

## Debate in the Soviet Union? Evgenii Varga and his Analysis of Postwar Capitalism, 1946-1950

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Against the background of a deteriorating international scene after World War II, an extended controversy took place in the Soviet Union concerning the views of Evgenii Varga, a prominent economist. The "Varga Debate" was a series of publicized, critical discussions held to censure the analysis of postwar capitalism presented in his book *Izmeneniia v ekonomike kapitalizma v itoge vtoroi mirovoi voiny* (Changes in the economy of capitalism as a result of the Second World War).<sup>1</sup>

The debate was significant, for Varga was a not unimportant figure in the Soviet Union. Although he had participated in the Hungarian Revolution of 1918-19 and had held significant positions in both the Communist International (Comintern) and Soviet academia, he did not vanish in the purges of the 1930s or 1940s—as most of his comrades did—but continued to publish and hold responsible posts until his death in 1964. Further, the high regard that Soviet foreign policy scholars have shown for Varga's work attests to his importance.<sup>2</sup> In addition, the debate involved high-ranking Soviet leaders, such as Stalin, Nikolai Voznesenskii, and Andrei Zhdanov,<sup>3</sup> and embraced key policy questions that faced the Soviets in their relations with the West; thus, the ebb and flow of the debate coincided with the rise and fall of international tensions. Finally, the controversy shed some light on the Stalinist system for it "indicate[d] our need to avoid a simplistic view of the Soviet political process, even in Stalin's totalitarian system, and . . . illuminate[d] the complexity of the issues that Stalin was facing."<sup>4</sup>

Though several Western scholars have dealt with the "Varga Debate,"<sup>5</sup> they have not done so in its entirety, and they have neglected Varga's actual theoretical views. This article will explain in some detail his analysis of postwar capitalism and the terms of the controversy surrounding that analysis. It will also examine the debate in the context of postwar Stalinism and show that the publicity surrounding the discussions was largely a result of the debate's close relationship with the aims of Soviet foreign policy. As a result, the debate reveals that after World War



If there existed in the Soviet Union significant, alternative policy options towards the West rather than outright hostility.<sup>6</sup>

Before 1945 Varga had had a long career in international communism.<sup>7</sup> Born in 1879 in a village near Budapest, he studied at the University of Budapest and abroad before receiving a doctorate in economics in 1909. In the 1890s he entered the revolutionary movement and by 1906 was a regular contributor to the Hungarian Social-Democratic paper *Nepszava* (The people's voice). In the Hungarian revolution of 1918-19, Varga played an active role and took the post of commissar of finance in Bela Kun's short-lived soviet republic.<sup>8</sup> Afterwards, he fled to Vienna, joined the fledgling Hungarian Communist Party, and wrote about the failed revolution.<sup>9</sup> In July 1920, he travelled to Moscow and attended the Second Congress of the Comintern. He settled there, joined the Russian Communist Party and became a leading Soviet and Comintern economic expert.

Varga actively participated in Comintern work. He edited and published extensively in its press<sup>10</sup> and delivered major addresses to the congresses, including, for example, a report on the international situation in 1924.<sup>11</sup> In his work, he occasionally collaborated with Leon Trotskii, as on the theses on the international situation in 1921 or in the discussion of Stalin's theory of "socialism in one country" in 1926.<sup>12</sup>

He also played a major role in academics. As a full member of the Communist Academy, he organized and directed the Institut mirovogo khoziaistva i mirovoi politiki (Institute of World Economy and World Politics). He became a full member of the Soviet Academy of Sciences in October 1939, headed its Economic and Law Section and was a member of its directing presidium. He also worked with the Institute of Red Professors<sup>13</sup> and edited a series of journals.<sup>14</sup>

Varga directed the work of an important institute, as it dealt with international politics and economics. One Western scholar, noting the later role of similar institutes, argued that they were not just academic institutes but were deeply involved in research for the Ministry of Foreign Affairs, which traditionally had a small research staff and relied on these institutes to meet its needs.<sup>15</sup> Also, a Soviet émigré has stated that Varga's institute provided secret political, economic, and military reports to the party and government.<sup>16</sup>

By 1941, Evgenii Varga occupied an influential position in the country by virtue of his past participation in the Hungarian revolution, long work in the Comintern, numerous publications, position in the Academy of Sciences, survival of the purges, and leadership of an important institute. Also, there was little doubt of his close association with Stalin, both secretly in his personal secretariat and publicly as a supporter of his policies.<sup>17</sup> Varga was thus a respected expert on the



politico-economic study of capitalism and had become an authoritative spokesman for the attitudes of Soviet leadership.

Within two years of the war's end, however, he became the center of a major controversy due to his interpretation of the war's effect on the capitalist world. According to conventional Marxist-Leninist-Stalinist thought, the war should have produced a situation favorable for proletarian revolutions. Varga, though, foresaw in the short term a nonrevolutionary fate for the West, despite the widespread economic and political turmoil there. Given the issues of the debate and the persons involved, it was evident that the controversy involved not merely disagreements over proper economic analysis but instead indicated substantial foreign policy differences among Soviet leaders.

By the time *Izmeneniia v ekonomike kapitalizma v itoge vtoroi mirovoi voiny* appeared in late 1946, events had in a sense already doomed it to controversy. On the international scene, earlier that spring, Stalin and Winston Churchill had exchanged acrimonious remarks. In a February speech, Stalin asserted an orthodox interpretation of the war's origins:

Essentially the war broke out as the inevitable result of the development of the world's economic and political forces on the basis of contemporary monopoly capitalism. . . . The capitalist world economic system contains in itself the seeds of a general crisis and military clashes.<sup>18</sup>

After Churchill's "Iron Curtain" speech at Fulton, Missouri, Stalin replied by comparing Churchill to Hitler.<sup>19</sup> Soviet troops finally evacuated Iran but only after heated pressure from the United States, and that summer Stalin pressed Turkey for a revision of the 1936 Montreux Straits Convention. Inside the Soviet Union, Andrei Zhdanov, heir-apparent to Stalin,<sup>20</sup> began a cultural purge by viciously criticizing Anna Akhmatova, Mikhail Zoshchenko, and other Leningrad writers for ideological laxity. A period of terror reigned in which Zhdanov and his associates determined what the acceptable orthodox position was in a number of intellectual fields, e.g., music, film, philosophy, and history, and ruthlessly ensured that such views prevailed. Zhdanov also took the opportunity to comment on international affairs when he delivered the main speech on the anniversary of the October Revolution:

The postwar period in [the West] is marked by grave economic and political crises. The conversion from war to peace in capitalist countries has caused an acute tightening of the market, a drop in production, the closing of factories and a growth in the number of unemployed.<sup>21</sup>



Stalin, however, in his published interviews dismissed as unrealistic any talk of a new world war.<sup>22</sup>

Varga had not forseen the twists of political events when he finished his work in December 1945, and it was noteworthy that previously published chapters of his book had not evoked excessive attention or criticism.<sup>23</sup> Varga noted that the soft tone of the book related to the international situation of the war which "required . . . 'discretion' in the choice of terminology,"<sup>24</sup> and he posed the question, "How will the capitalist economy develop after the war?"<sup>25</sup>

Varga's most controversial statements concerned the role of the bourgeois state in the capitalist economy. He wrote that in "all bourgeois countries . . . the state acquired a decisive significance in the war economy" and that this acquired role would "remain in the future more significant than it was before the war." More interestingly, he said that "the bourgeois state represented the interests of the entire bourgeoisie as a class [not simply monopolies]" for carrying on the war effort because the need to mobilize a country's resources often clashed with the efforts of monopolies to obtain the highest profits.<sup>26</sup>

During the war, Varga wrote, the state became a decisive economic force: it was the major buyer of goods, it controlled employment, it regulated industrial production by restricting the manufacture of consumer goods, it increased taxes, it obtained capital from its citizens by loans, it expanded government-owned property, it promoted industrial growth by keeping demand higher than supply, it encouraged private economic activity abroad as in South America, and civilian consumption remained limited. The degree of state intervention in the economy was proportional to the availability of resources and to peculiar historical conditions.<sup>27</sup>

The state would remain a greater economic force in peacetime because of the domestic market's limited ability to absorb the increased productive capacity, the threat of mass unemployment, and the attempt to resolve these problems by increasing exports and restricting imports.

Besides becoming the major buyer of goods during the war, the state increased its regulatory activities. Varga made it clear that a regulated economy was not a planned, socialist economy, but he insisted that the bourgeois state did "plan" to satisfy military needs. "The degree of planned interference depend[ed], in the first place, on the relationship between available resources . . . and military needs . . . and on historical conditions." The wartime, regulated economy was not planned since private ownership remained, military demand was temporary and only those elements that directly served the military were affected.<sup>28</sup>

While the state's economic role was changing during the war, a completely unprecedented concentration of capital occurred. The gov-



ernment promoted this concentration to focus scarce labor into the largest, most efficient enterprises where specialized, automated production techniques led to higher profits which, in turn, led to more technical improvements and even lower manufacturing costs. In the end, although a small group of monopolies became richer,<sup>29</sup> on the whole a form of impoverishment occurred. Varga did not use the term in its usual Leninist understanding as the "pauperization of the proletariat." He used it to mean simply the expenditure of a country's wealth: fixed capital wore out and was not replaced, military goods were destroyed, and gold and natural resources were exhausted.<sup>30</sup>

Varga stressed that the changes in the capitalist economy after 1945 were more important than those which occurred after 1918 due to the larger scale of the second war, and he made an effort to distinguish between transient changes, lasting about ten years or until the transition to a peacetime economy was completed, and protracted changes, appearing only much later. Among the other influences on the postwar economic cycle, he noted the emergence of the Soviet Union as a world power and the differing conditions in individual countries. Further, he argued that because of wartime destruction Europe would experience a "crisis of underproduction"—production would be unable to keep pace with private demand resulting in inflation and a further reduction in buying power. In the United States, with its greatly expanded productive ability, private consumption would be unable to keep pace with production, leading to a "crisis of overproduction."<sup>31</sup>

Varga painted no rosy picture of capitalism's future. What was surprising about his book was that he recognized important changes that tended to delay capitalism's collapse until the distant future, and even then it was not certain. This indicated the possibility of a peaceful evolution from capitalism to socialism, making unnecessary a violent proletarian revolution.<sup>32</sup>

As the international situation deteriorated after the war, other authoritative voices began to be heard that advocated a "hard" approach to the Western world. In late 1947 Nikolai Voznesenskii, a member of the Politburo's "Septet" for foreign affairs, published a book on the Soviet war economy with Stalin's approval.<sup>33</sup> In it, he criticized Varga's work at length:

The discussions of certain theoreticians who consider themselves Marxists about "the decisive role of the state in the war economy of capitalist countries" are nonsense and not worthy of attention. These "Marxists" naively think that the utilization of the state apparatus of the U.S. by the robbers of monopoly capitalism for the earning of super profits in wartime demonstrates the decisive role of



the state in the economy. . . . Just as naive are the discussions about planning of the war economy by the state in the USA.<sup>34</sup>

Andrei Zhdanov, the Politburo member increasingly active in cultural and international affairs, also published a book that year on foreign affairs and presided over the formation of the Communist Information Bureau (Cominform) in September.<sup>35</sup> His opening speech there clearly established him as a man with no sympathy for a "soft" approach to capitalism and has since become known as the classic Soviet statement of a world divided into two camps, "the imperialist and anti-democratic camp, on the one hand, and the anti-imperialist and democratic camp, on the other." America, according to Zhdanov, was pursuing a "frankly expansionist course" to avoid an internal economic crisis and to "establish the world supremacy of American imperialism."<sup>36</sup>

The tense international scene of 1947 made the hard-line approach of Voznesenskii and Zhdanov ever more acceptable to Soviet leadership. The year started well enough with the signing of the satellite peace treaties, but the Foreign Ministers' Conference in Moscow that spring bitterly broke up without an agreement on Germany, and the ensuing announcement of the Truman Doctrine evoked a caustic Soviet response. In May communists were forced from the governments in France, Belgium, and Italy, and in June the Marshall Plan was announced. The formation of the Cominform, after Eastern Europe's refusal to participate in the Marshall Plan, indicated a shift in Soviet tactics to consolidate Eastern Europe without any hope of Western cooperation or any evolutionary changes in the capitalist world. By the end of 1947, East-West relations had reached a state of cold war.

As East-West antagonisms continued to intensify, so too did intellectual strictures on the Soviet domestic scene where Zhdanov widened his cultural offensive. All perceived departures from orthodoxy were ruthlessly silenced. Zhdanov personally delivered a virulent attack on the Soviet philosopher G. F. Alexandrov at a meeting ordered by the Central Committee in June 1947 and then published the transcript of the meeting as a warning to Soviet intellectuals of the dangers involved of not being ideologically orthodox.<sup>37</sup>

Varga appeared to be an imminent victim of Zhdanov when Stalin "unexpectedly thrust Varga into the political limelight" with the decision in March 1947 to hold a critical discussion concerning the book.<sup>38</sup> As one Western scholar mused at the time, "one cannot help wondering what forces and factors . . . arranged a meeting at which the head of the Institute of Economics led the criticism of the far better known head of an institute of considerably greater prestige than his own."<sup>39</sup> As evidenced by the persons involved, serious policy questions were at issue.



Despite being criticized at a conference in May and despite the prominence of Voznesenskii and Zhdanov that year, the selection of Varga to write an article for the influential American journal *Foreign Affairs* showed that his work still commanded considerable respect. His essay appeared in the same issue as George Kennan's famous "Mr. X" article advocating a policy of containment. Varga discussed the antagonistic nature of Anglo-American relations and, in an excellent indication of his views, carefully distinguished between the internal policies of the two powers:

The Labor government has a program of nationalization and peaceful transition to Socialism, and the British bourgeoisie displays flexibility in avoiding a showdown fight with the working class. In the United States, there is growing reaction harboring the danger of fascism.

Despite their differences, the countries followed one policy to "maintain the system of society existing outside the USSR and to counter the influence of the Soviet Union in world affairs."<sup>40</sup>

Interestingly, Stalin himself lent some support to Varga's ideas. His 9 April interview with Harold Stassen suddenly appeared in *Pravda* on 8 May, the day after the first session to critique Varga. In the interview, he repeatedly asked Stassen about an imminent American economic crisis. Stassen replied that none was expected and mentioned that America had learned its lesson from the Great Depression and would continue economic regulation. He added that even though businessmen generally wanted to avoid such measures, they understood better than anyone else the need for rational action, and Stalin agreed.<sup>41</sup>

Varga lost control of his institute and journal in September 1947,<sup>42</sup> but the transcript of the May conference was still allowed to be published in November.<sup>43</sup> Perhaps it was published as an illustration of the proper ideological line, as the philosophers' transcript had been. The transcript, however, only revealed that Varga strongly defended his views; nevertheless, Varga's institute was merged with the less prestigious Institute of Economics and was placed under the control of Gosplan at Voznesenskii's request.<sup>44</sup>

K. V. Ostrovitianov, director of the Institute of Economics, chaired the discussions of 7, 14, and 21 May 1947. After reviewing Varga's "incorrect" views on the role of the state in the wartime economy and on the impoverishment of the proletariat, he introduced Varga who began by noting that he had changed his ideas on the "democracies of a new type," i.e., Eastern Europe; but he insisted on the correctness of his views on the decisive role of the state. He also claimed that it was not so "that the state



[was] a state of monopolies." Frequently the state had to carry out measures that ran counter to the interests of individual monopolies. In addition, the state did have to plan production in order to meet military requirements.<sup>45</sup>

In the three sessions, Varga was followed by nineteen scholars challenging most of his ideas and by only a few who offered support. Criticism centered on several points: the role of the state in the economy (There can be no such thing as planning in a capitalist economy.); the role of monopolies in the state (The state apparatus was subordinated to monopolies.); the separation of economic from political analysis (Varga excluded politics from his book because of size considerations;<sup>46</sup> however, as S. G. Strumilin pointed out, it was easy to deduce the attendant political changes from Varga's economic work.<sup>47</sup>); the downplaying of the "deepening general crisis" of capitalism; the misinterpretation of the East European democracies; his impoverishment statements (He had not shown the growing absolute impoverishment of the proletariat.); his views on colonialism (Varga maintained that the relationship between colony and metropole had changed, as during the war some colonies had become creditors and were able to establish some degree of independence, e.g., India.); and, finally, his misunderstanding of the problem of inflation in capitalism.

Ostrovitianov then rose and reminded those present that "this [was] not a trial and Comrade Varga [was] not a defendant." He concluded, though, by saying that "Comrade Varga ha[d] not tried to approach the analysis of the phenomena of contemporary capitalism from the point of view of the Stalinist presentation of the problem of the general crisis of capitalism." In Stalin's view, capitalism was:

The securing of the maximum capitalist profit through the exploitation, ruin and impoverishment of the majority of the population of the given country, through the enslavement and systematic robbery of the peoples of other countries and . . . through wars and militarization of the national economy.<sup>48</sup>

Varga finished the sessions with a strong defense of his views. "It [was] untrue," he said, that "in total war the same anarchy of production remains as in peacetime." He disagreed with the proposition that "the financial oligarchy determines, even in peacetime, the *entire* policy of the bourgeoisie, the *entire* policy of the state." As for the state's economic role, he was insistent: "I do not think that I am wrong on this question"; and, he concluded: "I regret very much if the comrades who have expressed criticism here are of the opinion that I have insufficiently recognized my mistakes. There is nothing to do about it. It would be dishonest



if I were to admit this or that accusation while inwardly not admitting it."<sup>49</sup>

In 1948 Varga began work under a new director in a larger institute and on a new journal, *Voprosy ekonomiki* (Problems of economics). This was clearly a demotion for him, but it was not premature retirement. The tasks of the new institute included an emphasis on the struggle of the two camps and capitalism's general crisis and the application of Zhdanov's criticism of the philosophers to economic work.<sup>50</sup> The application was primarily directed at Varga and his former associates. At a meeting in the institute in January, Ostrovitianov repeated the critique of Varga. "Comrade Varga has continued to remain silent to his criticism. . . . He has ignored the general crisis of capitalism and the struggle of two systems. . . . [He has] separated economics from politics [and] unMarxistically asserted 'the decisive role of the state in the war economy.' . . . His recently published articles are clearly reformist, but worst of all, the mistakes of Comrade Varga in this or that degree are characteristic of a number of works of [his] former institute."<sup>51</sup>

Paralleling the rapidly growing crisis in East-West relations, climaxing with the communist takeover in Czechoslovakia and the Berlin blockade, a series of conferences followed with Varga being subjected to increasingly bitter attacks on any possible pretext. A meeting to discuss the work of one of his colleagues led to renewed criticism of Varga for his "unMarxist conception of the decisive role of the bourgeois state in the war economy and the possibility of 'planning' in capitalism."<sup>52</sup> In March at a conference on the use of statistics, a series of speakers denounced Varga's "mistaken attempt to belittle the significance of statistical applications" and his "uncritical use of bourgeois statistics."<sup>53</sup> Varga was again brought to task for his work at a meeting called to review the "postwar aggravation of the general crisis of capitalism."<sup>54</sup>

In October 1948, an enlarged meeting of the institute's Academic Council took place to discuss shortcomings in economic research. Ostrovitianov opened the meeting by castigating the "deepest antiMarxist mistakes and distortions" of Varga, and a series of speakers followed with vehement attacks.<sup>55</sup>

Varga, when given the chance to speak, conceded little. After criticizing the institute's work plan for 1949 as having "lost touch with reality," he cautioned that since the Soviet Union was now a world power it had become even more important to consider honestly everything that happened in the capitalist world. Varga then opened another can of worms when he asked, "Whether a new inter-imperialist war for the redivision of the world was inevitable?" He responded to this in the negative.<sup>56</sup>

Concerning his book, Varga admitted some minor errors: its tone, the separation of economics and politics, his analysis of Eastern Europe,



the use of some unfortunate expressions such as "planning," and a few points on agriculture. He held fast, though, to his views that during the war the state had to meet its military needs by planning and that the colonial relationship had changed. Regarding the class character of the state, Varga said that one could argue about the choice of words but in a war in which defeat could spell the destruction of the entire capitalist system, the state did act against the interests of individual monopolies.<sup>57</sup>

Ostrovitianov, concluding with a lengthy polemic, summed up Varga's mistakes and directly spelled out the implications: "You [Varga] should know, from the history of our party, to what kind of sorrowful consequences stubborn insistence on one's mistakes will lead."<sup>58</sup>

Obviously, Varga's retraction was still far from satisfactory, for another session of the Academic Council met in March 1949. This time he and his former associates were charged with "mistakes of a cosmopolitan character" and "bourgeois objectivism."<sup>59</sup> These were dangerous words in the Soviet Union at that time, and Varga repented:

The criticism was necessary and correct. My mistake was that I did not recognize the correctness of the critique, as others did, but better late than never. . . . Mistakes of a reformist direction also show mistakes of a COSMOPOLITAN tendency, because they embellish capitalism. Any kind of reformism, any kind of encroachment on the purity of Marxist-Leninist teaching in today's historical conditions is ESPECIALLY DANGEROUS.<sup>60</sup>

Varga admitted the methodological mistake of separating economics from politics; but, concerning the state, he pointed out that the proletariat had participated in the governments of France and Italy after the war. As for the colonial problem, he still maintained that one could not say that nothing had changed.<sup>61</sup>

Interestingly, Varga's recantation appeared in *Pravda* only two days after the announcement that Voznesenskii had been relieved of his posts and over seven months after Zhdanov's sudden death.<sup>62</sup> Thus, the two major spokesmen of a hard-line approach to the West were absent from the scene at the end.

The controversy, though, continued to linger. In November 1951 Varga participated in discussions about a new political economy textbook. The chief question dealt with the inevitability of war between imperialist countries; and, "like all other controversial issues, this question was referred to Stalin."<sup>63</sup> After indirectly criticizing Voznesenskii's views, Stalin stated that:

Some comrades assert that, because of the development of new



international conditions after the Second World War, wars between capitalist countries have ceased to be inevitable. . . . These comrades are mistaken. . . . The inevitability of wars between capitalist countries remains in force.

He also affirmed that monopolies did control the bourgeois state. Concerning the phrase "coalescence of the monopolies with the state apparatus," Stalin declared that "the word coalescence [was] not appropriate" and that it should be replaced with "subjugation of the state apparatus to the monopolies."<sup>64</sup> When Soviet economists met to discuss the new theoretical guidelines, Varga spoke first and recognized that he was "mistaken" on the question of inevitability.<sup>65</sup>

But Varga may not have been mistaken, for Soviet leadership was in the process of adopting many of Varga's ideas. Stalin, in his last published interviews, continued to deny the inevitability of war,<sup>66</sup> as did Georgii Malenkov in his Report to the Nineteenth Party Congress.<sup>67</sup> Furthermore, Nikita Khrushchev, after Stalin's death, bluntly revised several theories about international relations. He began by cautioning that "it should be said that the idea that the general crisis of capitalism [meant] complete stagnation . . . has always been alien to Marxist-Leninists."<sup>68</sup> He recognized the increasing government economic regulation in the West but noted that this "intervention in economic activity [still did] not eliminate the fundamental defects of the capitalist system."<sup>69</sup> More importantly, Khrushchev avowed that war was not a "fatalistic inevitability" and that the proletarian revolution could be accomplished through parliamentary means.<sup>70</sup>

In this relaxed atmosphere, Varga regained his former importance. In 1957 his old institute was revived under a new name, Institut mirovoi ekonomiki i mezhdunarodnykh otnoshenii (Institute of World Economy and International Relations), with a new journal. In 1959, a festschrift was published in his honor,<sup>71</sup> and a birthday-party session was held.<sup>72</sup> He continued to publish<sup>73</sup> and work, and in 1963 he received a Lenin Prize.

A few months before his death in October 1964, Varga published his last work on capitalism. Written over the course of "many years" and "directed against thoughtless dogmatism, which . . . was widespread in works on the economy and politics of capitalism,"<sup>74</sup> Varga continued to champion the very views that had initiated the debate in 1947. He still maintained that the state had "become the decisive factor in the war economy" and that the bourgeois state did "plan" the economy to a degree during the war.<sup>75</sup> Concerning the relationship between monopolies and the state, Varga reiterated that "depending on the concrete historical situation either thesis may be correct." When the capitalist state was not in immediate danger, the state was a tool of the monopolies; however,



when the survival of the capitalist system was at stake, the state acted on behalf of the entire bourgeoisie.<sup>76</sup> For support, Varga turned to Lenin's theory of state monopoly capitalism as the coalescence of two forces, i.e., it was not the "simple unilateral 'subordination' of the state to monopoly capital as asserted by Stalin."<sup>77</sup> Varga also continued to refute the inevitability of imperialist wars.

Varga died on 8 October 1964. The notice in *Pravda* was signed by Khrushchev, secretary-general of the party who was himself ousted from power a few days later; Boris N. Ponomarev, secretary of the Foreign Department of the Central Committee; Anastasy I. Mikoian; and a series of prominent Soviet economists.<sup>78</sup> These signatories showed the importance and respect accorded to Varga in the Soviet Union after his rehabilitation. Though he had been severely criticized, his last published works showed that he had not abandoned his views.

When he published his book in 1946, Varga was already almost sixty-seven years old and an authoritative Soviet scholar on events in the capitalist world. His interpretation of capitalism's postwar development was new in the Soviet Union at the time and ran counter to accepted Marxist-Leninist-Stalinist thought. This, in part, explained why a debate occurred. His four most significant ideas were: the "decisive role of the state in the wartime economy" and its increased role afterward, the state was a state of the "entire" bourgeoisie and not merely the monopolies, an imperialist war was no longer inevitable, and the idea of a peaceful road to socialism. The fact that he published and continued to defend his ideas was his most important contribution to Soviet scholarship. By the 1970s, these concepts had become generally accepted by the Soviet scholarly community.

The question of how the "Varga Debate" fits into the postwar international scene is beyond the scope of this paper but does provide the other reason why a debate developed. Because his analysis foresaw a long-delayed revolutionary situation in the capitalist world and a peaceful transition to socialism in Eastern Europe (perhaps with Soviet help), and because he knew of Soviet economic troubles, Varga implied that the Soviet Union would continue to cooperate with the West after the war, as it had done during the war when he was writing his book. His prolonged and stubborn defense of his views shows that he did not write the book out of polite considerations for the Grand Alliance, though he did use a "soft" tone, but out of considerations for what he believed the hard facts to show. As he pointed out, since the Soviet Union had become a world power, it had to carefully, and honestly, assess what happened in the West because whatever occurred there inevitably affected the Soviets themselves. When Soviet-Western relations began to sour, it was expected by many that he would adjust his views accordingly, as his comrades did and as



other scholars in different fields did, but Varga refused to for over two dangerous years. His lengthy resistance to attack shows that he had protection in high places and that his views were generally accepted as accurate in those places.

The prolonged character of the controversy, the persons involved, the nature of the issues, and the timing indicate that although Soviet actions were at times hostile toward the West in the postwar period, influential forces continued to exist in the Soviet Union that favored a restrained policy toward the West. In the long run, it was Varga and his views that survived rather than Zhdanov or Voznesenskii.

### ENDNOTES

1. E. Varga, *Izmeneniia v ekonomike kapitalizma v itoge vtoroi mirovoi voiny* (Moscow: Gos. izd-vo polit. lit-ry, 1946).

2. For example, the festschrift published on his eightieth birthday, A. Arzumanian, et al., *Problemy sovremennogo kapitalizma: k 80-letiiu Akademika E. S. Varga* (Moscow: Izd-vo Akademii nauk SSSR, 1959); a commemorative session of scholars in 1969, "Tvorcheskoe nasledie E. S. Vargi," *Mirovaia ekonomika i mezhdunarodnye otnosheniia*, no. 1 (January 1970): 123-31; and the publication of his selected works, *Nachalo obshchego krizisa kapitalizma*, *Ekonomicheskie krizisy*, and *Kapitalizm posle vtoroi mirovoi voiny* (Moscow: "Nauka," 1974).

3. Andrei Zhdanov became first secretary in Leningrad after Sergei Kirov's assassination in 1934, full Politburo member in 1939, and chairman of the Allied Control Commission in Finland after World War II. In 1934, he told Soviet writers that their work must conform to "socialist realism." Nikolai Voznesenskii began his career in Leningrad under Zhdanov and served on the State Defense Committee in the war. After the war he chaired Gosplan and became a full Politburo member.

4. Jerry Hough, "Debates about the Postwar World," in *The Impact of World War II on the Soviet Union*, ed. Susan Linz (Totowa: Rowman & Allanheld, 1985), 254.

5. Frederick Barghoorn, "The Varga Controversy and Its Significance," *Slavic Review* 7 (October 1948): 214-36; Paul Marantz, "Soviet Foreign Policy Factionalism under Stalin? A Case Study of the Inevitability of War Controversy," *Soviet Union* 3 (1976): 91-107; Robert Conquest, *Power and Policy in the USSR* (New York: Harper & Row, 1967); and Werner Hahn, *Postwar Soviet Politics: The Fall of Zhdanov and the Defeat of Moderation, 1946-1953* (Ithaca: Cornell University Press, 1982).

6. This article is a shortened version of my master's thesis, "Evgenii Varga: A Soviet View of the Postwar Capitalist World," University of Virginia,



1986.

7. The chief biographical sources are A. Arzumian, "K 80-letiiu Akademika E. S. Varga," in *Problemy sovremennogo kapitalizma*, 3-10; *Bol'shaia sovetskaia entsiklopediia*, 1st ed., 8:792-93; 2nd ed., 6:626; 3rd ed., 4:298.

8. Rudolf Tökes, *Bela Kun and the Hungarian Soviet Republic* (New York: Praeger, 1967), 108-9.

9. E. Varga, *Die wirtschaftspolitischen Probleme der proletarischen Diktatur* (Vienna: Genossenschaftsverlag, 1920).

10. At the Third Congress he was named to the editorial board of *Internationale Pressekorrespondenz* along with Nikolai Bukharin, Grigorii Zinoviev, Evgenii Preobrazhenskii, Karl Radek, Bela Kun, and Otto Kuusinen. "Third Congress Resolution on the Organ of the ECCL," in *The Communist International, 1919-1943: Documents*, 3 vols., ed. Jane Degras (London: Oxford University Press, 1956-65), 1:272.

11. "Extracts from the Theses on the World Economic Situation Adopted by the Fifth Congress," in Degras, Documents 2:113.

12. Leon Trotsky, "Summary Speech to the Third Session 24 June 1921," in *The First Five Years of the Communist International*, 2 vols. (1945; New York: Monad, 1972), 1:231; Leon Trotsky, "Remarks after the Sixth Congress," in *The Challenge of the Left Opposition (1928-1929)*, 3 vols., eds. Naomi Allen and George Saunders (New York: Pathfinder, 1981), 3:216. Varga stated that "obviously, this theory is false, but it gives the Russian worker a view of the future and sustains his morale."

13. Abdurakhman Avtorkhanov, *Stalin and the Soviet Communist Party* (New York: Praeger, 1959), 19, 67, 104, says that Varga's work with this institute was directly subordinate to the Agitation and Propaganda Department of the Central Committee and important in providing theoretical arguments for Stalin's political struggles.

14. *Mirovoe khoziaistvo i mirovaia politika* (World economy and world politics), *Koniunktura mirovogo khoziaistva* (The world economic situation), *Problemy Kitaia* (Problems of China), and *Tikhii okean* (The Pacific Ocean).

15. Jerry Hough, *Soviet Leadership in Transition* (Washington: Brookings Institution, 1980), 123.

16. Avtorkhanov, *Stalin and the Soviet Communist Party*, 178-79. The author also claimed that Varga worked in Stalin's personal secretariat, *ibid.*, 103-5.

17. See, Eugene Varga, "Political Testament," *New Left Review*, no. 62 (July-August 1970): 31-44, and Tamara Deutscher, "Soviet Fabians and Others," *New Left Review*, no. 62 (July-August 1970):45-56.

18. Stalin, "Rech' na predvybornom sobranii izbiratelei Stalinskogo Izbiratel'nogo Okruga goroda Moskvy, 9 fevralia 1946," *Pravda*, 23 February 1946, in *Sochinenii*, ed. Robert McNeal (Stanford: Hoover Institution Press, 1967), [16]:2.

19. Stalin, "Otvét korrespondentu *Pravdy*," *Pravda*, 14 March 1946, in *Sochinenii*, [16]:35-43.

20. Zhdanov appeared on the cover of *Time*, 9 December 1946, as the most



likely successor to Stalin.

21. Andrei Zhdanov, "29-ia godovshchina Velikoi Oktiabr'skoi Sotsialisticheskoi revoliutsii," *Pravda*, 7 November 1946.

22. Stalin, "Otvety na voprosy, zadannye Moskovskim korrespondentom *Sunday Times*, g-nom A. Vert, poluchennye 17-go sentiabria 1946 g.," *Bolshevik*, nos. 17-18 (September 1946); "Otvety na voprosy prezidenta amerikanskogo agentstva *United Press*, g-na Kh. Beili, poluchennye 23-go oktiabria 1946 g.," *Pravda*, 30 October 1946; and "Interv'iu s Elliotom Roosevelt'om, 21 dekabria 1946 g.," *Pravda*, 23 January 1947, in *Sochineniia*, [16]:53-63, 65-70.

23. William McCagg, *Stalin Embattled, 1943-1948* (Detroit: Wayne State University Press, 1978), 368. The chapters appeared in *Mirovoe khoziaistvo i mirovaia politika* in December 1944 and in January and September 1945.

24. *Soviet Views on the Post-War World Economy: An Official Critique of Eugene Varga's "Changes in the Economy of Capitalism Resulting from the Second World War,"* trans. Leo Gruliov (Washington: Public Affairs Press, 1948), 5.

25. Varga, *Izmeneniia*, 5.

26. *Ibid.*, 15, 318, 10.

27. *Ibid.*, 20-27.

28. *Ibid.*, 34-36.

29. *Ibid.*, 51-65.

30. *Ibid.*, 68-72. Varga advanced a similar theory after the First World War. E. Varga, "Problemy ekonomicheskoi politiki pri proletarskoi diktaturi" (1920), in *Nachalo obshchego krizisa*, 123: "A state at war extracts more goods from the economy than can be created in the same period. Instead of accretion that typifies capitalism, there is a shrinkage of real wealth."

31. Varga, *Izmeneniia*, 11-12, 258-65.

32. According to Marshall Shulman, *Stalin's Foreign Policy Reappraised* (Cambridge: Harvard University Press, 1963), 32, Varga was "soft on capitalism."

33. N. Voznesenskii, *Voennaia ekonomika SSSR v period otechestvennoi voiny* (Moscow: Gos. izd-vo polit. lit-ry, 1947); V. Kolotov, a former assistant to Voznesenskii, "Ustremlenni v budushchee, dokumental'naia povest'," *Znamia*, no. 6 (June 1974): 134.

34. Voznesenskii, *Voennaia ekonomika*, 31.

35. Andrei Zhdanov, *The International Situation* (Moscow: Foreign Languages Publishing House, 1947). The Cominform was founded in September at Szklarska Poremba in Poland and included the communist parties of the Soviet Union, Poland, Yugoslavia, Romania, Italy, Hungary, France, Czechoslovakia, and Bulgaria.

36. A. Zhdanov, "The International Situation," *For a Lasting Peace, For a People's Democracy*, 17 November 1947.

37. J. and M. Miller, "Andrei Zhdanov's Speech to the Philosophers," *Soviet Studies* 1 (June 1949): 40-50. The session was called to discuss Alexandrov's *History of West European Philosophy*. Among other things, he was criticized for neglecting the influence of German classical philosophy on the mental history of German aggression and underestimating the value of Russian



philosophy.

38. McCagg, *Stalin Embattled*, 276.
39. Barghoorn, "The Varga Discussion," 227.
40. E. S. Varga, "Anglo-American Rivalry and Partnership: A Marxist View," *Foreign Affairs* 25 (July 1947): 594.
41. Stalin, "Interv'iu s g-nom Stassenom, 9 aprelia 1947 g.," *Pravda*, 8 May 1947, in *Sochineniia*, [16]:75-92.
42. McCagg, *Stalin Embattled*, 277, gives 8 September as the date the decision was taken to merge the institute with the Institute of Economics. V. V. Oreshkin, "Organizatsiia i razvitie Marksistskogo-Leninskoi ekonomicheskoi nauki v Akademii nauk SSSR," *Izvestiia Akademii nauk SSSR, seriia ekonomicheskaiia*, no. 5 (September-October 1975), 104, gives 4 October as the date the presidium of the academy ordered the merger.
43. "Diskusiia po knige E. S. Varga," supplement to *Mirovoe khoziaistvo i mirovaia politika* 12 (November 1947).
44. Kolotov, "Ustremlenyi v budushchee," 133-34.
45. *Soviet Views on the Post-War World*, 2-6.
46. Varga, *Izmeneniia*, 14.
47. *Soviet Views on the Post-War World*, 91.
48. *Ibid.*, 109; "Report of the Central Committee of the CPSU(B) to the Nineteenth Party Congress," supplement to *New Times* (Moscow), no. 42 (October 1952): 46.
49. *Soviet Views on the Post-War World*, 119, 118, 117, 125.
50. "Ot redaktsii," *Voprosy ekonomiki*, no. 1 (March 1948): 3.
51. "Ob itogakh i napravlenii raboty Instituta ekonomiki Akademii nauk SSSR: doklad direktora Instituta K. V. Ostrovitianova na zasedanii Uchenogo soveta Instituta," *Voprosy ekonomiki*, no. 1 (March 1948): 86-92.
52. I. Trakhtenberg, et al., *Voennoe khoziaistvo kapitalisticheskikh stran i perekhod k mirnoi ekonomike* (Moscow: Gosplanizdat, 1947); "Protiv anti-Marksistskogo osveshcheniia ekonomiki kapitalisticheskikh stran: obsuzhdenie sbornika *Voennoe khoziaistvo kapitalisticheskikh stran i perekhod k mirnoi ekonomike*," *Voprosy ekonomiki*, no. 2 (April 1948): 108.
53. "O teoreticheskoi rabote v oblasti statistiki: obsuzhdenie v Institute ekonomiki Akademii nauk SSSR," *Voprosy ekonomiki*, no. 5 (1948): 97.
54. "Poslevoennoe obostrenie obshchego krizisa kapitalizma: na teoreticheskoi konferentsii v Institute ekonomiki Akademii nauk SSSR," *Voprosy ekonomiki*, no. 6 (1948): 106-19.
55. "O nedostatkakh i zadachakh nauchno-issledovatel'skoi raboty v oblasti ekonomiki: rasshirennaia sessia Uchenogo soveta Instituta ekonomiki Akademii nauk SSSR," *Voprosy ekonomiki*, nos. 8-9 (1948), no. 8:71.
56. *Ibid.*, no. 9:54-55.
57. *Ibid.*, no. 9:56-57.
58. *Ibid.*, no. 9:96.
59. "Rasshirennaia sessia Uchenogo soveta Instituta ekonomiki Akademii nauk SSSR," *Voprosy ekonomiki*, no. 3 (1949): 116-17.
60. E. Varga, "Protiv reformistskogo napravleniia v rabotakh po imperi-



alizmu," *Voprosy ekonomiki*, no. 3 (1949): 79.

61. *Ibid.*, 85.

62. Conquest, *Power and Policy*, 91.

63. E. Varga, *Politico-Economic Problems of Capitalism*, trans. D. Danemanis (1964; Moscow: Progress, 1968), 75.

64. Stalin, "Ekonomicheskie problemy sotsializma v SSSR," *Pravda*, 3-4 October 1952, in *Sochineniia*, [16]:227, 230, 240.

65. "Zadachi Instituta ekonomiki Akademii nauk SSSR v sviazi s opublikovaniem genial'nogo truda I. V. Stalina 'Ekonomicheskie problemy sotsializma v SSSR': rasshirennoe zasedanie Uchenogo soveta Instituta ekonomiki," *Voprosy ekonomiki*, no. 12 (December 1952): 109.

66. "Otvety na voprosy gruppy redaktorov amerikanskikh gazet," *Pravda*, 6 October 1951; "Otvety na voprosy gruppy redaktorov amerikanskikh gazet," *Pravda*, 2 April 1952; and "Otvety na voprosy diplomaticheskogo korrespondenta *New York Times*," *Pravda*, 26 December 1952," in *Sochineniia*, [16]:183-85, 305-06, 316-17. In general, the postwar years were a period of relative confusion concerning the policy preferences of Stalin. From 1945 until his death in 1953, he made only three major policy addresses.

67. "Report to the Nineteenth Party Congress," 14. Though rather hard line, the report did hold out "the prospect of developing and expanding commercial relations between all countries, irrespective of the differences in social system" and affirmed that "the export of revolution [was] nonsense."

68. "Report of the Central Committee of the CPSU to the Twentieth Party Congress," *Pravda*, 15 February 1956, in *Current Soviet Policies: (II) The Documentary Record of the 20th Party Congress and Its Aftermath*, ed. Leo Guliow (New York: Praeger, 1956), 30.

69. *Ibid.*, 31.

70. *Ibid.*, 37-38.

71. Arzumian, *Problemy sovremennogo kapitalizma*.

72. "K 80-letiiu Akademika E. S. Varga," *Voprosy ekonomiki*, no. 12 (December 1959): 153-54.

73. E. Varga, *Kapitalizm XX veka* (Moscow: Gos. izd-vo polit. lit-ry, 1961); E. Varga, *Sovremenyi kapitalizm i ekonomicheskie krizisy*, 2nd ed. (Moscow: Izd-vo Akademii nauk SSSR, 1963).

74. Varga, *Politico-Economics*, 11-12.

75. *Ibid.*, 47-49.

76. *Ibid.*, 45.

77. *Ibid.*, 52.

78. *Pravda*, 9 October 1964.