartels bled the domestic market white and flooded every foreign and colonial market, but this “extreme limit to the viability of today’s society” might never be reached: the proletariat might well be ready to revolt before then.⁵³

Revisionism and the Theory of Imperialism

Crisis’ connection to imperialism had already been intimated in both Bernstein’s and Bax’s exchange and Cunow’s first response, but for some years the imperialism debate proceeded separately. It had two stages: the first focused on England and trade policy, and the second focused on Germany and the scramble for colonies. “*Imperialisme*” had entered discourse alongside “*Bonapartisme*” to describe the Second Empire. It was still redolent of the classical theory of despotism and the Roman example (obvious in the closely related “*Caesarismus*”): the triad of absolute rule, plebeian support, and conquest. It semantically expanded with Queen Victoria’s assumption of the style “Empress of India”, and for a long time was mostly used of English politics; in the 1870s a term of Liberal criticism, it quickly become Tories’ proud self-description.⁵⁴ Marxists first understood England’s “imperialism” as the project of gathering its former colonies into a customs union in rejoinder to tariffs rising powers erected to shield young industries, and defense against Germany’s rapidly increasing industrial competitiveness.⁵⁵ But the German debate really took off only with the Spanish-

⁵³ Karl Kautsky, *Bernstein und das sozialdemokratische Programm: Eine Antikritik* (Stuttgart: Dietz, 1899), 42-8, 135-51.

⁵⁴ Richard Day and Daniel Gaido, “Introduction,” *Discovering Imperialism: Social Democracy to World War I* (Leiden: Brill, 2011), 1-94, on 5-8; Dieter Grohl, “Cäserismus,” in Reinhart Koselleck, ed., *Geschichtliche Grundbegriffe: Historisches Lexikon Zur Politisch-Sozialen Sprache in Deutschland* (Stuttgart: Klett-Cotta, 1972), I:726–71.

⁵⁵ E.g. Max Beer, “Der moderne englische Imperialismus,” *DNZ* 16, no. 1 (1897): 300–306, Paul Louis, “L’impérialisme Anglo-Saxon,” *La revue socialiste* 29, 171 (March 1889): 257–74, both in Day and Gaido, op. cit..

American War of 1898 and the Boer War of 1899. Eye-for-an-eye tariff wars (*Handelspolitik*) made a kind of mutually destructive sense, but why this sudden turn to *Militarismus* and *Kolonial-* or *Weltpolitik*?

Early analyses attributed it to the search for markets: because workers were paid less than the value of what they produced and capitalists could only consume so much, overproduction was endemic and crises inevitable. Only socialism could solve this essentially distributional problem by raising consumption for all. Overseas markets offered a sink for overproduction, and tariffs protected domestic markets from challengers. But protectionism seemed to be self-defeating. Tariffs increased prices of imported goods and decreased domestic consumer purchasing power; export premia meant to help exporters overcome opposing tariffs required taxes that further depressed consumption. Colonies represented a way out: they could be monopolizable markets, in neo-mercantilism fashion.

However, this theory was unsatisfying for several reasons. Most importantly, why should industrialists care which sovereign controlled the territory in which they sold? They fought their battles with prices; once goods were sold their risk was gone. Only pro-free trade politics logically followed. Why then colonies? German theorists realized that investments in industry and infrastructure—above all astronomical investments in railroads—required political stability. Finance demanded state protection, and thus conquest. Kautsky may have realized this first, but he initially (mis)understood “high finance” as “usurer’s capital,” a pre-capitalist form. He thought *Kolonialpolitik* resulted from Germany’s pathological *Sonderweg* in which historically superseded classes, the military aristocracy and usurers, hegemonized the essentially industrial bourgeoisie.⁵⁶

⁵⁶ Kautsky, “Ältere und neuere Kolonialpolitik,” *DNZ* 16, no. 1 (1898): 769–81, 801–16, translated in Mike Macnair, ed., *Karl Kautsky on Colonialism* (London: November Publications, 2013).

Cunow first theorized the modernity of finance but Rudolf Hilferding's opus *Finance Capital* surpassed Party theorizing to date.⁵⁷ Writing during the Herero, Nama, and San genocides (1904-8), and the Party's 1907 electoral defeat after opposing them, Hilferding outlined a new model of why not just Germany but *all* core capitalist nations had necessarily turned expansionistic. Centering finance instead of industry and cartels instead of tariffs, *Finance Capital* reunited the discursive reactions to Bernstein's intervention, summing the preceding decade of theorizing imperialism and offering a new theory of crisis and class antagonism, with cartels as keystone.⁵⁸

The financialization of investment and the innovations of corporate form led to escalating centralization of both capital and production—at the limit a “central bank” and “general cartel” [*Generalkartell*].⁵⁹ The cartelization of some industries rapidly forced their upstream and downstream industries to cartelize in self-protection. The largest banks and corporations became much bigger, and more deeply imbricated through long-term financing, stock underwriting, mutual ownership, and interlocking boards of directors. The centralization of production facilitated coordination, the formation of cartels, and the inter-corporate links via the banking system drove it further. Cartels attempted to control prices, but could only do so protected from foreign competition. Finance capital pressured the state to raise tariffs and pay export premia. The result was that the domestic economy was becoming no longer competitive and anarchical, but cooperative and organized. It was this novel formation that Hilferding dubbed *Finanzkapital*.

Bernstein was wrong that this organization could overcome crisis; his critics were

⁵⁷ Cunow, “Handelsvertrag und imperialistische Expansionspolitik,” *DNZ* 18, no. 2 (1900): 207–15, 234–42.

⁵⁸ *Finance Capital: A Study in the Latest Phase of Capitalist Development* (New York: Routledge, 1981[1910]).

⁵⁹ Hilferding first formulated the idea of the “general cartel” in “Der Funktionswechsel des Schutzzolles: Tendenz der modernen Handelspolitik.” *DNZ* 21, no. 2 (Mar. 1903): 274–81.

wrong about crises' roots in underconsumption. Intersectoral disproportionalities of profitability and price structure accumulate and then irrupt into crisis. Crisis then propagated from sector to sector, first destroying non-cartelized sectors and then threatening the cartels themselves. Cartelized industries might be able to temporarily prevent sectoral crises, but once they began, cartelization only exacerbated and lengthened them.⁶⁰

The protected cartelized economy suppressed domestic consumption, caused the rate of profit to fall, and generated large cash balances. To recover profitability financial-industrial groups exported capital. They then suborned the state to protect these investments by annexation. Conquest was not worth to the economy what it cost, but it guaranteed superprofits to the banks and cartels. This was then sold to a blinkered public as an expense necessary to guarantee markets for manufactured goods. Suppressed domestic economic competition expressed as international political competition.

Hilferding's conclusion was threefold: 1. Capital was asymptotically tending towards complete organization, the socialization of production but "in an antagonistic form"; 2. the *Kladderadatsch* would not be economic, but political—it would be an apocalyptic war; 3. revolution was becoming inevitable, for two reasons. As Luxemburg had argued *contra* Bernstein, the militarized imperial states of finance capital sidelined their parliaments, destroying any hope of carrying out social revolution through parliamentary means. And as Kautsky had argued, in the monstrous general cartel,

⁶⁰ Hilferding adopted Mikhail Tugan-Baranovsky's critique of underproduction (*Teoreticheskie osnovy Markizma* (St. Petersburg: Red. zhurnal "Mir' Bozhii," 1905). His theory could be taken to imply that if *all* industry were coordinated crises would be preventable; something like this underlies his postwar anti-revolutionary theory of "organized capitalism"; see "Politische probleme—zum Aufruf Wirths und zur Rede Silverbergs," *Gesellschaft* 3, no. 2 (1926), 289-302, and Harold James, "Rudolf Hilferding and the Application of the Political Economy of the Second International," *The Historical Journal* 24, no. 4 (1981), 847-869.

capitalist class power could no longer be disguised by the intra-capitalist battles of market competition but must become revealed as naked and thus intolerable domination.

During the revisionism controversy Kautsky and Bernstein shared a vision of the economic forms of socialism: a mixture of cooperative, union-run, municipal, and nationalized enterprises.⁶¹ But this spectrum of forms was being lost. Hilferding posed the cartelized economy, in which large banking and industrial capital had fused into finance capital and suborned the state, as the economic form of socialism. Marx had never given a vision of what would replace the anarchy of markets. Engels had gestured at planning. Hilferding now told socialists what that was. It was what finance capital already did.

3. German “War Socialism”, Russian “War Communism”, and Leninist “State Capitalist” Developmentalism

As the war approached, the debate over imperialism threatened to tear the Party apart. The Party left claimed that war was inevitable and the Party must prepare for revolution; while the center and right pursued disarmament and pacificism. With the outbreak of war, one group of formerly left-wing Party members propounded a theory of “war socialism,” which figured the state’s mobilizational interventions as accelerating capitalism’s final ripening. Their opponents responded that the war economy was merely state capitalism, thus concatenating the state socialist debates and the theory of the imperialist state into that term.

⁶¹ Compare Bernstein, *The Preconditions of Socialism* (New York: Cambridge University Press, 1993[1899]) and Kautsky, *The Social Revolution* (Chicago, IL: Charles H. Kerr & Co., 1912[1902]).

Lenin and many Bolsheviks were very cognizant of these German debates. From them, Lenin drew the conclusion that the Soviet state must purposely replicate the evolution of German state capitalism to lay the economic basis for socialism. Understanding this intellectual context thus enables a re-interpretation of Bolshevik self-understanding and the historiographical periodizations based upon it.

From "War Socialism"...

On 3 August 1914, Germany invaded Belgium and the following day the Reichstag considered credits to finance the war. The caucus vote passed, 77 to 14; maintaining party discipline all cast their votes in favor, abandoning the long broadcast opposition to offensive war. The Party majority called the war one of self-defense, invoking the Holy Alliance-era narrative of Russia as the bulwark of reaction. But as months passed claims of self-defense wore thin and Party dissensus deepened. From December 1914, however, a group of left-wing Party theoreticians and deputies led by Paul Lensch, Konrad Haenisch, and Cunow began to elaborate an explicitly Marxian justification for war.⁶²

Lensch had been one of the younger members grouped around Franz Mehring, Luxemburg, Cunow and the *Leipziger Volkszeitung*. He had crossed swords with Kautsky over imperialism before the 1912 Chemnitz Congress. By then Kautsky had regressed to his 1898 view that imperialism was only a policy. It was in the objective interest of the financial and not the industrial bourgeoisie, so social democratic strategy should be to ally with the latter against the former to push disarmament and peaceful

⁶² I rely on Robert Sigel, *Die Lensch-Cunow-Haenisch-Gruppe: Eine Studie zum rechten Flügel der SPD im ersten Weltkrieg* (Berlin: Duncker & Humblot, 1976).

division of the globe, so-called “ultra-imperialism”. Lensch had replied for the left that imperialism was necessary, militarism its inevitable consequence, disarmament and pacificism illusions, and revolution the only way to avert war.

A 25 January 1915 Bundesrat ordinance introduced a state monopoly on the trade of grain and flour. In response, Paul Lensch published an article in the *Frankfurter Volkstimme* entitled “War Socialism” [*Kriegssozialismus*], subsequently reprinted in *Vorwärts*.⁶³ He argued that the war demonstrated that capitalism had become historically obsolete “in principle”—the grain ordinance proved it—but not that it was collapsing. Wartime mobilizational measures in fact catalyzed its apotheosis. Workers should support the war, and afterwards fight to preserve those measures. *Vorwärts* editorialized that the grain monopoly was only of exchange, not a nationalization of production, and anyway state monopolies were no part of socialism, but this did not prevent the “war socialism” idea from spreading like wildfire.⁶⁴ That spring works appeared from Lensch, Haenisch, and Cunow elaborating their evolving shared view.⁶⁵ Parvus, who supported the war for different reasons, gave them a platform as editors of his self-funded journal, *Die Glöcke*.⁶⁶

They justified the war as vociferously as the majority— and not in revisionist (or reformist) but Marxist terms. *Against* Kautsky and the center, and *with* their former leftwing comrades they insisted that war and “militarism” were essential features of

⁶³ Paul Lensch, “Kriegssozialismus.” *Vorwärts* No.36, Supplement. 5 Feb. 1915.

⁶⁴ A bibliographic essay is Hans Köppe, “Schriften über den Kriegssozialismus.” *Archiv für die Geschichte des Sozialismus und der Arbeiterbewegung* 8 (1919): 76–115. For the reactions of non-social democratic intellectuals see to the idea of “war socialism” see Dieter Kruger, “Kriegssozialismus: Die Auseinandersetzung der Nationalökonomien mit der Kriegswirtschaft 1914–1918,” in Wolfgang Michalka, ed., *Der erste Weltkrieg: Wirkung, Wahrnehmung, Analyse* (München: Piper, 1994).

⁶⁵ Cunow, *Partei-Zusammenbruch? Ein offenes Wort zum inneren Parteistreit* (Berlin: Vorwärts, 1915), Konrad Haenisch, *Krieg und Sozialdemokratie* (Hamburg: Auer, 1915), Lensch, *Das englische Weltreich* (Berlin: Vorwärts, 1915) and *Die deutsche Sozialdemokratie und der Weltkrieg* (Berlin: Vorwärts, 1915). Most of these works were composed of published previously essays.

⁶⁶ Parvus was convinced that only defeat in war could destroy Tsarism enabling socialism’s victory in Russia.

inter-imperialist rivalry. But *against* the left, for whom the war was the prophesied general crisis of capitalism, they argued it was not yet time for revolution— and that German imperialism was historically progressive. Thus the majority (“social patriots,” as the left called them) supported the war as defensive war; the center (“social pacifists”) opposed it because it had become offensive; the left because it was imperialist; and only the *Die Glöcke* group (“social imperialists”) supported it *because it was imperialist*. In his early writings, Kautsky had viewed imperialism as historically retrogressive and politically reactionary but unnecessary; Bernstein’s critics on the left accepted that imperialism was historically necessary, left it undetermined whether it was historically progressive, but claimed it could be fought by revolution; the *Die Glocke* group accepted that imperialism was historically necessary, and drew the conclusion that it was progressive and thus should be supported.⁶⁷

Lench reoriented Party geopolitics from Russia to Britain. Germany militarized as its capital chafed under the British world economic order; Britain militarized to maintain its position. But Britain was no longer the future: economically it had become an unindustrious rentier state, and politically its working class had been bought off with the proceeds of empire. Rising Germany was that future: its organized economy was the most advanced, its organized state the most rational, and its organized proletariat the most revolutionary. Anglo individualism’s moment had passed; the Prussian cultural inheritance of discipline, order, and statism prepared Germany for the future social order. Mobilization was only accelerating Germany’s development. Thus, world-historically speaking, Germany was on the side of the proletariat and England on

⁶⁷ Lenin and others would accept that imperialism was historically necessary, but claim it was also no longer historically progressive, because as cartels and trusts eliminated competition they eliminated capitalism’s capacity for innovation.

the side of the bourgeoisie— *the war was thus the revolution writ large*. A victorious England would stifle the further development of capitalism and its proletariat would remain reactionary, while the SPD would be swallowed by reaction. Therefore, a Marxist's duty was to fight for German victory to set the stage for the world's most advanced proletariat to conquer its most advanced state.

As their arguments progressed, they more explicitly repudiated domestic class struggle. To Lensch and Haenisch (less clearly or strongly to Cunow) the euphoria of national unity [*"Augusterlebnis"*] and union policy of "civil peace" [*Burgfrieden*] reflected how the war re-oriented the state toward the common good above class goals; the proletariat's mission must not be to take over the state and re-orient it toward the class good (and smash it), but to enter into this unity and make it permanent. Once again, the opposition reappears between the state as an arena for the class war and the supraclass state. But what made the latter socialist? For the *Die Glöcke* group, it was 1. the disciplined *organization* of social life 2. toward a *common* good. As Johann Plenge, the furthest right *Die Glöcke* contributor, put it, the "ideas of 1789"—liberty, equality, fraternity—at the origin of socialism had been historically superseded by the "idea of 1914"—organization.⁶⁸

To the left, this was all outrageous. They and the center replied that "war socialism" was no more than "state capitalism". And this, finally, is what inserted the entire theory of the imperialist state elaborated over the preceding eighteen or so years into that term, itself introduced twenty-three years before in debates over Bismarck's "state socialism".

⁶⁸ Important later books were Haenisch, *Deutsche Sozialdemokratie in und nach dem Weltkriege* (Berlin: Schwetschke, 1916) and Lensch, *Die Sozialdemokratie, ihr Ende und ihr Glück* (Leipzig: S. Hirzel, 1916) and *Drei Jahre Weltrevolution* (Berlin: S. Fischer, 1917). The role of their co-thinker, non-Party economist Johann Plenge, was to write explicitly right-wing things the Marxists dared not: *Der Krieg und die Volkswirtschaft* (Berlin: Borgmeyer, 1916), *1789 und 1914: Die symbolischen Jahre in der Geschichte des politischen Geistes* (Berlin: Springer, 1916), *Die Revolutionierung der Revolutionäre* (Leipzig: Der neue Geist, 1918).

... to "War Communism"

Many have noted or hypothesized the influence on the Bolshevik state of the the German war economy. But this starts the story too late: the German war economy could itself only be taken as a form of socialism because of the preceding forty years and more of debates about state socialism/capitalism. Vladimir Ulyanov (Lenin) and other members of the Russian Social Democratic Labor Party (Bolshevik) were very aware of these debates. Recent work has reevaluated how generally indebted Russian Social Democracy was to the German Party, and above all to Kautsky.⁶⁹ But Lenin had special interest in the German left, which like the Bolsheviks had stayed true to the International's pre-war anti-imperial solidarity, and which would later form the core of the Soviet-aligned German Communist Party. In light of the German debates canvassed above, his statements about "state capitalism" and "war communism" have much clearer import. Re-examining Lenin and other Bolshevik leaders' conceptualizations after October, I claim, clarifies three problems: the meaning of the historiographical category of "War Communism", the emergence of state capitalism as a developmental strategy, and the final eclipse of Marx's mid-nineteenth century understanding of socialism by a new one proper to the nascent epoch of corporate capitalism.

A debate has nearly stagnated about whether the policies of the period retrospectively called "War Communism" (1918-21) were either responses to unfortunate wartime exigencies, which the Bolsheviks delusionally but temporarily

⁶⁹ Moira Donald, *Marxism and Revolution: Karl Kautsky and the Russian Marxists, 1920–1924* (New Haven, CT: Yale University Press, 1993), Lars Lih. *Lenin Rediscovered: What Is to Be Done? In Context* (Chicago, IL: Haymarket Books, 2008). Older historiography (in Orientalizing mode) often posed Bolshevism as inheritor to a purportedly non-European and anti-democratic Russian underground.

took for a shortcut to communism, or whether they expressed the Bolsheviks' ultimate ideals, which in the post-revolutionary exuberance they thought could be immediately realized, or some combination thereof.⁷⁰ I argue that both positions are mostly wrong: some Bolshevik wartime policies were understood as earnest steps toward socialism *understood to be far off* and others as regrettable but temporary wartime measures *without delusion*—and only some very few others were introduced as wartime measures but for a period delusionally seen as strides toward communism.⁷¹ This debate in turn presupposes a historiographical framework in which the two *periods* of “War Communism” and “the New Economic Policy” (NEP) were defined by two alternative economic *models*, the first of coercive total planning and the second, depending on writer, of either a retreat to capitalism or of a kind of market socialism. But with the German history in mind, we can understand how the organization of the national economy was one policy domain understood as truly building socialism and that, contrary to historiographical common sense, the Bolsheviks understood themselves across that whole timespan to be diligently attempting, despite detours and obstacles, to realize a single model, one directly derived from SPD debates over German state capitalism.

Lenin and Nikolai Bukharin's pre-October books on imperialism had only modestly extended or modified the German theory of imperialism.⁷² They continued to hold the general cartel image of capitalism as the form of socialism, for which Lenin's preferred

⁷⁰ Libertarian Peter Boettke canvasses the debate and makes a case for the latter in *The Political Economy of Soviet Socialism: The Formative Years, 1918–1928* (Amsterdam: Kluwer, 1990).

⁷¹ The most obvious being the hope that distribution in kind, necessitated by hyperinflation, might be maintained in peacetime.

⁷² N. Lenin, *Imperializm, kak vysshiaia stadiia kapitalizma*, written fall 1916, published 1917; Nikolai Bukharin, *Mirovoe khoziaistvo i imperialism*, written and partially published 1915, in full 1918.

phrase was “state monopoly capitalism”.⁷³ Yet although war *had* accelerated capitalism’s evolution in some ways, they agreed it was not creating socialism itself. From Lenin’s published writings and his notebooks, we know that he followed the debates around the *Die Glöcke* group and “war socialism” closely from 1915 onward.⁷⁴ In 1917, he ridiculed the idea of “war socialism” as “in fact war state monopoly capitalism, or, to put it more simply and clearly, war penal servitude for the workers and war protection for capitalist profits”, even as he argued that “socialism is merely state capitalist monopoly which is made to serve the interests of the whole people.”⁷⁵ And he was not alone. Bukharin similarly scoffed at the theory of “war socialism”, called it a revival of “state socialism” and really state capitalism, even as he saw the war accelerating the time when it would be “dialectically transformed into its own antithesis.”⁷⁶ Similarly, Alexandr Bogdanov worried that Russian “war communism” was infecting the Party with “the logic of the barracks.”⁷⁷ And the sometime Menshevik Nikolai Sukhanov, testifying at the Menshevik Trial in 1931, claimed that “war communism” was not even a Bolshevik policy, but dated from the Provisional Government’s introduction of the grain monopoly—exactly as Lensch had first defined

⁷³ As Trotsky wrote, “Socialist industry is a trust of trusts,” *Towards Socialism or Capitalism?* (London: Methuen, 1926), 117.

⁷⁴ “Pod chuzhim flagom” (Feb. 1915) in *Polnoe sobranie sochinenii*, 5th ed., (Moscow: Politcheskoi Literatur, 1969) (hereafter PSS) 26: 131-154, on 154; “Vopros ob ob’edinenii internationalist” (May 1915) PSS 26: 187-191, on 189; “Krakh II internatsionala” (May-June 1915) PSS 26: 209-265, on 219, 226-7, 245; “Sotsializm i voina” (July-Aug. 1915) PSS 26: 307-50, on 320; “Sotsialisticheskaia revoliutsiia i pravo natsii na samoopredelenie” (Jan.-Feb. 1916) PSS 27: 252-266, on 260; *Imperializm*, PSS 27: 299-426 on, 390-1; “Itogi diskussii o samoopredelenii” (July 1916) PSS 30: 17-58, on 20, 31-2, 36, 57; “O karikature na marksizm i ob ‘imperialisticheskom ekonomizme’” (Aug.-Oct. 1916) PSS 30: 73-130, on 118; “Imperializm i raskol sotsializma” (Nov. 1916) PSS 30: 163-179, on 172; *Collected Works* (Moscow: Progress, 1968) 39: 267, 325-9, 335, 433, 584, 595-8, 760 *inter alia*.

⁷⁵ “Groziashchaia katastrofa i kak s nei borot’sia,” (Sept. 1917) PSS 34: 151-199, on 191.

⁷⁶ Nikolai Bukharin, “Toward a Theory of the Imperialist State,” in Richard Day, ed., *Selected Writings on the State and the Transition to Socialism* (Armonk, NY: M.E. Sharpe, 1982[1915]), 6-37, on 18-9, 26-7, 32-3; *Economics of the Transition Period*, in Kenneth Tarbuck, ed., *The Politics and Economics of the Transition Period* (London: Routledge, 1979[1920]), 53-176, quote on 106, see also 66-72, 132-7.

⁷⁷ Alexandr Bogdanov, “Pis’mo Lunacharskomu,” 19 Nov. 1917, *Voprosy sozializma* (Moscow: Politizdat, 1990), 356-9.

it.⁷⁸

Against this background, when in April 1921 Lenin retrospectively referred to Bolshevik policies of the war years as “war communism,” he could only have meant that they had *not* been communism (or socialism).⁷⁹ As Lars Lih has argued, Bolshevik leadership did not understand wartime measures to have been the early arrival of socialism but rather reactive coping with civil war’s devastation, which continually forced “deferral” of their socialist dreams.⁸⁰ This should not be taken to mean that to Lenin and leadership *no* policies had been attempted steps toward socialism. They had done what they had been able to. Regulation, consolidation, and nationalization of the commanding heights of finance and industry policies had indeed been understood as steps toward socialism. “War communism” was not a model, nor a period, but a subset of the policies of both the Provisional and Bolshevik governments during the war, above all forced requisitioning and state monopoly over grain—and Lenin did not understand the policies of industrial organization to be in that set.

Soviet industrial structure was inspired by wartime Germany. Germany had made not communism, but the highest realization of “state capitalism”, with a series of mobilizational institutions: the Raw Materials Department [*Kriegsrohstoffabteilung*], war corporations [*Kriegsgesellschaften*], and finally Hindenburg’s War Office [*Kriegsamt*] with its Weapons and Ammunition Procurement Office (WuMBA), among others.⁸¹ They

⁷⁸ *Protsess kontrrevoliutsionoi organizatsii menshevikov (1 Marta - 9 Marta 1931 g.)* (Moscow: Sovetskoe izd., 1931), 386.

⁷⁹ “Doklad o prodovol’stvennom naloge,” *PSS* 43: 205-245, on 219-20. See also “Doklad o novoi ekonomicheskoi politike” *PSS* 44: 193-213.

⁸⁰ Lars Lih, “Political Testament of Lenin and Bukharin and the Meaning of NEP.” *Slavic Review* 50, no. 2 (1991): 241–52; “The Mystery of the ABC.” *Slavic Review* 56, no. 1 (1997): 50–72; “Bukharin’s ‘Illusion’: War Communism and the Meaning of NEP.” *Russian History* 27, no. 1–4 (January 1, 2000): 417–59; *Deferred Dreams: War Communism 1918-1921* (Washington, D.C: National Council for Soviet and East European Research, 1995).

⁸¹ Wolfgang Michalka, “Kriegsrohstoffbewirtschaftung, Walter Rathenau und die ‘kommende Wirtschaft’” in *Der erste Weltkrieg*, 485–505; Gerald D. Feldman, *Army, Industry and Labour in Germany, 1914-1918* (New York: Bloomsbury, 1992); Regina Roth, *Staat und Wirtschaft im ersten Weltkrieg: Kriegsgesellschaften als*

showed the institutional way to socialism. Thus, on December 5, 1917, the Soviet of People's Commissars (Sovnarkom) created the Supreme Soviet of the National Economy (VSNKh), replacing the Provisional Government's Economic Council and Chief Economic Committee, with broad powers of "confiscation, requisition, sequestration, forced syndication" over all areas of production, trade, and finance.⁸² In 1915-16, at either the initiative of industrialists themselves or of the Tsarist government, organs had been set up to fix prices, allocate orders, and control distribution, much as had taken place in Germany; VSNKh took over these organs as chief directorates ["*glavki*"] and central committees ["*tsestry*"] corresponding to branches of industry, and created them where they did not already exist.⁸³ By 1920 VSNKh had 71 *glavki* and *tsestry*, which would be repeatedly split and reconsolidated across the following decade.

Thoroughgoing nationalization had not been part of the Bolshevik program; by Lenin's reckoning, Russian state capitalism had not yet progressed to that point. In September and October 1917, Lenin spoke for the nationalization of the banks and industrial syndicates, the unification of smaller enterprises and the formation of state monopolies.⁸⁴ But once the commanding heights had been nationalized, policy should have stopped short at the proletariat state's regulation, coordination, and surveillance of

kriegswirtschaftliche Steuerungsinstrumente (Berlin: Duncker & Humblot, 1997); Boldorf, Marcel.

"Ordnungspolitik und Kriegswirtschaftliche Lenkung," in *Deutsche Wirtschaft im ersten Weltkrieg*, ed. Marcel Boldorf (Berlin: De Gruyter, 2020), 23–66.

⁸² "Dekret ob uchrezhdenii Vysshego soveta narodnogo khoziaistvo," *Dekrety sovetskoi vlasti*, vol. 1 (Moscow: Gos. izd. polit. literatury, 1957), 172-4. Bukharin drafted the decree.

⁸³ Yurii Larin as a foreign correspondent during the war wrote laudatory but unoriginal articles about the German war economy that Lenin read, but I find no particular intellectual debt to Larin, and distinct lack of respect for him. See Edward Carr, *The Bolshevik Revolution 1917-1923*. Vol. 2 (New York: Macmillan, 1952), 86, 361-2, 376, 445-6, and Yurii Larin, *Gosudarstvennyi kapitalizm voennogo vremeni v Germanii (1914-1918gg)* (Moscow and Leningrad: Gosudarstvennoe izd., 1928). Larin took credit, falsely, for coining "state communism" in 1914 in the 1927 preface to that book; he also claimed, exaggerating his own role and erasing the pre-October roots, to have formed VSNKh on the model of German wartime industrial associations.

⁸⁴ "Groziashchaia katastrofa" and "Uderzhat li bolsheviki gosudarstvennuiu vlast'?" (Oct. 1917) *PSS* 34: 287-330.

smaller privately owned firms. Early nationalizations were punishments to recalcitrant owners or spontaneous worker takeovers granted *post factum* legitimacy. However, after the Third Party Congress in January 1918 nationalizations began to be a principle, with industrywide nationalizations of sugar in May and oil in June.⁸⁵ Nationalized enterprises were organized into trusts and “bundles” [*kusty*] regulated by their corresponding *glavki*; by the end of 1919 there were about 90; in 1921 trustification began in earnest, at the same time as trusts were instructed to operate on a capitalistic (*khozraschet*) basis, and by August 1922 there were 421 trusts. From 1922 onward, the trusts formed syndicates to monopolize distribution, vying with cooperatives and local authorities.⁸⁶

VSNKh’s scale and scope steadily grew throughout the period of the NEP, despite the de-nationalization of many enterprises and the return to cost accounting on the enterprise or trust level, and even as it lost preeminence to its competitors, the Commissariat of Finance, the Central Statistical Administration (1918), and the State Planning Committee (Gosplan, 1921). If this was a planned economy, it was a planned economy without a plan. VSNKh had no single plan; *glavki* and *tsestry*, operating with great autonomy, merely did their best to keep track of the output and needs of enterprises they claimed to regulate or manage. “Planning” during the Civil War was still understood to be what capitalist corporations and cartels did. It meant first of all *planomernyi / planmäßig*— regular, systematic—production and distribution; the idea of a “plan” as a dynamic system of national accounts (disaggregatable into directives to enterprises) was as yet only a glimmer in the eye of statisticians who are not yet part of

⁸⁵ Carr, *The Bolshevik Revolution 1917-1923*. Vol. 2, 73-93; Silvana Malle, *The Economic Organization of War Communism 1918-1921* (Cambridge, Cambridge University Press, 1985), 33-9, 218-220, 223-30, 251-3.

⁸⁶ Carr. *The Bolshevik Revolution 1917-1923*. Vol. 2, 175-6, 305-9, 315-6; Malle, *Economic Organization*, 248-51.

this story. It would be the fusion of the statistician's national accounting with the Marxists general cartel model during the leadup to the first Five Year Plan that would create what we have henceforth understood to be a planned economy.

VSNKh completed its early evolution in 1932, when it was trisected into the People's Commissariats of Heavy and Light Industry and Forestry, beginning the fission that created the dozens of industrial branch ministries of the mature Soviet state.

Underneath the ministries, the former trusts persisted as "production associations" [*proizvodstvennyye obedeninenie*], themselves grouping *kombinants* and enterprises, a structure which would persist despite all reforms almost without alteration until 1991. In 1925 Leon Trotsky wrote that "[s]ocialist industry is a trust of trusts"; this had not yet been true, but it was by 1936, when Stalin declared that socialism had been achieved.⁸⁷

Lenin's dispute with the Left Communists in 1918 is extremely illuminating for how he understood the German schema to apply to Russian reality and the institution building described above. The Left Communists had taken the Brest-Litovsk treaty as a pause, retreat, or betrayal of the mission of internationalizing the revolutionary war, and they took Lenin's industrial policies to be yet another retreat from socialism, a retreat to state capitalism.⁸⁸ Yes, Lenin replied, exactly, and they were idiots to not understand why. There was no other way to socialism than through state capitalism. And history had so contrived that the economic form of socialism (the general cartel) existed in Germany and the political form of socialism (the soviets) in Russia. In Russia, the anti-feudal/ absolutist political revolution had been proletarian-led, and in that

⁸⁷ Leon Trotsky, *K sotsializmu ili k kapitalizmu?* (Moscow: Planovoe khoziastvo, 1925), 55; Joseph Stalin, "On the Draft Constitution of the U.S.S.R.," in *Works*, 14:151–97 (Moscow: Foreign Languages, 1954), 156.

⁸⁸ The two issues of the Left Communist journal, *Kommunist*, have been edited and republished by Ronald Kowalski, *Kommunist: Ezhenedl'nyi Zhurnal Ekonomiki, Politiki Iobshchestvennosti*, (Millwood, NY: Kraus, 1990). For details his *Bolshevik Party in Conflict: The Left Communist Opposition of 1918*. (London: Macmillian, 1991).

sense along it had been a socialist one. And rather than relinquishing power to a bourgeois parliament, as a deterministic reading of the Marxist historical schema might dictate (the Menshevik position), the proletariat had instituted its dictatorship via the soviets and was in the process of smashing the state (or would be but for the war), instituting true political socialism. But economically, the country would not be fully ready for socialism until state capitalism had been constructed. The war had massively accelerated Russian state, but it was still undeveloped—indeed, much of the country still reproduced non-capitalist subsistence agriculture and petty manufacture! There must be massive industrialization, and massive consolidation and cartelization of banking and existing industry, prior to massive nationalization.⁸⁹ If Second International orthodoxy had held that political revolution comes after economic evolution, Lenin held that in Russia political revolution would precede purposeful economic evolution.⁹⁰ The “state capitalist” sector should absorb resources and productive units from its economic environment of less advanced relations of production, until it had absorbed it all. With this move, Lenin inaugurated the use of proletariat-ruled state capitalism as a developmental strategy for catch-up development, the historical role it was to play in much of the decolonizing world in the mid-twentieth century. State capitalism had become not (only) a stage, but a policy.

Lenin seemingly was contrasting two *facets* of socialism, the economic to the political, but I claim he was in fact counterposing the two historical *models* of socialism,

⁸⁹ “Groziashchaia katastrofa,” 191-3; “Uderzhat li bolsheviki,” 302-9; “Ocherednye zadach sovetskoi vlasti,” (April 1918) *PSS* 36: 165-208.

⁹⁰ A heterodoxy at the time, but one which had been at times Marx’s own view about then backwards Germany. See Erik van Ree, “Marxism as Permanent Revolution,” *History of Political Thought* 34, no. 3 (2013): 540–63 and “German Marxism and the Decline of the Permanent Revolution, 1870–1909,” *History of European Ideas* 38, no. 4 (2012): 570–89.

the general cartel and the commune, and assigning them to two countries.⁹¹ During his research for *State and Revolution* (1917), Lenin had rediscovered for himself the older ideal of radical democracy in Marx's writings on the Paris Commune.⁹² He had equated the Commune with the councils that had spontaneously appeared in the 1905 Russian revolution, and decided that these, and not the Provisional Government's parliamentary state, must be the form of dictatorship of the proletariat.⁹³ But this commune ideal sat uneasily alongside his celebration of the general cartel. How could the radically democratic bottom-up commune also be the hierarchical top-down general cartel? The conceptual suture by which Lenin in that work attempted to bind them together was the thesis that corporate development had so simplified bureaucratic work that it could be deprofessionalized. This would allow the abolition of the state *qua* state, of the executive bureaucracy as a closed caste, including the bureaucracy of the general cartel. But during the Civil War, the abolishing the state was far less important than the state's mobilizational capacity; while the Soviet Leviathan was assembled in earnest, the soviets soon ceased to be effective bodies. The democratization of the state became reduced to a worry about the class origin of state employees.⁹⁴

But Lenin thought far less of radical democracy's other side, democratization of the workplace. Before coming to power, the Bolsheviks had welcomed worker self-organization in the factories. But when the factory committees seized managerial control of enterprises, and sometimes spontaneously "nationalized" them," Lenin fought it as

⁹¹ "O 'levom' rebichestve i melkoburzhuznosti," (May 1918) 36: 283-314, on 300-301.

⁹² The reading closest to mine is Neil Harding's in *Lenin's Political Thought: Theory and Practice in the Socialist Revolutions*, Vol. 2 (New York, NY: St. Martin's Press, 1978); he unfortunately then rereads the cartel state as a Saint-Simonian "organic labor state" in "Socialism, Society, and the Organic Labor State," in *The State in Socialist Society*, Neil Harding, ed. (Albany: SUNY Press, 1984), 1-50.

⁹³ Marian Sawer, "The Genesis of State and Revolution," *The Socialist Register* 14 (1977): 209-27.

⁹⁴ E.g., James W. Heinzen, "Alien" Personnel in the Soviet State: The People's Commissariat of Agriculture under Proletarian Dictatorship, 1918-1929," *Slavic Review* 56, no. 1 (1997), 73-100.

anarchism or syndicalism. He cited Engels' argument about the technical requirement for discipline in the modern corporation. Instead of worker self-management (supported by the Left Communists and later the Worker's Opposition of 1920-1 and the Workers' Group of 1923) he proposed "worker's control," in which workers' committees and the proletariat state's organs might surveil and control managers, not replace them—a form analogous to the representative state that he had rejected in politics.⁹⁵ And the Bolsheviks had absolutized the general cartel model beyond what the Germans had imagined; if Kautsky and Bernstein had envisaged a mixture of nationalization, municipalization, and cooperativization, Lenin foresaw that "[t]he whole of society will have become one office and one factory."⁹⁶

One might imagine that Marx, who labelled the form of capitalist management "purely despotic," the factory "autocratic," would have been shocked.⁹⁷ Yet the dream of the democratic factory, just as the dream of the abolition of the state, would reappear throughout Soviet history, often under the banner of revived Leninism, as during the Thaw and Perestroika, or as Eastern bloc reform communisms.⁹⁸ The Soviet Union built socialism, exactly because it was the culmination of a process by which socialism itself was redefined.

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The logic of the theory of state capitalism was such that there was always a question

⁹⁵ Paul Avrich, "Russian Factory Committees in 1917." *Jahrbücher für Geschichte Osteuropas* 11, no. 2 (1963): 161–82; Carr. *The Bolshevik Revolution 1917-1923*. Vol. 2, 57-70.

⁹⁶ *Gosudarstvo i revoliutsia*, PSS 33: 101.

⁹⁷ Marx, *Capital*, 450, 549.

⁹⁸ As well as in Western Marxisms, like German and Dutch council communism, or late dissident Trotskyisms, like *Socialisme ou barbarie* or the Johnson-Forrest Tendency.

as to whether some aspect of the war economy might prefigure socialism, and much of the ambiguity around Lenin's intentions with respect to this or that policy must ultimately derive from deeper ambiguities. What are the forms of continuity across revolution? Which forms of the socialist future already exist in the capitalist present? As social democrats wrestled with these questions, they melded their understanding of emerging forms of corporate capitalism into their ideal of socialism, now centered on the administrative state. With the advent of Soviet power, the general cartel state ideal eclipsed Marx's old ideal of commune democracy and cooperative production.

Across forty years, concepts sedimented out: "state socialism," "state capitalism," "war communism". These were nonce coinages, created in political polemic, but historians have become accustomed to taking them as periodizing or typological categories, without sensitivity to their prior meanings in context, as means by which the actors about which they write fought with each other and cognized their reality in order to act within it. "War communism" has become understood as an institutional model and a period, when it was neither; its counterposition to the "New Economic Policy" has fundamentally distorted analysis of the combined timespan. "State socialism" has become a default, neutral word for Soviet-type regimes, when the term was an anathematizing one for Marxists, a concept for an aspiration they repudiated as delusional. "State capitalism" is now known mostly as a shibboleth of a brand of Trotskyism, when it was a central concept in the Second International theory of capitalist development, and an unspeakable question in the background of Soviet claims to be socialist. Social analytical discourse may never be innocent of contamination by the categories of the actors it analyzes, but Soviet historians might be particularly vexed by the desire and impossibility of political and epistemic neutrality with respect to Soviet history. We might take the avoidant sublimation of past politics

into academic history as evidence for the continued relevance of those politics in the present, for only truly dead political projects need be avoided; as historians, their remembrance bids us ask what new plots we might emplot if we resituated these historiographical pseudo-categories as the actor's categories they were.