

EVGENII VARGA:
SOVIET ECONOMIST, COMMUNIST SURVIVOR

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INTRODUCTION

This paper was initially undertaken with the strict purpose of studying the phenomena of postwar Stalinism, and specifically, as illustrated by the impact of "Stalin's Retrenchment"¹ on the study of the political economics of capitalism by a prominent Soviet scholar, Evgenii Samuilovich Varga; however, upon further reflection, this was felt to be unfair to the man whose revolutionary career spanned six decades of the turbulent twentieth century, including almost twenty years of the post-World War II era.

Varga did not vanish in Stalin's purges, and it would be fruitless to try and figure out why he did not. His activities, as described below, surely left him as vulnerable as most victims of the purges, but Varga survived to play a leading role, despite his advanced age, in a rebirth of scholarly research into the problems of modern-day international politics and economics. As attestation of his impact on this field of study, one might cite: the festschrift published in 1959 on his eightieth birthday,² the combined session of leading Soviet experts from major research institutes that was held in 1969 in commemoration of the ninetieth anniversary of Varga's birth,³ the publication in 1974, the ninety-fifth anniversary, of three volumes of his selected works, and by the appearance of articles commemorating the one-hundredth anniversary of his birth in 1979. Needless to say, all these occurred after Varga's death in October 1964. This--the high regard that prominent Soviet academicians, especially those involved in foreign policy

research, seem to hold for Varga--is why this paper has been refocused particularly on Varga's career and theoretical work after World War II, and not merely on Varga as part of the phenomena of Zhdanovshchina (Zhdanovism), ~~though he~~ undoubtedly was.

Because his career was so long, varied, and immense, the paper has been further restricted to Varga's theoretical work on imperialism and the general crisis of capitalism to which he largely turned his attention after the Second World War. From 1945 to 1964 Varga published five major books on these two subjects and numerous articles ^{while continuing} in addition to his educational responsibilities; and, it is important to know exactly what he said, for these were years of great changes in the capitalist world, not to mention the emergence of a socialist world; and, Varga, I believe, led the way in the investigation, analysis, and development of theories about these new economic and political phenomena.

Can it be too far-fetched to say that it is on the basis of such analysis, ~~if not directly Varga's~~, that Soviet leadership formulated new policies to deal with the capitalist world? If, however, Soviet leadership did choose to ignore Varga's work, that by no means diminishes the value of studying his work; for, it is, at times, a powerful tool for the capitalist to use to understand his own world from a different perspective. The Soviet Union did, nonetheless, recognize Varga's work by awarding him in 1963 a Lenin Prize, the highest Soviet non-military award, for his recent works on capitalism--but in essence, for his lifelong devotion to the

communist cause.

In this paper, therefore, will be presented Varga's analysis of the postwar capitalist world's development, and an effort will be made to parallel his analyses with the policies undertaken by the Soviet government. That effort will be done neither exhaustively nor conclusively, but, to attempt to show or derive such a relationship remains important, for Marxism holds the unity of theory and practice. One without the other is impossible and is a serious methodological error. Varga's career and contributions before the war will also be briefly discussed, for his postwar career was in many respects simply a continuation of his earlier activities. First, however, a basic understanding of Marxism-Leninism and of the concepts that Varga was using to analyze the postwar capitalist world is necessary.

¹Donald W. Treadgold, Twentieth Century Russia, 5th ed., (Boston, MA: Houghton-Mifflin, 1981), p. 418.

²A. A. Arzumanian, I. M. Lemin, and E. L. Khmel'nitskaya., eds., Problemy sovremennogo kapitalizma: k 80-letiiu Akademika E. S. Varga (Moscow: Izdatel'stvo Akademii Nauk SSSR, 1959). The jubilee session was reported in Voprosy ekonomiki, no.12 (December 1959).

³"Tvorcheskie nasledie E. S. Varga," Mirovaia ekonomika i mezhdunarodnye otnosheniia, no.1 (January 1970), pp. 122-131. It was a joint session of scholars from the Economic Section AN SSSR and the following institutes: U. S. A. and Canada, World Economy and International Relations, Economy of the World Socialist System, Central Economics-Mathematics, International Worker's Movement, Far East, and Latin America.

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TERMINOLOGY

Ideology will be an underlying theme throughout this essay and, thus, requires some definition before preceeding. Ideology can be understood as a set of beliefs which constitute a theoretical framework with which to interpret man, the world, and history. As such, it resembles a philosophy, but, it also goes beyond the limits of purely philosophical theorization, as ideology purports, as is, to be a serious, comprehensive guide to action.

Specifically, the Soviet Union maintains an official ideology, Marxism-Leninism. This is important for two reasons: (1) this particular ideology provides Soviet society and leaders with a common belief system with which to explain and analyze all social, political, and economic phenomena; and (2) it then follows that Marxism-Leninism provides a blueprint for action, based on the interpretation of those phenomena. Alfred Meyer has defined Soviet ideology, perhaps more exactly than this, as "the body of doctrine which the Communist Party teaches all Soviet citizens, "comprising a number of components: the philosophy of dialectical materialism, historical materialism, the economic doctrine of political economy, scientific communism, and the official history of the Communist Party of the Soviet Union (CPSU).¹ Meyer then makes what he calls four "trite" observations: that ideology "is the language of politics in the USSR; that it is "their set of concepts for perceiving the world and its problems"; that it is, like any other political ideology, "at least in part,

designed to distort or conceal reality"; and finally, that ideology simply serves as "the code of communication" in the USSR.²

Does ideology, though, show up in political practice? Is it important for an understanding of why Varga's theories were criticised after the war? Hannes Adomeit in his study of the risk-taking behavior of the Soviet Union in the Berlin crises³ concluded with regards to ideology that "Marxist-Leninist ideology furnished an important portion of the analytical and perceptual framework, operational principles, and legitimatization of Soviet behavior."⁴ Referring specifically to the "Varga Debate,"⁵ which was being carried out in the Soviet Union at the same time as the Berlin crisis of 1948, Adomeit states, "the ideological discussion concerning the nature of capitalism and imperialism may make a difference for policy direction: [one may wish to] seize the opportunities and tilt the balance of forces in favour of socialism or [the situation may] require a greater degree of caution."⁶ "It is a fallacy to argue that ideology is 'nothing but ex post facto rationalization' and has nothing to do with motivation."⁷

Robert Conquest in his study, Power and Policy in the USSR, is a bit more forceful in explaining why Varga aroused such controversy at the time in the Soviet Union: "one reason is almost certainly that Varga's analysis had a direct bearing on urgent matters of policy."⁸

Nathan Leites in his classic, though perhaps now forgotten, characterization of how policy is guided by ideological analysis, made the following interesting points:

if it is a classic, how can it be forgotten?

When the Party carries out a correct line, it does not invent anything but acts in strict accordance with what is prescribed by the historical situation.

The line of the Party at any given moment must be realizable only in that...sense of the term that not a single letter...should be counter⁵ to the direction of...socio-economic development.¹⁰

The Party must arrive at every one of its policy decisions on the basis¹ of an intensive and repeated process of calculation.¹¹

When forming policy, the Party must take into account not only the current relation of forces, but also future changes² which may make the strong of today weak tomorrow.¹²

What this indicates is that Marxist-Leninist ideology does play a unique role, more so than in the West, in the overt formulation of Soviet policy, but now perhaps, a clearer understanding is required of just what this ideology is.

Marxism-Leninism is ~~not a dogma, that would be an oversimplified perjorative.~~ Instead, it functions as a concrete, creative tool to understand the development of both capitalist and socialist societies. This is not the place to speculate on who exactly believes in it or to what degree they ~~do.~~ For this analysis of Varga's work, it is most important to note: (1) that his work was written in accordance with this specific ideological heritage; (2) that the controversy that arose in the Soviet Union showed the importance of ideology in that country; (3) that the analysis of the world situation, by Soviet scholars, is carried out according to Marxism-Leninism and that analysis then provides a basis for the implementation of policy directives; and, lastly and most importantly, (4) that by his actions, Varga proved his acceptance and belief in Marxism-Leninism.

To explain completely Marxism-Leninism is far beyond the goal of this paper; but, a brief consideration of some of the key concepts is fundamental, if Varga's theoretical formulations are to be understandable.

Marx subtitled Das Kapital with the words "a critique of political economy." He was referring to classical nineteenth century political economy, especially British, which dealt with the study of the interrelationship between political and economic processes. In very general terms, Friedrich Engels defined political economy as "the science of the conditions and forms under which the various human societies have produced and exchanged and, on this basis, distributed their products."¹³

Marx's theories of value, commodities, labor, alienation, or even the revolution need not overly concern us yet: what is important is that Marx replaced idealism with materialism. Society is the manifestation of the historical development of economic modes of production and not the product of Hegel's realization of a supreme spirit; thus, economic relationships are the true foundation on which a society's superstructure (art, culture, politics, law), rest, and economic analysis--the tool to analyze a society and to understand its future development. This is to say that any and all societies develop according to changes in economic production relationships and pass through five characteristic stages: primitive communal, slave-holding, feudal, capitalism, and socialism; and, that any government merely reflects the dominant position of the ruling economic class of that

Do you really want to try to give your "good marks" analysis of Marxism? Are you aware that it is just ideas?

society, be it feudal warlords, capitalist entrepreneurs, or monopolists. Furthermore, according to Marxism, capitalism will undoubtedly become socialism. For a socialist world that already exists, to help its lagging capitalist brothers, socialists study the development of capitalism to, as Adomeit said, "seize the opportunities,"¹⁴ or, in other words, to "guide them to the promised land."

In a manner of speaking, a Marxist can theoretically analyze any country's social system in two ways and arrive at the same conclusions: (1) by studying a country's domestic and foreign politics and then deriving the underlying economic stage of development that determined those policies, i.e. top-down; or (2) by studying a country's economy which in turn derives politics, i.e. bottom-up. This is misleading, however, for economics and politics are inseparable. In Lenin's oft-quoted words: "politics is the concentrated expression of politics." Moreover, a capitalist mode of production always has a bourgeois type of government; and, as societies or phenomena become increasingly advanced, complex, and intertwined, the Marxist-Leninist scholar must approach the political-economic study of the modern world from both sides--dialectically--to achieve an adequate understanding of events. Again, a fundamental Leninist principle is at stake: economic analysis must be combined with the research of political problems to arrive at a correct interpretation of the world. Later, a serious charge levelled at Varga was the separation of these two aspects.

But what does all this talk of ideology,

pretty elementary stuff

Marxism-Leninism, or political economy mean? Where does it fit into a paper on Varga? Is all this necessary?

It is important to a understanding of Varga's work, for he attempted, using Marxism, to both theorize about long term changes in the capitalist world and their effects on the world proletariat and to also resolve pressing practical problems, eg. the Hungarian economy. Whatever may be its ultimate validity, the ideological approach, outlined above, became crucially important to a Soviet government that was isolated, by virtue of its unique adherence to Marxism-Leninism, from a predominately capitalist world, because, though the economic degenerative development of capitalism remained important as a confirmation of the eventual worldwide socialist victory, it was, and remains, the politics of the capitalist states that directly affect the Soviet Union and the socialist world in the short term.

Deriving from a Marxist study of the political economy of capitalism are two crucial concepts for this paper: (1) the nature of future capitalist development and (2) the theory of imperialism. Of capitalism, we may ignore many of Marx's technical theories about its nature and proceed directly to the future: the "general crisis" or "deepening contradictions" of capitalism, which is thought to have specifically begun with the first truly imperialist war--World War I. As capitalism reaches the most advanced stages of its development, in addition to the continued concentration of the means of production in the hands of the few and the growth in size and of impoverishment of the proletariat, the system will

be, and is, racked by repeated alterations of overproduction and underproduction, inflation and unemployment, boom and bust, increasing in severity, duration, and magnitude. The precise mechanism is relatively unimportant. The essence of Marxism is that a capitalist country will be internally beset by continuing, worsening, cyclical crises, until disintegration, and the proletarian revolution occurs.

The key point of the above paragraph was internal contradictions in the nature of capitalism. During the Great War, Lenin, though not the first, extended Marxism to explain why the capitalist breakdown had not yet occurred.¹⁵ In much simplified form, capitalism had not yet disintegrated, though it was entering a state of "general crisis," and the proletariat had not yet become revolutionary, though it was becoming increasingly impoverished, because of the division of the world, by monopoly-capitalistic countries, into exploited colonies.

In the free competition of capitalist market, monopolies had emerged. At the same time as the means of production were becoming concentrated, a large banking system was developing. At first, banks only handled capital, or money, transactions. Capital remained in control of the enterprise, but, with time, banks began to amass huge sums of capital in their own control; and, bankers came to control capitalist enterprises. By working in close association with monopolies, a new phenomena appeared--finance capital. These powerful financiers, through their control of the government, since politics is derived from economics, had managed to cushion the

severity of industrial crises and to bribe a portion of the proletariat by the overseas exploitation of colonial resources and markets; but, by doing so, capitalism was merely setting the stage for future, more powerful crises; for, intra-contradictions within an individual capitalist state had now become inter-imperialist contradictions within the entire imperialist world (the "general deepening crisis of capitalism began when the world had been already divided up and only the possibility of forcible redivision remained--thus, the inevitability of war between capitalist countries).¹⁶ Capitalism's competition and contradictions had been transferred to a worldwide arena, which would eventually lead to imperialist world wars. In the aftermath of which, the capitalist system was especially vulnerable to proletarian revolution.

As a result, there were now contradictions working on two planes to ensure the eventual deep crisis in and breakdown of capitalism and the triumph of socialism. Marxism-Leninism became a more powerful, prognosis for the future socialist victory. A funny thing happened though. The Soviet Union was the only socialist state to emerge and to survive after the First World War. It was an isolated, lonely, premature, physically and economically devastated, socialist state in a capitalist world. Immediately, questions emerged: What was the nature of the interaction of the two systems, cooperation or competition? How was the socialist economy to be developed? How would capitalism develop? What tactics should the proletariat of the world adopt, based on a Marxist-Leninist

analysis of conditions in the capitalist world, in order to seize power? (Communist tactics for seizing power have changed in response to changes in the state-of-affairs in the capitalist half of the world!) What strategies should the Soviet Union itself adapt to ensure its survival as the stronghold of the world socialist movement and as the first breach in the capitalist world system?

These were much the same questions to which Varga's work after the Second World War was applied--Varga studied the conditions, and someone provided the policies. By then, though, conditions had been further complicated by the emergence of a very powerful capitalist economy in the USA, a devastated Western Europe, and a socialist world. These required new applications of theories that had been developed during the inter-war period, when Varga had already turned his attention to these questions. Just what were Varga's pre-World War II activities?

¹Alfred G. Meyer, "The Functions Of Ideology In The Soviet Political System," Soviet Studies, vol.17, no.3(January 1966), p. 274.

²Ibid., pp. 276-78.

³Hannes Adomeit, Soviet Risk-Taking And Crisis Behavior (London: George Allen & Unwinn, 1982).

⁴Ibid., p. 337.

⁵The "Varga debate" is the term that has been applied by Western scholars to the series of discussions and the press campaign that took place in the Soviet Union, 1946-1950, with the object of censuring Varga's views on the changes which had occurred in the capitalist world as a result of World War II. It was, at times, a bitter attack on Varga for his supposedly challenging the orthodox Marxist-Leninist view of capitalism.

⁶Ibid., p. 115.

⁷Ibid., p. 332.

⁸Robert Conquest, Power And Policy In The USSR (New York: Harper & Row, 1967), pp. 90-91.

⁹Nathan Leites, The Operational Code Of The Politburo (New York: McGraw-Hill, for the Rand Corporation, 1951), p. 1.

¹⁰Ibid., pp. 2-3.

¹¹Ibid., p. 14.

¹²Ibid., p. 16.

¹³Friedrich Engels, Anti-Dühring, as cited by Stalin, in "Economic Problems Of Socialism In The USSR," in (The Essential Stalin (Garden City, NJ: Doubleday & Co., Anchor Press, 1972), p. 500.

¹⁴Adomeit, Soviet Risk-Taking, p. 91.

¹⁵Lenin, The Lenin Anthology, ed. Robert C. Tucker, "Imperialism, The Highest Stage Of Capitalism" (New York: Norton, 1975).

¹⁶For a good analysis of how Soviet views on the "inevitability of war" have evolved, see Frederick S. Burin, "The Communist Doctrine Of The Inevitabilty Of War," American Political Science Review, vol.57, no.2(June 1963).

VARGA'S CAREER BEFORE 1945

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Evgenii Samuilovich Varga was born 6 November 1879 near Budapest, Hungary into the family of a poor, petty-bourgeois, *possibly Jewish* village teacher.¹ It is possible that his family was of Jewish origin.² At 14 he broke off formal schooling to support himself but was still able, after years of self-study, to pass the extern exam to the University of Budapest. It appears that Varga may have ~~also~~ studied abroad in Paris and Berlin during this period.³ In 1909 he received the degree of Doctor of Philosophy in economics and became an instructor at the Higher Economic School in Budapest. After the dismantling of the Habsburg Empire in 1918, Varga was invited to teach at the University as a professor of political economy.

Some Soviet sources mention that Varga already in the 1890s participated in the Austro-Hungarian revolutionary movement, but it was not until 1906 that he officially joined the Hungarian Social-Democratic Party and began to contribute to the Party's paper Nepshava, *(The People's Voice)* then becoming editor of the paper's economic section. *Varga was also* In the 1910s Varga contributed to Neue Zeit, the theoretical organ of the German Social-Democratic Party, and *became* was involved in a lengthy polemic with Karl Kautsky over the connection of commodity prices to the value of gold.⁴ Lenin is said to have noted with satisfaction Varga's work in this regard.⁵

Among the Social-Democrats, Varga belonged to the extreme left, revolutionary wing, but Franz Borckenau points out some unique features of the party in Hungary: "the Hungarian labor

movement was one of the most 'reformed' in the world."⁶ The Party remained loyal to the regime until the end of the war, because of the relatively privileged position of the workers in regards to the enslaved peasantry. Borkenau further notes that most of the intellectuals in Hungary were Jews, and thus, well represented in the labor movement.⁷ Varga was an active participant in the events in Hungary in 1919. He entered the government of the Hungarian Soviet Republic, which was proclaimed by Bela Kun 21 March 1919 and lasted until August, first as Commissar of Finance and then as Chairman of the Council of the National Economy, which made him responsible for the introduction and realization of measures to establish a socialist economy. The revolution failed for a number of reasons, including skewed economic reforms. Borkenau provides an interesting analysis of why the revolution failed, and it is worth quoting.

In Russia [Bela] Kun had seen three things which were of primary importance for a Hungarian revolution: the agrarian revolution; Lenin's fierce fight against the 'reformists'; and, the peace negotiations with the Germans at Brest-Litovsk. From these three experiences Kun seems to have drawn the surprising principles that one must not give land to the peasants; that one must make war at any price; and that, at the decisive moment, a revolutionary must form an alliance with reformists.

After the suppression of the Hungarian revolution in August 1919, Varga, with others, escaped to Austria where he was interned in a concentration camp near Karlstein. Tamara Deutscher put it more graphically as a "lunatic asylum."⁹ That Fall, while still in the camp, Varga joined the Communist Party of Hungary and wrote a book on the lessons of the Hungarian revolution, Die Wirtschaftlichen Probleme Der

Proletarischen Diktatur (Vienna, 1920). The book put forward a quite unique interpretation of events in Hungary and of proletarian revolutions in general. The mistake of nationalizing the land without parcelling it out to the peasants was easy to recognize. Another idea, though a near-truism, provoked criticism from Lenin himself.¹⁰ This was the idea that a proletarian dictatorship was simply a transition-stage between capitalism and socialism lasting approximately one generation. Furthermore, a deterioration in both production and living standards was unavoidable in the economic reorganization that must follow a communist seizure of power. The proletariat then becomes frustrated, since the workers had hoped to better their lives by overthrowing capitalism; thus, the proletariat may turn its back on the communists, as happened in Hungary.¹¹

Varga somehow made his way to Moscow in 1920 as a delegate of the Hungarian Communist Party to the Second Congress of the Communist International (Comintern), at which the famous "21 Conditions" were adopted. He settled in Moscow, joined the Russian Communist Party (Bolsheviks), and began to work in the Comintern.

Varga was an active member of the Comintern, having attended all the Congresses except the First, delivering reports, debating, publicizing, and being criticized. From 1922-1927 he was posted to Berlin as a member of the Soviet Union's Plenipotentiary and Trade Delegation, which was most likely a Comintern subsidiary. Over these five years he was also responsible for the publication of quarterly reviews on

the state-of-affairs of the capitalist world in the Comintern organ, Internationale PresseKorrespondenz and, at times, edited the Comintern's Ezhegodnik (Yearbook).

At the Second Congress of the Comintern in 1920, Lenin, though disagreeing with portions of Varga's work on the proletarian dictatorship, attacked certain individuals by referring to Varga's book. From the experience of the Hungarian Revolution, it was clear that if the proletariat is to emerge victorious, then it must parcel out the land to the poor peasants.¹²

Varga is rumoured to have worked on the preparation of the theses for the Third Congress (1921) with Trotskii,¹³ but their relationship went no further. At the Fourth Congress in 1922, he delivered the chief report on the agrarian question and took part in further theoretical debates over the relationship between commodity prices and the value of gold.¹⁴ That year he also wrote an important article that summed up the problems which the Comintern faced in trying to develop a firm strategy with flexible enough tactics to guide individual communist parties in their quest for political power.¹⁵ In 1924 at the Fifth Congress, Varga delivered the main report on the international situation. The Expanded Plenum of the Executive Committee of the Communist International (ECCI), March 1925, found Varga in the unhappy position of having to defend himself, in the best Leninist tradition, from Right Opportunist theories of the stabilization of capitalism. He maintained that it was only a temporary stabilization and that the outbreak of a new crisis was due in the next few years. He

Why not Capitalist
Communist?

also mentioned that "an unpleasant task" had devolved upon him in Lenin's absence at the last few congresses to defend the Party line from criticism "departing from the views pointed out in the theses that capitalism was breaking down."¹⁶ A true revolutionary.

At a plenum of the ECCI in 1927, Varga's theory of the law of the diminishing fertility of the soil¹⁷ was debated, then critically reviewed in a pamphlet written by V. P. Miliutin,¹⁸ and formally criticized at the Sixth Comintern Congress the following year.¹⁹

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The 1928 Comintern Congress was an important one, coming on the heels of the recent disasters which had befallen Chinese communists at the hands of Chiang Kai-Shek's Kuomintang. Someone, beside Stalin, had to be made the scapegoat, and new policy had to be devised to fit the changed international condition. Varga gave a report on the economic position of the Soviet Union and also undertook the opening attack on M. N. Roy, the Indian communist who had recently been in China, and Roy's theory of decolonization (Roy felt that imperialism would gradually and carefully decolonize countries like India to lead itself out of the postwar crisis). Otto Kuusinen then continued the attacks on Roy.²⁰

The following year in July at the Twentieth Plenum of the ECCI, of which Varga was now and at various other times a candidate member, Varga was subjected to lengthy attacks by Kuusinen, Remmele, Kolarez, and Molotov. The plenum had been called to expel Bukharin and to complete the transition to the "Social-Fascist" line. Kuusinen criticized Varga for disputing

United front line
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the thesis that the "technical revolution" had lowered workers' standard-of-living and for maintaining that the reparations conference that produced the Young Plan was an attempt to resolve imperialist contradictions. Molotov spoke of Varga's "opportunist tendencies." The Young Plan made imperialist contradictions more acute, and the danger of war was growing every day. Varga complained of the increasing bitterness of the attacks but held to the fact that, statistically, the standard-of-living of the employed worker was not worsening and that the Young Plan had been simply undertaken for reasons of foreign policy--to bring Germany closer to the anti-Soviet bloc.²¹ Varga, though critiqued, continued to take part in further ECCI plenums and addressed the Seventh, and last, Comintern Congress in 1935 on the international situation.

new section → Meanwhile, Varga returned to Moscow in 1927 and began to take part in scientific and educational work. He became a full member in the Communist Academy and was chosen to head the newly organized Institut mirovogo khoziaistva i mirovoi politiki (Institute of World Economy and World Politics) of the Communist Academy. In 1936 the Communist Academy was liquidated, and Varga's Institute was transferred to the USSR Academy of Sciences (AN SSSR).²² He was elected a full member of the Academy in October 1939²³ and Secretary of the Economic and Law Section AN SSSR, which meant that he was a member of the Presidium of the Academy, a position which he held until 1946 when he stepped down because of illness. From 1931 until its abolishment in 1937 he also directed the Institut krasnykh

professorov mirovogo khoziaistva i mirovoi politiki (Institute of Red Professors of World Economy and World Politics). Varga was also the responsible editor for a number of journals before the war: Mirovoe khoziaistvo i mirovaia politika (World Economy And World Politics), Kon"iunktura mirovogo khoziaistva (The International Economic Situation), Problemy kitai (Problems Of China), and Tikhii okean (Pacific Ocean).

560 . Regarding these leadership positions, Alexander Vucinich, in his study of the Soviet Academy of Sciences, clearly points out that the Academy has a pyramidal, dual administrative structure and is subjected to annual plans as is any other institution in the Soviet Union. The Presidium serves to channel government decisions to the Academy's various institutions and to approve and coordinate research plans.²⁴ As for the directors of the institutes, they enjoy the rights of one-man management: "the entire decision-making power within the institute is vested in him. He is directly responsible for organizing the various component parts of the institute, selecting the staff, training young scholars, preparing manuscripts for publication, use of financial resources, etc."²⁵

581 Varga's specific Institute was also important for another reason, it dealt with problems of international politics and economics. Jerry Hough, speaking of the virtual explosion of research institutes investigating these problems in the 1960s, argues that they are "not simply academic research" institutes. Hough points out that the Ministry of Foreign Affairs has traditionally "had little research staff...and the

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scholarly institutes are to fill the gap. ... Policy relevant work is assigned by the directors." 26 For example, an advertisement for the Narimanov Moscow Institute of Oriental Studies in the 1930s announced that the institute prepares "specialists for work in diplomacy, foreign trade, TASS, and scientific and public institutions." 27 45

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another function of such insts is to train of skilled cadres.

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What this means is that on the eve of World War II, Evgenii Varga had come to occupy a relatively important authority position in the Soviet polity, by virtue of his career, his survival, the kind of work that his Institute was involved in, his leading position in the Academy, and his ideological heritage. By glancing briefly thru the long list of Varga's publications in these years and from later Soviet commentary on his career, one can see that he had already turned his attention to a number of important problems. There is a long list of works on the agrarian question, including the two mentioned above. There are extensive attacks on bourgeois, reformist-revisionists and their destructive influence on the labor movement, eg. Sotsial-Demokraticheskii Partii (1927). Varga dealt with the problems of war economies, economic crises, the Spanish civil war, state-of-affairs analysis, the competition of two social systems, imperialist economic and political contradictions, and any economic topic that one could choose to name. It would appear that by 1941 Varga was relatively secure in his position and that he had become an established Soviet authority in the important field of political-economic study of capitalism; and, he had survived. What could happen more?

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¹This section of the paper relies on the following biographical accounts published in the Soviet Union and abroad. Since they are all in relative agreement about the main events in his life, I have chosen not to footnote generally accepted facts. I have noted the source of particular facts noted by individual sources, eg. Lenin's criticism of Varga's work on proletarian dictatorships. A. A. Arzumaniān, "K 80-letiiū Akademika E. S. Varga," in Problemy sovremennogo kapitalizma: k 80-letiiū Akademika E. S. Varga, eds., A. A. Arzumaniān, I. M. Lemn, and E. L. Khmel'nitskaia (Moscow: Izdatel'stvo Akademii Nauk SSSR, 1959), pp. 3-10; Bol'shaia sovetskaia entsiklopediia, 1927 ed., s.v. "Varga, Evgenii."; Bol'shaia sovetskaia entsiklopediia, 1951 ed., s.v. "Varga, Evgenii Samoilovich."; Bol'shaia sovetskaia entsiklopediia, 1971 ed., s.v. "Varga, Evgenii Samuilovich."; "Evgenii Samuilovich Varga," Pravda, 9 October 1964; "Evgenii Samuilovich Varga," Mirovaia ekonomika i mezhdunarodnye otnosheniia, no.11 (November 1964), pp. 156-57; "Evgenii Samuilovich Varga," Voprosy ekonomiki, no.10 (October 1964), pp. 159-60; Biographical Dictionary Of Dissidents In The Soviet Union, 1956-1975, 1982 ed., s.v. "Varga, Evgenij Samojlovich"; Biographical Dictionary Of The Comintern, 1973 ed., s.v. "Varga, Jenö"; Who's Who In The USSR, 1961/62, 1962 ed., s.v. "Varga, Yevgeniy Samoylovich."

²The following scholars note that Varga was of Jewish heritage: Paul Marantz, "Soviet Foreign Policy Factionalism Under Stalin? A Case Study Of The Inevitability Of War Controversy," Soviet Union, vol.3, pt.1 (1976), p. 93; Tamara Deutscher, "Soviet Fabians And Others," New Left Review, no.62 (July-August 1970), p. 50.

³Evsey D. Domar, "The Varga Controversy," American Economic Review, vol.40, no.1 (March 1950), p. 132.

⁴"Varga," Mirovaia ekonomika, pp. 156-57. *but briefly see section*

⁵Ibid., Soviet biographical sources all point out that this satisfaction is registered in Lenin's "Tetradi po imperializmu" (Notebooks On Imperialism). ↓

⁶Franz Borkenau, World Communism: A History Of The Communist International (Ann Arbor, MI: University of Michigan Press; Ann Arbor Paperbacks, 1962), p. 110.

⁷Ibid., pp. 110-120.

⁸Ibid., p. 114.

⁹Deutscher, "Soviet Fabians," p. 49.

¹⁰Bol'shaia, 1951; Who's Who, 1962.

¹¹Laszlo M. Tikos, "Eugene Varga: A Reformist

Conformist," Problems Of Communism, vol.14, no.1(January-February 1965), pp. 71-2.

¹²"Tvorcheskie nasledie E. S. Varga," Mirovaia ekonomika i mezhdunarodnye otnosheniia, no.1(January, 1970), p. 131.

¹³Marshal D. Shulman, Stalin's Foreign Policy Reappraised (Cambridge, MA: Harvard University Press, 1963), p. 33.

¹⁴Who's Who; Biographical Dictionary Of The Comintern.

¹⁵The article was "Kak dolzhna byt' postroena programma Kommunisticheskogo Internatsionala,"(1922), as cited in "Tvorcheskie nasledie," pp. 129-30.

¹⁶Ibid., pp. 131-32.

¹⁷This was his introductory essay "Obshchie osnovy agrarnogo voprosa" to the edited collection Ocherki po agrarnomu voprosu(1927).

¹⁸Bol'shaia, 1927.

¹⁹Biographical Dictionary Of The Comintern:

²⁰Robert C. North, "The Revolution In Asia: M. N. Roy," in Revisionism: Essays On The History Of Marxist Ideas, ed. Leopold Labedz (New York: Praeger, 1962), p. 99.

²¹Jane Degras, ed., The Communist International, 1919-1943: Documents, vol.3, 1929-1943 (London: Oxford University Press, 1965), pp. 36-40.

²²G. D. Komkov, B. V. Levshin, and L. K. Semenov, Akademiia Nauk SSSR (Moscow: Izdatel'stvo "Nauka," 1974), p. 319.

²³Ibid., pp. 323-24.

²⁴Alexander Vucinich, The Soviet Academy Of Sciences (Stanford, CA: Stanford University Press, for the Hoover Institution, 1956), p. 32.

²⁵Ibid., p. 26.

²⁶Jerry Hough, Soviet Leadership In Transition (Washington, DC: Brookings Institution, 1980), p. 123.

²⁷Confidential U. S. Diplomatic Post Records, Part 3: USSR, 1934-41, MicFilm 1561, "Dispatch From Moscow, 12 February 1937," File #845, Reel 15, Frame 0062.

FROM WAR TO DEATH

Having introduced the subject, discussed relevant terminology, and presented some brief biographical details, the essence of this paper is now at hand: Varga's post-World War II theoretical work on the capitalist world. Clearly, to even the uninitiated observer, the Second World War produced great changes in the international situation. Some of the most important might include the emergence of a socialist bloc, the hastened disintegration of the colonial system, the destruction of Western Europe, and the growing power of the U. S. Varga analyzed these events, and it was his "seemingly soft" appraisal of the impact of these changes for the future of capitalism that provoked bitter criticism within the Soviet Union.

little value

Below, some connection between the course of events in the postwar and Varga's work will have to be touched on, bearing in mind the previous elaboration of terminology and of Varga's career which indicates, to a reasonable degree, that Varga held a prominent position among Soviet scholars studying the capitalist world; but, to connect his authority directly to actual party policy decisions is impossible, for nowhere is there found a statement as: "upon the basis of E. Varga's studies, such-and-such a decision has been carried out." Though there is no overt evidence to that extent, Varga was, nevertheless, noted by Party leaders and, thus, in one way or another, his work found reflection in the Party line. Besides, his work is more important for another, more sinister reason.¹

The Book

By the time Izmeneniia v ekonomike kapitalizma v itoge vtoroi mirovoi voiny appeared in late 1946, it was in a sense an already doomed book. Stalin, in his famed pre-election speech that February, had laid down the "two camps" approach in foreign policy,² a policy of generally unrestrained hostility to the Western capitalist world that left no room for any speculation on changes but those that clearly indicated capitalism's imminent doom. Varga, however, had had no way of knowing this turn of events when he finished the book in December 1945 after six years of observation and analysis of the economic phenomena that had accompanied the war. The soft tone of the book was also related to the international situation of the war years. He remarked that "it [the international situation] required... 'discretion' in the choice of terminology."⁴ Chapters of the book had previously appeared in the Institute's journal and do not appear to have attracted undue attention.⁵

The basic questions to be addressed were "How will the capitalist economy develop after the war?"⁶ and "What were the effects of the war? Actually, Varga's ideas were deceptively straight-forward, the factual analysis--quite complex, and the whole thing amazingly interconnected. After opening the book with the traditional, ritualistic homage to one of Stalin's ~~genius-like statements~~, Varga developed the following basic themes: the growing role of the state in the capitalist economy, state economic regulation and the problem of the market, concentration and centralization of capital,

impoverishment of both the proletariat and the entire country, technical progress and labor productivity, and the postwar economic cycle. His treatment of these themes was marked by a subtlety, uncommon to most Soviet scholars, especially those of the Stalinist period.

Probably Varga's most unMarxist assertions concerned the role of the bourgeois state in the capitalist economy. He wrote that in "all bourgeois countries...the state acquired decisive significance in the war economy"⁷ and that this acquired role would "remain in the future more significant, than it was before the war."⁸ Furthermore, and more interestingly from a Marxist point-of-view, "the bourgeois state represented all the bourgeoisie as a class [and not simply all the monopolies]" for the carrying out of the war effort. The need to mobilize all the country's resources for the war effort often collided with the particular self-interests of individual capitalist monopolies striving to extract the highest possible profits.⁹ Traditional Marxist-Leninist teaching holds that the state apparatus is subordinated to the interests of monopolies and that nothing interferes with their striving for profits.

The state became a decisive economic force for a number of reasons during the war: the state was the decisive buyer of market goods; government-owned property strongly increased; taxes increased tremendously; the state obtained even more capital from its citizens by means of loans; the government controlled and distributed employment among industry; the state regulated the use of much of industrial production, ie.

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few consumer goods were produced; the limited private consumption by the civilian population; the state promoted industrial growth by keeping demand higher than supply; and, the state extended private economic activity abroad, ^{ie,} the USA in South America.¹⁰ The degree of state intervention in economic affairs was proportional to the availability of all resources and to peculiar historical conditions; thus, Varga's ideas were unconventional in that they allotted to the bourgeois state significant economic power that was independent of purely private monopolist control.

The bourgeois state would remain a greater force in the peacetime economy because of (1) the narrowness of the internal market, (2) the threat, and reality, of chronic mass unemployment, and (3) the attempt to resolve these two problems by increasing exports and restricting imports.

Besides the states increased role as a buyer on the market, the state also expanded its regulatory activities in the economy. Varga makes it absolutely clear that a regulated economy is not a planned economy in the sense of socialist planning,¹¹ but the state did have to plan beforehand for the needs of its military operations and then allocate resources appropriately; thus, "the degree of 'planned interference' depended on the available resources and also on the historical conditions."¹² To do this the state created regulating boards to distribute resources and to ensure that the required war materials were produced. It was not a planned economy because: private ownership of the means of production continued; military requirements were an exceptional phenomena; only

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those elements of the economy which directly served the needs of the military were affected; and, the regulating boards were only temporary.¹³

Also during the war in all capitalist countries occurred the completely unprecedented-in-scale concentration and centralization of capital.¹⁴ This concentration was promoted by government activity which wanted to concentrate the scarce labor force in the largest, most productive enterprises. In some countries, eg. the U. S., the growth of monopolies was a result of the government's placing of huge war orders with the largest corporations. This was necessary because of the need to produce large amounts of homogenous goods which required more specialized, automated production techniques and which led in turn to higher profits for monopolies as a result of technical improvements that lowered manufacture, ~~or~~ cost, *cost?* price.¹⁵

Meanwhile, while a small group of monopolies were becoming richer in the wartime economy, a peculiar form of impoverishment was taking place. Varga's used the term "impoverishment" not in the usual Marxist understanding of the term as the "pauperization of the proletariat," but simply as the drawing-down of a country's national wealth.¹⁶ Impoverishment occurred, because current industrial production was less than consumption, and the state was forced to expend its gold and material reserves, and also because fixed capital wore out, or was destroyed as are military goods, and was not replaced because of the state's emphasis on commodity production. The proletariat, itself, was not necessarily

impoverished, eg. American workers.¹⁷

An important countertendency to the decrease in the national wealth and a tendency abetting the concentration of capital during the war was the process of technical innovation and improved labor productivity. During the war, monopolies applied numerous technical improvements that would not normally have been introduced for fear of an excessive supply of commodities and a resulting drop in value realized. In the war economy there was no such problem because of the huge demand by the state on the market and because the state itself financed the construction of new, more modern factories to ensure that the military needs were met. Also, the demand for a large volume of homogenous goods led to the introduction of further automation and rationalization of production, which, of course, benefited the monopolies.¹⁸ By producing more productively, the trend toward decreasing the national wealth was countered and the trend toward concentration of capital was abetted.

All of the above changes, plus others, combined to give a peculiar shape to the postwar economic cycle. Varga emphasized that these changes in the capitalist economy were more important than any that had occurred after the Great War because of the unprecedented scale of total war. The key influences on the postwar cycle would be: the different conditions prevailing after the war in the capitalist countries of Western Europe and the U. S.; internal market problems; the emergence of a powerful Soviet Union as a world power; and, the indicated changes in the concentration of

capital and degree of state economic activity. Varga further distinguished between transient changes, which would last approximately ten years or until the transition to peacetime economy was completed, and protracted changes, which would appear to a full degree only after that transition period.¹⁹

After the war, Western Europe would experience a "crisis of underproduction." Production would grow very slowly because of wartime destruction and lack of resources and would be unable to keep up with growing civilian consumption, which would lead to inflation which further reduces the buying power of the population. In sharp contrast to the European situation was the position of the U. S., as it emerged from the war with a tremendously expanded production base. As the U. S. economy reverted to a peacetime footing, its productive capabilities, without the stimulus of enormous war orders, would greatly exceed civilian consumption; and, as a result, the U. S., within two to three years, would suffer a severe "crisis of overproduction."²⁰

The war economy also created a peculiarly favourable kon"iunktur (market situation) in the capitalist economy, which would not continue after the war. In peacetime, the most difficult task facing any capitalist enterprise is the realization of goods--the conversion of a commodity into money on the market. In a total war economy, this difficulty did not exist, as demand exceeded supply; and, it became relatively easy to sell goods, to the state or consumers, and for a monopoly to accumulate capital. The problem then was to convert that capital back into productive capital (the means

of production). The reverse conversion was not easily done during the war because the emphasis was on current commodity production. Money accumulated in bank accounts of both producers and consumers, who had little to buy because of the limited production of consumer goods in order that production could be entirely devoted to the war effort; thus, the transition to a peacetime economy becomes ~~all the more~~ difficult, as a result of these postponed demands. ²¹

Summing up then, what Varga said that had changed were the following. First, the war economy was unique in that it eliminated the problem of realization. Second, by doing so, in countries that did not suffer extensive physical damage, eg. the U. S., the accumulation of money would lead to a tendency to stimulate industrial production after the war, as consumers would spend their savings on articles which they had not been able to purchase during the war and as industrialists would try to renew worn-out, unproductive fixed capital that they had not been able to replace during th the war. Third, these factors would lead to a crisis of underproduction in Europe and a crisis of overproduction in the U. S. Fourth, concentration had been extensively furthered. Fifth, the state had increased its interference in the capitalist economy by its buying and regulating activities. Sixth, the state was a state of all the bourgeois during the war.

How did Varga's analysis apply specifically to the U. S. as it emerged from the war. This is where the power of Varga's analysis showed. The scale of technical innovation aided the further concentration of capital as only monopolies could

afford to implement expensive retooling, rationalization and automation. This increased their productive capacity, but by doing so, labor productivity rises. Less work time is needed to produce a commodity, which in turn results in less real-pay to the worker and less total employment. Since there are less fully-employed, the purchasing power of the proletariat, as a whole, decreases, which further reduces or narrows market capacity and complicates the industrialists ability to realize profit. It is a vicious circle. Monopolies are continuously driven to introduce technical improvements because of competition, and chronic mass employment occurs. This is termed in Marxist language the "fundamental contradiction of the capitalist system, that is--the contradiction between the social character of production and the private nature of appropriation."²²

This is where the increased role of the state begins. Because of a surplus of productive capacity in the U. S. as a result of wartime expansion and technical innovation, both of which had been encouraged by the state, after the war monopolies would try to export their problems ~~abroad~~. The state would be used to erect high tariff duties to protect the internal market, on which high monopoly prices prevailed, and to dump goods on foreign markets. There are two problems associated with this: (1) the breakdown of the colonial system and the resulting loss of markets; and (2) other countries would not want the goods as they are trying to rebuild their own factories and also do not have the money to pay for the goods. To help them pay the U. S. government, and not

individual monopolies who choose to refrain from such risks, would extend credit; but this in turn burdens the U. S. taxpaying population and reduces the domestic buying power. Furthermore, because of the accumulation of monetary capital during the war, and ready lack of incentive to invest it domestically, the monopolist will try to invest it abroad to realize profits which it is unable to realize at home. Europe needs capital investment, but, again to minimize risks to the private investor, the U. S. government extends the credit; but as it does this, those countries are rebuilding their own productive capacities, which eventually closes their markets to U. S. exports.

The U. S. government might also attempt to ease the effects of mass unemployment in a number of ways, as unemployment aggravates class antagonisms. If the government increased taxes to provide unemployment benefits, it only reduces the buying power of society. If the government put the unemployed to work producing commodities, it only takes work away from the private sector. If the government employed workers in the the building of railroads or highways, it only increases fixed capital, which is then still-less used. The government may put people to work on the construction of non-productive projects, eg. schools, but this is extremely limited, and has similar problems as the other alternatives do.²³

Varga painted no rosy picture of capitalism's future, especially if one considers that the crisis of underproduction in Europe was to unite with the crisis of overproduction in

the U. S., after approximately ten years, to produce one deepening world economic crisis. What is surprising about Varga's book though is his recognition of important changes which he, indirectly, or as far he could dare to, showed as tending to delay capitalism's crumbling until the long-term future; and, Varga also suggested, implicitly, that even then its destruction was no historical given. He did this by recognizing the extraordinary power of American capitalism. According to Shulman he was "soft on capitalism," which implied a less militant policy on the part of the Soviet Union in promoting socialist revolutions, anticipating peaceful gains as a result of the breakdown of the colonial system and evolutionary changes in capitalism.²⁴

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Discussion and Events, 1947

Stalin unexpectedly thrust Varga into the political limelight when the decision was taken in March 1947 to hold a discussion of the book.²⁵ "One cannot help wondering what forces and factors not mentioned by [K. V.] Ostrovitianov 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."²⁶ An analysis of that decision is further complicated by three factors. First, was the appearance of the Nikolai Voznesenskii's book in 1947, Voennaiā ekonomika SSSR v periode otechestvennoi voiny. He had been Chairman of GOSPLAN since 1938 and was soon to be elected to the Politburo (1948).²⁷ He was also closely linked to Andrei Zhdanov, who was a Politburo member and First Secretary of the Leningrad Party

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organization. Voznesenskii's book was about as hard-line as one can get, and he specifically referred to Varga's statements.

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, not worthy of attention. These "Marxists" think naively that the utilization of the state apparatus of the USA by the robbers of monopoly capitalism for the earning of profits in wartime demonstrates the decisive role of the state in the economy. The bourgeois state of the USA is characterized by the merging of the state apparatus, and primarily of its leadership, with the rulers and agents of capitalist monopolies and finance capital. The power of the capitalist monopolies in the USA is to be found, inter alia, in that they have placed themselves in the service of the state of the USA....Just as naive are the discussions about planning of the war economy by the state in the USA. Receiving profitably, orders by capitalist monopolies of the USA from the state--that in itself is not economic planning. The pitiful attempts to "plan" the economy of the USA collapse as soon as they step outside the limits of aiding monopolists in the earning of profits.²⁸

Second, also in this line was Zhdanov's book, The International Situation, which appeared that year.²⁹ Zhdanov was the Politburo member, or seemed to be, in charge of cultural and international affairs. His book and speech at the unveiling of the Communist Information Bureau (Cominform) in September 1947 clearly established him as a man who had no sympathy for any "soft approach" to capitalism. Essentially, the world was divided into two camps: "the imperialist and anti-democratic camp, on the one hand, and the anti-imperialist and democratic camp, on the other. The USA because of its greatly enhanced strength was pursuing [to avoid an internal economic crisis] a "frankly expansionist course" to put "Europe into bondage to American capital."²⁹

The Cominform was, essentially, established to take control of imminent revolutionary situations and to maintain control of communist parties abroad.

Zhdanov that year was not only confined to statements on the international arena, he also attacked at home--the dreaded Zhdanovshchina--an attack which enveloped everyone from philosophers to biologists. Zhdanov's victims would include Anna Akhmatova, Mikhail Zoshchenko, Sergei Prokofiev, Dmitrii Shostakovich, Sergei Eisenstein.³⁰ One of the most virulent attacks was levelled at philosophers, eg. G. F. Alexandrov, at a meeting ordered by the Central Committee CPSU(B) in June 1947. The stenographic transcript, which was then published, has been termed the "postwar statement of the function of writers, artists, philosophers, scientists, economists, and of the terms on which they may work."³¹ The Zhdanovshchina was a ruthless application of Stalinism on the Intelligentsia of the Soviet Union.

Third, strangely enough, it appears that it was Stalin who seems to have supported Varga in the beginning, perhaps in return for Varga's earlier support of Stalin against various oppositionary groups in the days when Stalin was just consolidating his power.³² Stalin's 9 April 1947 interview with Howard Stassen suddenly appeared in Pravda on 8 May, the day after the first session of the conference called to critique Varga was held. There was no direct mention of Varga's name, but there were clear reference to some of Varga's ideas. Stalin, as usual, reaffirmed the possibility of economic cooperation between the two systems but not

necessarily the wish to do so. Stalin then asked if an economic crisis was soon expected in the U. S., to which Stassen replied that he didn't think so, that we had learned our lesson from the crisis of 1929-30, and that regulation would be continued to avoid a crisis. Stalin did not deny this but only remarked that "for this it is necessary to have a strong government with large determination."³³ After Stalin mentioned the improved and favourable position of the U. S. in the world economy, he tried to draw out Stassen on the subject of reports in the U. S. press about an expected crisis. Stassen believed them to be incorrect, and that most people wanted continued regulation of production to avoid another depression; and, that though business people generally want to avoid such measures, they understood better than anybody the need for rational action. To which Stalin agreed.³⁴

Gnerally though, these postwar years were a period of relative confusion in the Soviet Union regarding the policy preferences of the great leader. From the end of the war until his death in 1953, Stalin made few major policy addresses--three to be exact. As Paul Marantz says, "on those rare occasions when Stalin spoke, his Delphic pronouncements only compounded the confusion. In 1950, while war was being prepared and fought in Korea, he expounded at length on questions of linguistics. The political implications of this were largely incomprehensible to Soviet officials and western analysts alike."³⁵

What 1947 revealed on the international scene roughly coincided with the leftist approach outlined by Voznesenskii

and Zhdanov. The May discussions were framed by the March announcement of the Truman Doctrine of giving aid to Greece, to combat communist guerillas, and Turkey, to stabilize it internally and enable it to resist Soviet pressure for a military base in the Straits, and by the June announcement of the Marshall Plan to rebuild Europe. This last event was something that Varga had foreseen in his book--the crucial role that American capital would play in the rebuilding of Europe. Meanwhile, in the Far East the Chinese communists' counter-attack had begun against Chiang Kai-Shek and appeared to be gathering strength. The formation of the Cominform, after the refusal of Eastern Europe to participate in the Marshall Plan, clearly indicated someone's desire to take advantage of upcoming revolutionary situations, as a result of impending western economic breakdown, or at least one could argue so. In this respect, Varga's work was not pessimistic enough about capitalism's crisis.

Varga lost leadership of his Journal and Institute on 8 September, just two weeks before the opening of the Cominform,³⁶ but the stenographic transcript was still allowed to be published as a supplement to the Journal's November issue.³⁷ Now it could be argued that it was published to further illustrate the ideological line to be followed, as the philosophers' transcript did; but, all that the transcript did reveal was that Varga strongly defended himself against his critics.

The discussion, 7, 14, 21 May was chaired by Corresponding Member AN SSSR K. V. Ostrovitianov, Director of

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the Institute of Economics. After quickly calling attention to Varga's incorrect propositions on the role of the state in the war economy and on the absolute tendency toward the impoverishment of the proletariat, he introduced Academician E. S. Varga.³⁸ Varga explained that he had changed his views on "democracies of a new type," (Eastern Europe--after all, he had finished his book in late 1945 and there was no way that he could have foreseen their future development [by aid of the Red Army]). He also strongly maintained that he was right concerning the decisive role of the state in the war economy and a greater role in the postwar economy: "it is not so that the state is only a state of monopolies." In time of war the state frequently had to carry out regulatory measures that ran counter to the interests of individual monopolies. The state also had to plan production, to some degree, to ensure that the requirements of the military were met.³⁹

Varga was followed over the course of the three sessions by nineteen Soviet economists, representing various organizations, who challenged many of his propositions, and by only a handful offering relatively weak support. Basically, he was criticized for his unMarxist, though that term was not used yet, ideas on a number of subjects: the role of the state in the economy [there can be no such thing as planning in a capitalist economy]; the role of the monopolies in the state apparatus [that he had not shown accurately the subordination of the state apparatus to the monopolies but had developed a kind of supra-class state]; for his separation of economic analysis from political research [Varga had explicitly stated

in the introduction to the book that political analysis was not included in the book,⁴⁰ largely due to the enormous size that would have resulted; however, as S. G. Strumilin pointed out in his remarks, it should be obvious to deduce the political changes from Varga's economic work.⁴¹ (After all for a good Marxist, politics is the concentrated derivative of economics)]; for his downplaying of the "deepening general crisis of capitalism"; for misinterpreting the role of the democracies of a new type [Varga had put them in kind of a semi-state capitalism classification, which was now no longer applicable]; for his views on the colonies [Varga maintained that here the relationship to the metropolises had changed, as during the war many colonies had become creditors to their home countries and, thus, had been able to establish some degree of independence, eg. India and Egypt]; for his impoverishment statements [by not specifically showing the growing absolute impoverishment of the proletariat]; and, finally, not truly grasping the problems of inflation in capitalist economies.⁴²

Ostrovitianov then paid some brief accolades to the work, stated that "this is not a trial and Comrade Varga is not a defendant," reviewed the above problems with the book, and pointed out that "Comrade Varga has 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."⁴³ The Stalinist view, though officially formulated five years later, might be what Stalin termed the "Basic Economic Law of Capitalism."

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, especially backward countries, and, lastly, through wars and militarization of the natural economy, which are⁴⁴ utilized for the obtaining of the highest profits.

Varga, however, concluded the proceedings with a strong defense of his views. "It was untrue," he said, that "the same anarchy of competitive production which characterizes the peacetime monopoly-capitalist state exists in the wartime economy." He also disagreed with the proposition that "the financial oligarchy determines, even in peace time, the entire policy of the bourgeoisie, the entire policy of the state,"⁴⁵ and insisted that, concerning the state role in the economy generally, he was "not wrong on this question."⁴⁶ He concluded by saying, "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." The stenographic transcript indicated applause at this point.⁴⁷

1948-1949

The year 1948 opened with Varga working in a new insitute (the Institute of Economics AN SSSR which had absorbed his old institute), for a new journal (Voprosy ekonomiki of which he was a member of the editorial board), and under a new director (Corresponding Member AN SSSR K. V. Ostrovitiânov, whereas Varga was a full member or Academician). The tasks set forth in the first issue of the Journal for the new Institute

included the application of Zhdanov's criticism of the philosophers to economic work, the stressing of the struggle of the two camps and the general crisis of capitalism, and the unmasking of imperialistic revisionism.⁴⁸

Ostrovitianov at a meeting of the new Institute in January upped the criticism of Varga and his former Institute: "Comrade Varga has continued to remain silent to his criticism....He has ignored the general crisis of capitalism and the struggle of two systems...separated economics from politics...unMarxistically asserted 'the decisive role of the state in the war economy'....He didn't recognize his mistakes about the state...[having] a supra-class character....His recently published articles are clearly reformist [both are my stress and indicate a new phase of criticism-cte], but worst of all the mistakes of Comrade Varga in this or that degree are characteristic of a number of works of the former Institute."⁴⁹ It is not stated that Varga attended this session, but if he did, he said nothing.

A series of conferences followed this first one, and at all, Varga was subjected to increasingly bitter attack. The next gathering, reported in the April issue of the Institute's journal, was called to criticize I.Trakhtenberg's edited work, Voennoe khoziaistvo kapitalisticheskikh stran i perekhod k mirnoi Ekonomika, which was a product of Varga's former Institute. Comrade Kozlov, representing the prosecution, took the opportunity to again challenge Varga's "unMarxist conception of the decisive role of the state in the war economy and the possibility of planning in capitalism."⁵⁰ At a

conference called to discuss the use of statistics in economic research, March-May 1948, a series of speakers took the floor to denounce Varga's "mistaken attempt to belittle the significance of statistics applications" and his "uncritical use of bourgeois statistics."⁵¹ The next conference was called to discuss the postwar aggravation of the general crisis of capitalism. Here the previous lines of were renewed, and a new criticism was added concerning Varga's unique assertion regarding the agrarian problem in the capitalist world. Comrade Shifrin conclusively pointed out that "the agrarian crisis in the U. S. is not a chronic crisis and is not a component part of the general crisis of capitalism."⁵²

An expanded session of the Academic Council of the Institute was then held in October 1948 to discuss the defects, which were, of course, primarily the results of Varga's work, and the tasks of economic work in the Soviet Union.⁵³ Ostrovitianov opened the session with homage to the works of Stalin, Voznesenskii, Molotov, Zhdanov, and Malenkov and reasserted the "deepest antiMarxist mistakes and distortions" of Varga and his colleagues. He outlined the previously noted mistakes and turned the floor over to a series of speakers who launched vehement attacks on Varga, much different in tone from the previous sessions.

Varga, himself, finally got the chance to speak. First, he criticized the Institute's annual plan of work for 1949 as having "lost touch with reality."⁵⁴ Second, he mentioned that because of the "gigantic" rise in the Soviet Union's

international role, it was important to carefully and honestly consider the problems of the capitalist world, since everything that happens in the capitalist world had significance for the USSR.⁵⁴ Third, Varga posed the question of Whether a new inter-imperialist war for the redivision of the world was inevitable? "Of course," he said, "there are powerful tendencies in that direction, but there are equally, perhaps more-so, powerful countertendencies."

This was an interesting position and bears some explanation. The first factor that complicated the emergence of a new imperialist war was, and remains, the economic and military superiority of America over other imperialist governments. The second was that the imperialist countries had combined their forces to lead a joint war effort against the colonies. The third factor was the catastrophic character of the uneven development of capitalism which had already led to two world wars. Another world war could endanger the very existence of the capitalist system--the "reactionary magnates of capitalism will have learned their lessons." Lastly, the biggest obstacle to a new imperialist war was the presence of a powerful Soviet Union with its allies. Another imperialist war, or a war against the Soviet Union, would endanger the very essence, its existence, of the capitalist system; therefore, "Does it really seem likely, in today's conditions, that a new inter-imperialist war could occur?"⁵⁵

Concerning his book, Varga conceded a number of minor errors: the tone of the book, the separation of economics from politics, mistakes on the problem of the new democracies, some

unfortunate expressions (such as the use of the term "planning"), and some points with regard to agriculture. He continued to assert, though, that during the war the state still had to meet the demands of its general staff and that something had changed, as a result of the war, in the relationship between colonies and the metropolises. Regarding the class character of the state, Varga mentioned that one could argue about the choice of words, but there remained the point that in the interests of leading a war in which defeat could spell its destruction, the state in the general interests of all monopolies, of all the financial oligarchy, of all the bourgeoisie, was at times forced to go against the interests of individual monopolies.⁵⁶

Comrade Ostrovitianov reviewed the remarks of the speakers at the session and again restated the general line of critique of Varga in an extremely lengthy polemical tirade on his mistakes of a reformist, un-partiinost', antiMarxist character. The implications were directly spelled out for Varga: "You [Varga] should know, from the history of our party, to what kind of sorrowful consequences stubborn insistence on one's mistakes will lead."⁵⁷

Obviously, Varga's recantation was still far from satisfactory. The final assault took place at another session of the Academic Council of the Institute in March 1949. This time Varga and his former associates were charged with "mistakes of a cosmopolitan character and bourgeois objectivism,"⁵⁸ Confronted by these dangerous, words Varga repented:

The criticism was necessary and correct. My mistake was that I didn't recognize the correctfulness of the critique, as others did, but better late than never.... Mistakes of a reformist direction show also mistakes of a COSMOPOLITAN direction, because they embellish capitalism. Any kinds of reformism, any kind of encroachment on the purity of Marxist-Leninist teachings in today's historical conditions is ESPECIALLY Dangerous.

Varga then admitted the methodological mistake of separating economic analysis from political research, but regarding his state theories, he reminded the reader that the proletariat can participate in the governments of bourgeois states, referring specifically to France, Italy, and Finland where communists took part in the postwar governments. As for his views on the colonial problem, he still maintained that one could not assert that absolutely nothing had changed.⁶⁰

It is interesting to note that Varga's couched concession's were published 15 March 1949 in Pravda just two days after the downfall of Voznesenskii, who had replaced Zhdanov as First Secretary in Leningrad after Zhdanov's sudden death in August 1948, in the so-called "Leningrad Affair."⁶¹ Despite his championing of a "leftist" foreign policy, Voznesenskii also appears to have argued for greater rationality in prices and planning in Soviet domestic economic administration,⁶² but it was largely the failure of a hard-line foreign policy line that seems to have been instrumental in bringing about his death.

The Soviet Union had experienced mixed international success through Spring 1949. The formation of the Cominform in September 1947 had only resulted in the expulsion of Tito, and Yugoslavia, from its ranks the following June. The successful

Czech coup had occurred in February 1948, but had been offset by the failure of the Berlin blockade, which was lifted in the Spring of 1949, and the signing of the NATO pact in April 1949. The establishment of an independent West Germany was also on its way. The U. S. had suffered but a slight recession in the Fall of 1948, but it had not affected Western Europe which appeared well on the road to recovery. Militant attempts by the French communists to instigate a widespread strike movement had failed in the Fall of 1947, as had the Italian communists' bid for power in the 1948 elections. Faced by an increasingly resurgent West, the Soviet Union stepped back and unleashed a "Peace Offensive."

→ Varga temporarily dropped from sight in the Soviet press, but according to the Hungarian Ambassador to the Soviet Union in remarks at a 1969 meeting honoring the late-Varga, he had been asked to work on problems relating to the establishment of a Hungarian socialist economy and a new five-year plan. He was asked to recommend measures to stop inflation, stabilize the currency, and develop perspectives on capital investment for the plan. Varga advocated reasonable capital investments in small amounts over the course of the plan, as opposed to an excessively large investment in fixed capital in the first year of the plan, which would be impossible to realize. The Ambassador expressed Hungary's thanks to Varga, "for it was largely due to the detailed, stipulated advice of Comrade Varga that Hungary was successful."⁶³

1950-1953

In November 1951 a discussion, in which Varga took part,

was held by Soviet economists to review work on a new textbook of political economy. Their recommendations were summed up in a memorandum which was forwarded to Stalin for approval.⁶⁴ The chief question, according to Varga, regarded the inevitability of wars between imperialist countries; and, "like all other controversial issues, this question was referred to Stalin, the chief arbiter of the conference."⁶⁴

Stalin's reply to this and other pressing theoretical concerns was published in Pravda, 3-4 October 1952, as "Remarks On The November 1951 Discussion," a part of what has been called Stalin's "Ekonomicheskie problemy sotsializma v SSSR." After revealing, or discovering, the basic economic laws of capitalism and socialism, and reaffirming the "deepening general crisis of capitalism," Stalin asserted:

[In regards to the inevitability of war], some comrades hold that, owing to the development of new international conditions since the Second World War, wars between capitalist countries have ceased to be inevitable...mistaken...countries won't tolerate U. S. domination and oppression. Theoretically, the contradictions between capitalism and socialism are stronger, but a war against socialism would be dangerous, thus the inevitability of war remains in force.

"Coalescence of the monopolies with the state machine," the word coalescence is not appropriate, replace it with "subjugation of the state machine to the monopolies."⁶⁵

At a session of economists called soon afterwards to discuss the merits of Stalin's new theoretical contribution,⁶⁶ Varga was the first to speak, declaring thanks to Stalin for his guidance and that on the inevitability of war between capitalist countries: "I recognize that...in this question I am mistaken."⁶⁷ He stated nothing further.

It would seem that the question had been settled; however, there remains the strangely awkward report of the Central Committee CPSU(B), delivered by Malenkov, at the Nineteenth Party Congress that November. Most of the speech directly followed what might be regarded as a "hard-line" approach to capitalism and imperialism: weakening and militarization of their economies, two world antagonistic camps and markets, ever deepening crisis, preparations for war, problems of taxation and inflation, and a reaffirmation of Stalin's basic laws. Suddenly though, at the very end of the section on the international situation appeared the statement:

The belicose circles in the U. S. A. and Britain are constantly reiterating that the armaments race alone can keep the industries in capitalist countries running. Actually, however, there is another prospect, the prospect of developing and expanding commercial relations between all countries, irrespective of the difference in social system. This can keep the industries in the industrially-developed countries running for many years to come, can ensure the sale of products of which one country has an abundance to other countries, can help to raise the economy of the underdeveloped countries, and thereby bring about lasting economic cooperation. "The export of revolution is nonsense." Peaceful Coexistence will win.⁶⁸

The above passage was quoted, because it was important; for, in connection with Varga's earlier assertions, it

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implicitly recognized the resurgence of and changes in capitalism, despite the emergence of a separate socialist bloc to which Western trade was nonexistent. The socialist bloc was only hurting itself by its continued militancy and should recognize that the "general crisis" was not immediately imminent.

Stalin was found stricken 3 March 1953 and died two days later, and so the great leader was unable to fully appreciate Varga's new book which was published in late 1953. Osnovye voprosy ekonomiki i politiki imperializma posle vtoroi mirovoi voiny had originally been written by Varga in 1948-1951 and then revised in light of Stalin's "Economic Problems" and the Nineteenth Party Congress. It was a long, gloomy work, combining both economic analysis and political research, and contained an ample amount of Stalin's quotations throughout.⁶⁹

Varga indicated imperialist contradictions in every part of the world, within every country of the world, and with respect to virtually any then-current topic of an economic or political nature; but, he granted the resurgence of Western Europe and the continued economic, political, and military power of the United States and explained the reasons for that continued strength. His exhaustive use of Western statistics continued, and he used them in a particularly Aesopian fashion. For example, to illustrate the powerful industrial growth of the socialist world since World War II in juxtaposition to the weak expansion of industrial production in the West, Varga cited data which took the level of industrial production in the USA and the USSR in 1929 as equal *ex pad.*

to 100. By 1951, the USSR had increased its industrial production twelve times, while America had only doubled its. France had not increased, and German figures were not given.⁷⁰ There was, however, despite the rather harsh tone of the book, significant merit in Varga's book for both the Soviet and Western audience, as Varga carefully explained and painstakingly documented trends and countertrends operating in the western economies.

Thaw

Khrushchev broke the icecap that had formed over the Soviet Union with his speeches at the Twentieth Party Congress in February 1956. His analysis of the economic difficulties in the capitalist world⁷¹ closely paralleled Varga's work, especially as contained in the second edition of his 1953 work on imperialism, which was published in 1957. In the forward to this edition, Varga recognized the influence of the "cult of personality" on the previous edition, and in the body of the book all references to Stalin's "mistaken assertions"⁷² were purged and replaced by scattered quotes from Khrushchev and Mikoian.

Varga published an article in Pravda 21 February 1956 on Bela Kun, which was in effect an official rehabilitation of the man who had perished in the purges of the 1930s.⁷³ In 1957 Varga's old Institute was revived under a new name with a new journal, Institut mirovoi ekonomiki i mezhdunarodnykh otnoshenii, with Varga on the Academic Council and Editorial Board. In 1959 Varga, himself, was officially rehabilitated with the publication of a festschrift, Problemy sovremennogo

kapitalizma: k 80-letiiu Akademika E. S. Varga, which contained a lengthy introduction on Varga's career.⁷⁴ In November 1959 a birthday-party session was held and greetings were extended to Varga from numerous Soviet figures, Pravda, Izvestiia, Kommunist, Voprosy ekonomiki, Mirovaia ekonomika i mezhdunaronye otnosheniia, the Central Committee of the Hungarian Socialist Worker's Party, Comrade Palmiro Togliatti, and the embassies of the Hungarian People's Republic and the People's Republic of China.⁷⁵ Varga continued to publish and take active part in discussions in the institute. In 1961 Kapitalizm XX veka was published. In 1962 an edition of selected works was brought out, Sovremennyi kapitalizm i ekonomicheskie krizisy: izbrannye trudy. Varga was awarded a Lenin Prize in 1963 for his last three works and his devotion to the world communist movement. Previously, he had received three Orders of Lenin (1944, 1953, and 1959) and the Order of the Toilers of the Red Banner (1954).

Varga's Last Words

A few months before his death in October 1964, Varga published his last, and most profound, book on capitalism, Ocherki po problemam politekonomii kapitalizma. The book was a gem--well-written, profound, subtle, and well worth reading for any student, Marxist or not, of capitalism. It was written over the course of "many years" and "directed against thoughtless dogmatism, which until recently was widespread in works on the economy and politics of capitalism." Recalling our earlier struggle with Marxist terminology, Varga provided perhaps a better definition of political economy in its "broad

sense, that is, without a distinct division between politics and economics."⁷⁶ The question remains: How did Varga deal with his earlier views and the critiques of those views?

Is the state, under conditions of monopoly capitalism, a state of the whole bourgeoisie, which he had stated, or a state solely of the monopolists, which his opponents charged? Varga now declared "that depending on the concrete historical situation either thesis may be correct or incorrect." When the capitalist state is not subjected to any immediate danger, the state is a state of the monopoly bourgeoisie. When the survival of the very capitalist social system is in danger, the state then acts on behalf of the whole bourgeoisie.⁷⁷ He also continued to assert that the state "has become the decisive factor in the war economy" and that the bourgeois state can, and during war must, plan the economy to a degree.⁷⁸ To further support these statements, Varga draws on Lenin's definition of state monopoly capitalism as the fusion, the coalescence, of two forces, which means that monopoly capital and the state are independent forces, ie. it is not "simple unilateral 'subordination' as asserted by Stalin." What this implied is that the proletariat can play a role in the state, that individual monopolies do not unilaterally control the state apparatus, and that beneficial social legislation can be implemented.⁷⁹

Varga further developed his refutation of the inevitability of imperialist wars, largely along the same lines which he had long ago indicated and also in light of Khrushchev's speech at the Twentieth Party Congress which

directly stated that such wars were no longer inevitable.⁸⁰ Varga treated the problems of the national-liberation movement, the relative and absolute impoverishment of the proletariat, the agrarian crisis, Keynesian theories, the narrowness of the capitalist market, and the development of the postwar economic cycle.

In his book Varga outlined the following principal features⁸¹ of the postwar cycle, which he took to begin in 1947 after the transition from a war to a peacetime economy: (1) the existence of two world systems and the influence of the Cold War [war production can extend the boom phase of the cycle]; (2) the disintegration of the colonial system of imperialism [changed the form and direction of capitalist investment abroad in favor of more stable countries, and the loss of resources did not hurt capitalism since synthetic substances were invented]; (3) the changes in the world capitalist economy as a result of six years of war [a decisive influence: because of the need to renew and expand fixed capital after the war, the high level of postponed consumer demand, and the extension of credit to consumers to stimulate sales--definitely extended the boom phase of the cycle]; (4) the different economic positions of the countries after the war [which meant that their industrial development proceeded at different paces]; (5) the conditions of general inflation and rises in prices [constant devaluation of currencies tends to lengthen the boom phase, because people expect continued rises in prices so they buy]; (6) the dollar deficit [the huge weight of the U. S. in the world economy made it difficult for

other countries to obtain dollars to pay off imported American capital and goods, which contributed to inflation]; and, (7) the whole cycle was marked by continued agrarian crisis [for example, the overproductive U. S. farm economy which forced the government to subsidize prices and destroy surpluses while large parts of the world go hungry].

The End

Varga died 8 October 1964. The notice in Pravda was signed by N. S. Khrushchev, who was to be pensioned himself in the next few days, A. I. Mikoian, B. N. Ponomarev, and a series of prominent Soviet economists.⁸² After his death the Executive Committee of the Moscow City Soviet named "one of the most beautiful new streets in the Southwest" part of the city in his honor.⁸³ "Ruth Fischer [the renegade communist] once said that he was 'a fearful little man, a living statistic who didn't care about the bitter fight within the Hungarian Communist Party and the Comintern, but devoted himself entirely to his economic research.'⁸⁴ Perhaps the words of Pravda are fitting:

The life and activity of Evgenii Samuilovich Varga--veteran of the international working class and communist movement, outstanding scholar and tireless toiler of science--serves as an example of selfless devotion to communism, and the cause of struggle for the worldwide triumph of the ideas of Marxism-Leninism.⁸⁵

¹See conclusion.

²Paul Marantz, "Soviet Foreign Policy Factionalism," p. 102.

³E. Varga, Izmeneniã v ekonomike kapitalizma v itoge vtoroi mirovoi voiny (Moscow: Gosudarstvennoe Izdatel'stvo

Politicheskoi Literatury, 1946), p. 5.

⁴Soviet Views On The World Economy: An Official Critique Of Eugene Varga's "Changes In The Economy Of Capitalism Resulting From The Second World War" (Washington, DC: Public Affairs Press, 1948), p. 5.

⁵Chapters appeared in December 1944 and January, September 1945 in Mirovoe khoziaistvo i mirovaia politika, as cited by William O. McCagg, Jr., Stalin Embattled, 1943-1948 (Detroit, MI: Wayne State University Press, 1978), p. 368.

⁶Varga, Izmeneniia, p. 5.

⁷Ibid., p. 15. Capitalized in the original.

⁸Ibid., p. 318.

⁹Ibid., p. 10.

¹⁰Ibid., pp. 20-27.

¹¹Ibid., p. 34.

¹²Ibid., p. 35.

¹³Ibid., p. 36.

¹⁴Ibid., p. 12.

¹⁵Ibid., pp. 51-65.

¹⁶Ibid., p. 68.

¹⁷Ibid., pp. 68-72.

¹⁸Ibid., p. 12.

¹⁹Ibid., p. 11.

²⁰Ibid., pp. 258-65.

²¹Ibid., pp. 9-10.

²²Ibid., p. 12.

²³Ibid., pp. 298-300.

²⁴Shulman, Stalin's Foreign Policy, p. 32.

²⁵McCagg, Stalin Embattled, p. 276.

²⁶Frederick C. Barghoorn, "The Varga Discussion And Its Significance," American Slavic And East European Review, vol.12, no.3(1949), p. 227.

²⁷Treadgold, Twentieth Century Russia, p. 429.

²⁸Nikolai A. Voznesenskii, The Economy Of The USSR During World War II (Washington, DC: Public Affairs Press, 1948), p. 16.

²⁹Andrei Zhdanov, The International Situation (Moscow: Foreign Languages Publishing House, 1947), excerpts in Alvin Z. Rubinstein, The Foreign Policy Of The Soviet Union, 3rd ed., (New York: Random House, 1972), pp. 204-5.

³⁰Treadgold, Twentieth Century Russia, p. 429.

³¹J. and M. Miller, "Andrei Zhdanov's Speech To The Philosophers," Soviet Studies, vol.1, no.1(June 1949), p. 41. The session was called to discuss Alexandrov's History Of West-European Philosophy, which he had published after a previous wartime controversy over the third volume of The History Of Philosophy, which had been awarded a Stalin Prize--later withdrawn. Among the items challenged were Alexandrov's its emphasis on pre-Marx German classical philosophy, neglect of those philosophers' influence on the mental history of German aggression, and an underestimation of the national Russian inheritance of progressive thought.

³²Varga's so-called "Political Testament," New Left Review, no.62(July-August 1970), pp. 31-44, clearly leaves the reader with such an impression.

³³"Interv'iu s g-nom Stassenom," I. V. Stalin: Sochinneniã, Volume 3 [XVI] (Stanford, CA: Hoover Institution, 1967), pp. 86-88.

³⁴Ibid., p. 89. Actually, the entire interview is in this line.

³⁵Marantz, "Soviet Foreign Policy Factionalism," p. 103. The three major announcements would be the February 1946 pre-election speech, linguistics in 1950, and economic problems in 1952.

³⁶McCagg, Stalin Embattled, pp. 276-77.

³⁷"Diskussiã po knige E. S. Varga," Supplement to the journal Mirovoe khoziaistvo i mirovã politika, no.12(November 1947).

³⁸Soviet Views On The World Economy, p. 1.

³⁹Ibid., pp. 2-6, the direct quote is on p. 6.

⁴⁰Varga, Izmeneniã, p. 14.

⁴¹Soviet Views, p. 91.

⁴²Ibid., pp. 8-108.

⁴³Ibid., p. 109.

⁴⁴As cited in "Report To The Nineteenth Party Congress On The Work Of The Central Committee Of The CPSU(B), Delivered By G. Malenkov, October 5, 1952," supplement to the New Times, no.42(October 1952), p. 46. This "law" originated in Stalin's "Economic Problems."

⁴⁵Soviet Views, p. 118.

⁴⁶Ibid., p. 117.

⁴⁷Ibid., p. 125.

⁴⁸"Ot redaktsii," Voprosy ekonomiki, vol.1, no.1(March 1948), pp. 3-4.

⁴⁹"Ob itogakh i napravlenii raboty Instituta Ekonomiki Akademii Nauk SSSR: doklad Direktora Instituta K. V. Ostrovitiānova na zasedanii Uchenogo Soveta Instituta," Voprosy ekonomiki, vol.1, no.1(March 1948), pp. 87-92.

⁵⁰"Protiv antiMarksistskogo osveshcheniā ekonomiki kapitalisticheskikh stran: obsuzhdenie sbornika Voennoe khoziaistvo kapitalisticheskikh stran i perekhod k mirnoi ekonomike," Voprosy ekonomiki, vol.1, no.2(April 1948), p. 108.

⁵¹"O teoreticheskoi rabote v oblasti statistiki: obsuzhdenie v Institute Ekonomiki Akademii Nauk SSSR," Voprosy ekonomiki, vol.1, no.5(1948), p. 97.

⁵²"Poslevoennoe obostrenie obshchego krizisa kapitalizma: na teoreticheskoi konferentsii v Institute Ekonomiki Akademii Nauk SSSR," Voprosy ekonomiki, vol.1, no.6(1948), pp. 106-19. A good illustration of what exactly is meant by the agrarian crisis is the American government's recent action regarding dairy farmers.

⁵³"O nedostatkakh i zadachakh nauchno-issledovatel'skoi raboty v oblasti ekonomiki rasshirenaia sessia Uchenogo Soveta Instituta Ekonomiki Akademii Nauk SSSR," Voprosy ekonomiki, vol.1, nos.8,9(1948).

⁵⁴Ibid., no.9, p. 54.

⁵⁵Ibid., no.9, pp. 55-56.

⁵⁶Ibid., no.9, p. 57.

⁵⁷Ibid., no.9, p. 96.

⁵⁸"Rasshirennaia sessia Uchenogo Soveta Instituta Ekonomiki Akademii Nauk SSSR," Voprosy ekonomiki, vol.2, no.3(1949), pp. 116-17. In Soviet terminology cosmopolitanism = being a Jew. It was a particularly dangerous label in these

years in the Soviet Union, as evidenced by the mysterious "Doctors' Plot." Its application also corresponded with the creation of the state of Israel.

⁵⁹E. Varga, "Protiv reformistskogo napravleniã v rabotakh po imperializmu," Voprosy ekonomiki, vol.2, no.3(1949), p. 79.

⁶⁰Ibid., p. 85.

⁶¹Conquest, Power And Policy, p. 91. The "Leningrad Affair" was an extensive purge of the Leningrad party district of which Voznesenskii was First Secretary, after succeeding to the position on Zhdanov's death. The Leningrad region has been traditionally the center of, may we say, oppositional factors within the CPSU.

⁶²Shulman, Stalin's Foreign Policy, pp. 44-45.

⁶³"Tvorcheskie Nasledie," p. 127. Ambassador Iozhef Sipka.

⁶⁴Y. Varga, Politico-Economic Problems Of Capitalism (Moscow: Progress, 1968), p. 75.

⁶⁵Stalin, "Economic Problems," p. 469; p. 478.

⁶⁶A similar fate had befallen Soviet linguists who were forced to quickly gather, scrap their present line of research along Marr's theories, and set off with Stalin as their guide to linguistics.

⁶⁷"K 80-letiiu Akademika Varga," p. 109.

⁶⁸"Report To The Nineteenth Party Congress," p. 14.

⁶⁹E. Varga, Osnovnye voprosy ekonomiki i politiki imperializma (posle vtoroi mirovoi voiny) (Moscow: Gosudarstvennoe Izdatel'stvo Politicheskoi Literatury, 1953), p. 3.

⁷⁰Ibid., p. 16.

⁷¹"Report Of The Central Committee Of The Communist Party Of The Soviet Union To The 20th Party Congress, Delivered By Comrade N. S. Khrushchev," Pravda, 15 February 1956, pp. 1-11, Excerpts in Rubinstein, The Foreign Policy Of The Soviet Union.

⁷²E. Varga, Osnovnye voprosy ekonomiki i politiki imperializma (posle vtoroi mirovoi voiny), 2nd ed., (Moscow: Gosudarstvennoe Izdatel'stvo Politicheskoi Literatury, 1957), p. 3.

⁷³Pravda, 21 February 1956.

⁷⁴Problemy sovremennogo kapitalizma: k 80-letiiu Akademika E. S. Varga.

⁷⁵"K 80-letiiu Akademika E. S. Varga," pp. 153-54.

⁷⁶Varga, Politico-Economic, pp. 11-12.

⁷⁷Ibid., p. 45.

⁷⁸Ibid., pp. 48-49.

⁷⁹Ibid., p. 52, pp. 51-75.

⁸⁰"Report Of The Central Committee...20th Party Congress," and Khrushchev, "Speech To The Higher Party School Of The Institute Of Marxism-Leninism Of The Central Committee Of The CPSU," 6 January 1961, excerpts in Rubinstein, The Foreign Policy Of The Soviet Union. This last speech was particularly interesting in that it openly legalized a proletarian seizure of power through parliamentary means.

⁸¹Varga, Politico-Economic, p. 216, pp. 217-39.

⁸²Pravda, 9 October 1964, as cited in New Left Review, no.62(July-August 1970), p. 30.

⁸³"Zhizhnennyi put' i nauchnoe nasledie E. S. Vargi: k stoletiiu so dnia rozhdeniia," Mirovaia ekonomika i mezhdunarodnye otnosheniia, no.11(November 1979), p. 100.

⁸⁴As cited by Laszlo M. Tikos, "Eugene Varga," p. 74.

⁸⁵Pravda, 9 October 1964.


CONCLUSION

This study of Evgenii Varga's career has undoubtedly, and unavoidably, left many unanswered questions. How did Varga survive the purges of the 1930s, considering his association with Bela Kun, his pre-revolutionary career in a not-so-very-revolutionary party, his work in the Comintern, especially abroad in Germany, his possible early association with Trotskii or, for that matter, with other Bolsheviks in the 1920s, his possible Jewish heritage, his being repeatedly critiqued, and his work with the Red Professors and in the Communist Academy? How did Varga survive the Zhdanovshchina, given his earlier career and his adamant refusal to confess his views. Was there any connection between foreign policy and Varga's analyses, which were developed on the basis of Marxism-Leninism? One thing, though, that is clear, is the fact that by 1960, there could not have been too many individuals, walking around in the Soviet Union at the age of eighty and still being published, who could point to a revolutionary career that had been begun under the Old Regime, that had seen revolutions succeed and be crushed, that had lived through two great world wars, that had taken an active part in the building of a communist movement from the very beginning, and that had the scholarly credentials of E. S. Varga. He could not have been simply unknown to, nor unheard by, Soviet leadership when it formulated its foreign policy to deal with the capitalist world.

Perhaps, the answers are best kept simple to these

questions. To the first question posed--he survived. To the second--many people perished in the Zhdanovshchina, including Zhdanov himself. The nature of that very process, ie. its being carried out in a period of "High Stalinism," precludes the possibility of ever knowing the true motives, if there were any, of the people involved. On the connection between ideology and foreign policy, very little can be firmly proven, but then why else would Varga's work have aroused such widespread controversy, including the attention of Soviet leaders who were responsible for, or seem to have had an interest in, matters of foreign policy, if Varga's work was not important?

Finally, regarding what was earlier termed a "sinister reason" for studying Varga's work, this answer is especially simple. Whatever Varga's impact or influence in the Soviet Union may have been during his life, he possesses a far greater potential importance for Western scholars, who are pursuing a study of their own capitalist system. It is because Varga approached the task of studying capitalism, by way of Marxism, that he was able to point out and to meticulously document the tendencies and countertendencies operating in capitalism, objectively, in a manner of speaking, and not from the point-of-view from within the system. He could see the forest from the trees, or however that proverb goes. It is for this last reason, that the Western scholar should study the life and work of the "Old Bolshevik" Evgenii Varga.


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