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Second Year of the Crisis in the Soviet Union

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Soviet Economy in the Year 1946

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This article is designed to amplify, render more precise and bring up to date the data relating to the economic condition and acute aggravation of social contradictions inside the Soviet Union. In this sense it is a supplement to *The Soviet Union After the War*, printed in **International Information Bulletin**, Vol.1 No.2, published by the Socialist Workers Party and now on sale. – *Ed.*

Soviet economy, upon emerging from its most gruelling test in the war, finds itself convulsed by four developments which are undermining the very foundations of its collectivized system. These four developments are :

- The destruction of an important part of its industrial potential.
- The drop of the living standards of the masses to minimum subsistence levels and, as a result, a corresponding decline in the productivity of labor.
- The accentuation of centrifugal forces in agriculture through a large-scale revival of primitive private exploitation in those regions where the war destroyed the technical foundations of collectivization. This is accompanied by an acceleration of the process of differentiation within the collective farms and by primitive accumulation by rich peasants in regions spared by the war.
- An acute shortage of skilled labor consequent upon the terrible manpower losses of the USSR.

I have shown in a previous article (*The Soviet Union After the War*) how, even before the termination of hostilities, the bureaucracy had become panic stricken at the magnitude of the dangers confronting Soviet economy and to what expedients it had resorted in order to remedy the situation. The present article is devoted exclusively to the year 1946, that is, to an examination of the relative successes of reconversion and the initial phases of planning.

1. Industrial Production

The realization of the Fourth Five-Year Plan depends on two conditions in the domain of industrial potential : first, the reconstruction of devastated industrial sectors in the western part of the country ; second, the reconversion of war industries to peacetime production and their further expansion in the sectors left untouched by the war.

The inter-connection between these two conditions is less direct than had been previously supposed. The bureaucracy had apparently decided in advance to speed up the reconstruction of devastated sectors by other means than through existing internal resources ; that is to say, to achieve this through the medium of the "buffer zone" (by looting, reparations, trade agreements, joint exploitation of raw material sources) and by means of foreign credits. The entire development of industry during 1946 confirms the impression that without the assistance of the "buffer zone," industry would have collapsed.

In the middle of January 1947, the State Planning Commission published its annual report on the progress of the Five-Year Plan. As is invariably the case with Soviet statistics, this conglomeration of figures is self-contradictory and

of no intrinsic importance. They provide, down to the smallest detail, the percentage increases in 1946 production as compared to 1945, without, however, giving the slightest inkling of the actual production levels in 1945. Consequently, any *exact* evaluation of the results achieved in industry in 1946 must necessarily be *fragmentary*, and based on figures derived by deduction. Nevertheless, the picture that emerges is clear enough. It reveals an *exceptionally slow tempo* of reconstruction, with production remaining on levels well below pre-war.

a) Coal Production

The weakest point in the reconstruction – the "industrial bottleneck," as the French weekly **L'Economie** calls it – is unquestionably the scarcity of coal. The Donetz Basin, which yielded before the war one-half of Russian coal production, was left completely inundated, following the German retreat. Its output remained below 50 million tons in 1946 as compared with 82 million tons in 1940. Despite the great exertions of the miners in the Kuznets Basin, last year's total coal production still fell below 140 million tons as against 170 million tons in 1940. The increase in output as compared with 1945 remains extremely low – only 10 per cent, and these figures make it questionable whether it will be possible to attain the target set by the Plan – 250 million tons for all Russia and 88 million tons for the Donetz Basin by 1950, an output which calls for an 88 per cent increase of production in four years. [The foregoing figures were calculated on the basis of data supplied by Bettelheim in his book, **Soviet Planning** ; the text of the law proclaiming the Plan (carried in the special issue of **Les Cahiers de l'Economic sovietique**), and from articles in the French weekly **L'Economie**, February 13 and 27, 1947.]

The scarcity of coal has produced a creeping paralysis in industry as a -whole ; blast furnaces were periodically shut down, and trains were stalled owing to lack of coal. This shortage is all the more dangerous in view of the increasingly grave oil shortage. The destruction of many oil wells in the Grozny and Maikop fields ; the progressive depletion of the Baku Basin ; the lack of equipment for new drilling ; the mass deportations of skilled workers from the Caucasus to central Siberia – all these factors make the oil supply of Soviet industry increasingly dependent upon deliveries from abroad. (Let us note, in passing, that the bureaucracy demanded in the beginning the bulk of current Rumanian oil production as reparations, and later compelled the Rumanian bourgeoisie to agree to the formation of mixed Russo-Rumanian oil companies. The same steps were taken in Hungary and in Iran. Up till now, Austria has been resisting the demands of the bureaucracy for direct participation in the exploitation of Austrian oil fields.)

It ought to be added that inadequate metallurgical output has hindered the manufacture of equipment necessary for the rapid revival of production in the Donetz mines. When Marshal Sokolovsky announced his intention to put a halt to all further dismantling of plants in the Soviet zone of occupation, he made a public exception of the equipment of seven mines in Saxony, as "indispensable for the restoration of pits in the Donetz" (**L'Economie**, January 23, 1947).

b) Iron and Steel Industry

According to the report of the State Planning Commission, the metallurgical industry achieved 99.5 per cent of the 1946 targets. At the same time, the report specifies that steel production increased only by 10 per cent over 1945, which indicates how modest were the goals set for the industry last year. The table below gives a picture of the development of Russian iron and steel industry :

Production in Millions of Tons [1]

	1937 {{}}	**1940** {{}}	**1942**	**1944** {{}}	**1945** {{}}	**1946** {{}}	**1950**
Iron	14.5	15.0	(Plan) 22.0	12.0	12.5	13.5	(Plan) 19.4
Steel	17.7	18.3	28.0	13.0	14.5	15.5	25.4
Rolled Steel	13.0	?	21.0	10.0	12.0	13.0	17.8

In addition, the Five-Year Plan provides for the building and reconstruction of 45 blast furnaces, 165 open-hearth furnaces and 104 rolling mills. But during the first year of the Plan, only a tiny fraction of these objectives has been attained : reconditioned and launched have been six blast furnaces (as against 11 in 1945), 18 open-hearth furnaces (as against 85 in 1945) and nine rolling mills. This tempo must be greatly speeded up if the Plan targets are to be achieved by 1950.

c) Other Industries

Coal and metallurgy are the backbone of industry. Lagging production in these two sectors cause disturbances in all other fields of economic life. We shall presently examine the injurious effects of lagging production in agricultural machinery and consumer goods. Suffice it here to cite several instances of the extremely slow tempo of reconstruction.

In the *non-ferrous* metallurgy, the increase of production in 1946 over 1945 amounted to six per cent in copper, eight per cent in zinc and 19 per cent in lead. But the Five-Year Plan projects increases in output over the pre-war levels amounting to 60 per cent, 150 per cent, and 160 per cent respectively for these three metals. These are dream figures.

In the construction industry, especially important in view of the large number of buildings destroyed, the progress made as compared with 1945 seems to be more considerable. But again production far from corresponds to the pressing needs of reconstruction, and remains far from the pre-war figures :

	1940	***1945***	***1946***	***1950*** Plan
Cement(in mill, tons)	5.63	2.6	4.8	10.5
Window glass (in mill. square meters)	44.50	18.2	30.0	80.0

As a consequence of this insufficient growth of the construction industry, millions of Russian families will this winter continue to "lodge" in mud huts, or simply in caves dug in the earth.

2. Bureaucratic Reconversion Suffers from Specific Defects

How explain the extraordinary difficulties which Soviet industry encounters on the path of reconversion ?

Undoubtedly, the difficulties in the *basic* industries weigh heavily upon economy as a whole.

But two specific factors play a dominant role in slowing up still further the process of reconstruction of Soviet industry. The reference here is to the manpower shortage and the monstrous spread of looting by the bureaucracy.

Millions of pre-war workers died during the war. Millions of others were wounded and rendered incapable of work. Their place has been temporarily taken by women, by the aged and the very young, mobilized under compulsion during the war. The catastrophic drop in the number of skilled workers has aggravated the effects of the declining living standards of the workers, accentuating still further the decline in the productivity of labor. The bureaucracy has tried to ameliorate the situation by speeding up the training of the youth, who, in their turn, are far from improving their skills. But even from the standpoint of *numbers*, the bureaucracy has been unable to reach its goal. It has set itself the objective of turning out a million young workers from the trade schools by 1950. But in 1946 the number of these youngsters reached only 382,000 as against 350,000 in 1945 (**L'Economie**, February 13, 1947). This number must rise to at least 450,000 if the 1950 target is to be attained.

On the other hand, with the termination of the war, the bureaucracy was compelled to slightly relax the restrictions upon the mass of the industrial workers. The compulsory mobilization *by the state* has ceased ; the right of a director to force a worker to remain in a given factory against his will has likewise been abrogated. As a result, there was a mass exodus from the factories ; the workers were hopeful of finding "no matter where" better living conditions than in the factory they had just left. Voznessensky, Chairman of the State Planning Commission, himself drew the attention of the bureaucracy to this state of affairs, when in presenting his draft Five-Year Plan, he stated :

There are still among us not a few directors of enterprises who expect to "receive" manpower by means of mobilization. These directors do not understand that the difficulties in hiring labor under postwar conditions do not arise from accidental causes [hear ! hear !], and that these difficulties cannot be surmounted except by introducing new working conditions. To assure themselves of a labor force, the enterprises must change over to the practice of systematically hiring workers through individual contracts with isolated workers as well as with the collective farms ... (Voznessensky, **The Soviet Five-Year Plan**, Paris, Editions sociales, 1946).

We can get an idea of what this advice means in practice by examining a little more closely these "two methods of hiring." The "contract with the collective farms" comes down in practice to the odious "slave market" already denounced by Bettelheim (**op. cit.**, p.116). It "binds" a leading functionary in the collective farm to "deliver" a specified number of workers within a specified time to a given enterprise. This system, with all that it involves in the way of compulsion in "selecting" and "delivering" workers from the collective farms, has, in the first instance, led to mass desertions of miners recruited in this manner. In issue No.4 of **Les Cahiers de l'Économie soviétique** it is stated "it is henceforth necessary to assure a stable labor force ; it is necessary to make sure that no worker leaves the mine, once he has made up his mind (!) to work there ..."

"Contracts with isolated workers" likewise means the resumption by professional recruiters of veritable ambushes organized on the outskirts or in the heart of large industrial centers, where these recruiters "detain" thousands of able-bodied men who migrate constantly in order to escape the beauties of collective farms and of "socialist" factories. They are promised papers and passports on condition that they agree to hire out with a certain factory and they are threatened in case of refusal with delivery into the hands of the GPU which will promptly deport them to forced labor

camps, as penalty for "illegal traveling."

The second factor retarding reconstruction is the monstrous increase in looting by the bureaucracy. The wartime abolition of "director's funds" ostensibly intended for the payment of supplementary bonuses to workers but serving in reality as the chief source of bureaucratic "spoils" has caused the insatiable greed of these parasites to be diverted toward the circulating capital, the wage funds, the inventory, the tools, the finished products and even the machines of "their" factories, which they dissipate in huge amounts. Beginning with July 1946 the Soviet press found itself compelled to denounce this scandalous state of affairs. The negligence, incompetence, and utter dishonesty of the bureaucracy once again began to figure prominently in the columns of the Stalinist press ; and the monotonous enumeration of these interminable cases of theft, embezzlement, waste and illegal diversions gives us every right to regard the *increased looting* by the bureaucracy as one of the chief brakes upon the reconstruction of Soviet industry.

It remains to examine the degree to which the situation has been actually ameliorated by the resources of the "buffer zone" which the bureaucracy considered as its "surest aid" in reconstruction. However preponderant may be the influence acquired by the USSR over the economy of the countries in the "buffer zone," if the question is approached from the standpoint of these countries, then the contribution of their imports to the needs of Soviet economy appears in reality negligible. Here are some of the amounts imported by the Soviet Union in 1946 and the corresponding percentage of Soviet production :

- Rumanian oil – 1,800,000 tons, or 6 per cent of Russian production.
- Polish coal and coke – 4,600,000 tons in the first six months, or 6½ per cent of Russian production in the same period.
- Polish chemical products – 250,000 tons in the first six months of 1946, representing about 8 per cent of Russian production for the same period, which moreover fell far below the target figures.
- Hungarian cement – 250,000 tons, or 5 per cent of Russian production, and so on, [The foregoing figures were taken from the *Quarterly Review of the National Economic Bank of Poland*, September 1946 and from the economic section of *Neue Zuercher Zeitung* which has carried the most precise available information concerning the foreign trade of countries in the "buffer zone."]
  Finnish lumber, Polish and Hungarian textiles, Czechoslovakian footwear, while constituting considerable amounts, do not come to even 1 per cent of current Soviet production.

By far more important aid came in the form of deliveries of Czech industrial equipment (to the amount of more than one billion Czech kroner) and in the form of dismantled German factories. However, this aid was far below the equipment "imported" in 1945 from Manchuria, Germany, Austria, Poland, Rumania, Czechoslovakia and Finland which permitted the restoration of numerous Russian factories destroyed during the war. As for the assistance deriving from the Russo-Swedish trade agreement, it will make itself felt only during 1947. (This trade agreement, which has not been publicized too much by the Anglo-American press, merits an independent study.)

3. The Famine and the Crisis of Collectivized Agriculture

The food situation appeared rather favorable at the beginning of 1946 in Russia. Extensive UNRRA deliveries of meat and fats in large part fed the Ukraine and Byelorussia. The war stocks of food were far from exhausted, and although they were far from ample to guarantee the Soviet masses a "normal" diet, Stalin was able in February 1946 to promise the early abolition of bread cards.

Unfortunately, a natural catastrophe precipitated a crisis which had been prepared by the interplay of economic factors (the reduction of reserves, contraction of areas sown to wheat, decline in crop yields per hectare consequent upon the

relative demechanization, shortage of seed, agricultural equipment, etc.). The drought which started in March in Moldavia spread progressively as far as the Volga, embracing an area greater than that scourged by the terrible drought of 1921, and resulting in an extremely bad harvest.

The report of the State Planning Commission compares the scope of the disaster with 1921 and 1891, the years of the worst famines known in Russia in modern times. The report adds, to be sure, that this time the worst had been avoided thanks to assistance rendered by trans-Ural agricultural regions. But as the London **Economist**, February 8, 1947, remarked, the reference to a 50 per cent increase in crops of Western Siberia and Kazakhstan must be regarded in the light of an admission made by **Pravda** some weeks previously to the effect that the total land area sown to wheat beyond the Urals is today *below* the acreage sown in 1941.

The likelihood under these conditions is that the *grain* harvest has yielded only 70 million tons as against 73.4 million tons in 1928, 115 million tons in 1937 and 120 million tons in 1940. The *sugar beet* harvest has meanwhile risen to 15 million tons as against 14 million tons in 1930, 16.8 million tons in 1936 and 20.95 million tons in 1940. [Production figures for 1946 are from **L'Economie**, January 9, 1947 ; the comparative figures are from the book by Bettelheim.]

Toward the beginning of autumn, the bureaucracy began to take into account the failure of the plan for agriculture. The measures for terminating the bread rations were suddenly suspended. A large-scale campaign for an *all-out mobilization* to gather the harvest was launched by the Soviet press, accompanied by the customary demagogic propaganda on the subject of "socialist competition." The collective farms in the Altai region decided "with enthusiasm" to make larger grain deliveries to the state than had "been anticipated. Other regions followed suit, among them, to believe Soviet statisticians, Lithuania. (The amount of "extras" for Lithuania is given as one million puds, i.e., 16,380 tons, which is less than 1 per cent of pre-war grain production.) It is sad to state that "socialist competition" far from having as its objective to provide "each according to his needs" had to be undertaken in order to rescue the country from stark famine ...

Failing tractors, there is no collectivization ; failing the reconversion of war industry to peacetime production, there are no tractors. This perfect syllogism is being verified in Russia in a way that is most painful for "socialist" agriculture.

The total quantity of Russian tractors appears to have been reduced during the war from 523,000 to 390,000 ; the number of harvesters and threshing combines from 182,000 to 133,000, or respective declines of 25 and 27 per cent. (**Les Cahiers de l'Économie soviétique**, No.4, April-July 1946, page 33.) But the bulk of agricultural machinery which remained in Russia was concentrated in regions untouched by the war. However, in these areas there has not been an increase but on the contrary a reduction in areas sown and in crop yield per hectare, as is confirmed by an article in *Moscow News*, January 1, 1947. This article goes on to say that the state *will increase* the number of tractors in these regions by 5,280 in 1947 and by 14,000 in 1948. It therefore follows that only an infinitesimal fraction of the total available agricultural machinery has been transferred to the liberated regions. The latter therefore remained entirely dependent on current production, which was in its turn contingent upon the success in reconverting the tank factories in Kharkov and Stalingrad into tractor factories.

The report of the State Planning Commission acknowledges the complete flop of this reconversion. The extent to which the objectives set for 1946 have been fulfilled is given as – 70 per cent. **L'Economie** ventures the opinion, January 9, 1947, that this represents 60 per cent of pre-war production, which was more than 170,000 tractors and 50,000 combines. We are under the impression, however, that even this figure is far greater than the actual one. In fact, Voznessensky fixed as the goal to be attained at the end of the Five-Year Plan a total of 720,000 tractors, which requires the production of about 330,000 tractors in five years' time, or an annual average production of 66,000 tractors. Now, the Plan must have assuredly set the target for the first year at a figure below this average. Of this lower figure, in turn, only 70 per cent has been attained. This leads us to conclude that the figure of 34,000 tractors suggested by **The Observer**, March 2, 1947, is much more probable, at all events, than the figure of 100,000 tractors,

preferred by **L'Economie**.

It is not difficult to calculate the effects of this state of affairs upon the *structure* of Soviet agriculture. As is well known, beginning with 1946 the Soviet press has carried lengthy reports of, and numerous references to, the disruption of the collective farm system in the liberated territories. Data is completely lacking to determine just how successful has been the struggle launched against the preponderance of small-scale private agriculture, pursued with the most primitive methods on a greatly reduced cultivated area (scarcely one-third of the land formerly cultivated was ploughed in 1945). But it may be assumed that the bureaucracy which itself admitted that "most of the work in the fields will have to be again done this year by manual labor" [2] found itself under these conditions greatly handicapped in even beginning the struggle against private exploitation of land. Unable to supply the peasant with either fertilizer or seed or agricultural machinery, and seeing the peasant driven to the verge of starvation by the drought, it had to limit itself to dispatching a minimum of provisions to the stricken areas, and for the rest, it had to await more favorable conditions in order to force the peasant to till more land than his own tiny plot of ground.

Completely different is the picture in the Soviet territories spared by the war. Here the state constantly demanded ever greater deliveries in kind during the war in order to supply the needs of the army and of the besieged industrial cities. On the other hand, the total production of these regions, as we have already stated, tended to decline and not to increase within the collectives. Taking into account the fact that these collective farms, as issue No.4 of **Les Cahiers de l'Economie sovietique** cynically puts it, had "increased by 250 per cent between 1942 and 1944 their production of unconsumed wheat,"the total amount of produce remaining in the collectives, on the basis of which the value of each work-day was determined, must have declined progressively, dropping even to the point where it no longer sufficed to cover the peasants' own needs for agricultural products. As a consequence this gave rise to a general tendency to devote greater efforts to private land strips, not so much with a view to increasing production as to guarantee the subsistence of the producer himself, and especially to profit from the universal scarcity of foods through the sale of surplus private products on the free market. Parallel with this tendency there was the pressure of the privileged elements in the collectives for the systematic extension of private land strips and for the growth of private income through intensified exploitation of the peasant poor. The consequences of this pressure are graphically revealed in the motivation for the decree issued by the Council of Ministers, September 19, 1946, on the reorganization of the collective farms (**Izvestia**, September 20, 1946).

4. The Bureaucracy in the Collectives : Theft, Pillage, Embezzlement

This decree begins by listing the four "evils" which have developed in the collectives during wartime :

- The enormous *bureaucratization* of agriculture. The administrative apparatus of the collectives swelled beyond bounds during the war. Thus even in 1946, 17 per cent of the workdays in the Pensa region were paid out to the administrative apparatus, and as much as 18 per cent in the Tambov region. (These two regions are among the most fertile in Central Russia.) It is beyond doubt that a horde of useless "specialists" had been systematically "taken care of" in the apparatus in order to prevent their being conscripted into the army or returned to the devastated regions. An equally widespread practice was the complete abandonment by a particularly prosperous peasant of any work in the fields, and his receiving instead payment as "administrator," as the decree says, "without performing any labor whatever."

The administrative apparatus does not rest contented with living parasitically off the productive labor of the mass of the collective farmers. The repairs made by the bureaucrats on their houses, the shoes and clothes which they had made for themselves – all this was paid for as "work-days" debited to the collective, that is, the mass of the peasants.

- *The looting of collective lands* by the bureaucracy and by the rich peasant layers. By a decree of April 2, 1942, the People's Commissariats of the federated and autonomous republics were authorized to transfer all *uncultivated* collective land to political organizations, military authorities and industrial enterprises. This measure was dictated by the disorganization of the transport system which had to give priority to military shipments and those indispensable to the war industries, leaving many factories and army camps faced with the risk of being cut off from food supplies for weeks at a time. In addition, the utilization of this land supplied a means of increasing the supply of scarce agricultural products, expressing, once again, the pressure of centrifugal tendencies in Soviet economy during the war. From an article in *Izvestia*, September 7, 1946, we get a picture of the way in which the bureaucracy and the rich peasants have applied this decree. While the mass of the peasants kept devoting greater and greater attention to their own private land strips, regarding work on the collective farm lands more and more as forced labor for which they received little or nothing, the bureaucracy appropriated the best lands, brutally swept aside even formal contracts with the collectives, and stimulated the progressive partition of land among the richest layers of the peasantry. In this connection, *Izvestia* cites the following figures : In the Chelyabinsk province (beyond the Urals) the administration harvested on their own account and for themselves more than 8,000 tons of wheat, of which only 2 or 3 per cent were delivered to the state. In the Bredin region of the same province, 22 administrations, totalling 50 bureaucrats, disposed of 47.5 hectares, almost one hectare per person ... If there is famine in Russia, it will not be the bureaucrats who go hungry this year.
- Bureaucrats, administrators and functionaries compel *free deliveries* from the collectives of cattle, grain, fruit, milk, honey and so on. They have become accustomed, as **Izvestia** for September 26 shows, to *"help themselves lavishly and without shame from the property of the collectives, as if they were dipping into their own pockets."*The same day's issue of *Pravda* relates the amazement of a young girl in a collective when she was asked why the collective administration was in the habit of sending jugs of wine to the directors of the Machine and Tractor Stations. Her reply was : "You can't get anything without jugs of wine." It has been a long time since we have run across from a Stalinist pen, so rigorously exact and sociologically correct a definition of the bureaucratic regime reigning in the USSR. Let us likewise take note of the pungent phrase in the text of the decree of the Council of Ministers which states that the director of collectives are "often in the habit of selling to 'privileged persons' (!) the products of community labor at prices below the costs of production."
- It is self-understood that the members of the collectives did not "elect" or appoint this army of parasitic functionaries, to whom the decree refers in passing as "being better paid than the productive workers." Meetings of the membership of the collective farms no longer take place ; the functionaries are "quite simply" appointed by the authorities. Isn't it rather astonishing that not a single complaint on this score appeared in the Soviet press prior to the sudden unleashing of this campaign from the top ? Should it be assumed in this connection that the peasants found this system to be "quite simply" natural inasmuch as they have been accustomed to nothing else for the last 20 years ? Or could it perhaps be that the Soviet press, which according to the Stalinist constitution, is "at the service of workers and peasants" remained inaccessible to complaints from below ?
  As a consequence of this bureaucratic regime, declares the decree of the Council of Ministers, "the collective farm peasants have been unable to wield the slightest influence over the administration and over the distribution of the revenues (!) of the collective, which has led to abuses (!) on the part of the collective farm administration, who deem themselves independent of the mass of members and who lose all sense of responsibility toward them."

In other words, the bureaucratic system which fixes the attention of the functionaries exclusively upon those above them, and which penetrates like gangrene into all spheres of social life, engendering cynicism, corruption and the rebirth of the lust for personal gain, has led in wartime to the growth of a local bureaucracy in the villages whose bonds with the bureaucracy "in the center" are rather tenuous and who rob and plunder the mass of the peasantry, driven to harder labor than ever before.

Such is the beautiful panorama of Soviet millionaires, acclaimed by Stalinist propagandists as a "happy sign that permits us to hope that the Soviet Union will become ... a nation of happy and prosperous people ..." (Reginald Bishop, **Soviet Millionaires**, published by Amities Belgo-sovietiques, Brussels, 1946.)

5. Bureaucratic Remedies for the Bureaucratic Evil

Confronted with famine and decollectivization in Western Russia, the Stalinist bureaucracy found itself compelled under the most difficult conditions to launch a struggle against the petty bourgeois and centrifugal tendencies in the country. The *economic* struggle against bureaucratism and against the plundering of the collectives is possible only under certain economic *conditions.* In order to get the peasant to work more in the collective farm and to limit his efforts on his own private land strip, it is necessary that he receive the exact equivalent for his day's work, and that the net product of the collectives be distributed without the falsified bureaucratic procedures listed above. It is likewise necessary that in return for his day's work, paid for in large part in paper rubles, he is able to buy from the cooperatives rationed consumer goods of a better quality and at a lower price than those for sale in the free market. It is above all necessary for this operation to be more advantageous to him than his transporting and selling in cities the surplus produce from his "own" little plot of ground, and his buying consumer goods at exorbitant prices in the free market. That is to say, it is necessary, in the first instance, to have an adequate quantity of consumer goods at "official" prices.

We shall return later to the economic aspect of this problem. Let us state here that in the struggle which it seeks to initiate against the petty bourgeois tendencies, the Stalinist government finds itself compelled to go over completely to the side of the economic mechanism that gives rise to these selfsame tendencies. The bureaucratic evil is being combatted with bureaucratic methods, that is, with threats and intimidations, with "decrees," and, last but not least, with the creation of a new "control corps" which is this time directly dependent upon the central administration.

The September 19, 1946 decree of the Council of Ministers provides the following measures to rehabilitate the collective farms :

- The directors of the party and government organizations are instructed within a period of two months to "reduce" their bureaucratic apparatus to "more suitable proportions."
- By November 15, a revision of peasant property must be effected with the aid of the land register, reestablishing the original scope of collective farm property. All autonomous administration by factories, local boards and military authorities is to be abolished. These lands must be restored to the collectives.
- The "democratic foundations" are to be reestablished inside the collectives. All the chairmen and functionaries must "once again" be elected. The decree does not go on to specify – and for good reason ! – the "ways and means" of implementing the decree so as to enable the poor peasants to rid themselves of the pressure of the rich collective farmers and local bureaucrats and thus render this "democracy" effective.
- Henceforward each "unauthorized" incursion upon the property of the collective farms is punishable as a criminal offense and an act endangering the safety of the state (this threat at least ought to be "well understood").
- A special Ministry in charge of the collective farms is created within the central government, with a Minister who will dispatch his controllers into all the federated and autonomous republics. These will inspect on the spot the integrity of the collective farm property, safeguard the collectives and defend their statutes.

  What have these measures produced ? Thus far we have only one set of figures at our disposal : the Minister of Agriculture, Benediktov, has announced that 11 million acres (almost 5 million hectares) have been restored to the collective farms. This huge figure, representing almost 5 per cent of the total arable land and exceeding the entire sown area of Byelorussia and the three Baltic countries, provides an idea of how rapidly the rich peasantry and the bureaucracy have proceeded with the appropriation of *land*. Conversely, it gives no idea at all of the *extent* to which this appropriation has been abolished, since there is no indication of what proportion of all the appropriated lands is represented by these 11 million acres. The centralized bureaucracy, subjected to the Bonapartist apparatus, is now in one way or another "ousting" the local bureaucracy, which tends to consolidate itself with the rich peasant layers. This process, which bears some resemblance to what happened during the transition from the NEP to planned economy, is now running up against *economic* obstacles of an entirely different character. In 1928 the resistance of the peasantry was broken by the destruction of the private exploitative layers and the installation of the collective system. The enthusiasm of the broad working masses for

the transition to industrialization was undeniable. The present peasant resistance arises from the excrescences of the collective system ; it has the support of a large section of the lower bureaucracy and runs up against the accumulated hatred of the working masses toward the Stalin regime. The relationship of forces has altered, and it has not altered in favor of the bureaucracy. That is why the latter sees itself obliged to recognize the pressure of the peasants, and to adjust its prices and wages policy so as to favor the interests of the peasantry.

6. The Prices and Wages Policy up to September 16, 1946

During the war, the collective farm production tended to decline. The peasant, who was not paid adequately for his day's work in the collective, eked out his existence by increasing production on his own little plot of land, and by selling the surplus in the free market. The government favored the trend toward the free market, as the sole means of spurring the peasant to increase production.

In this way, the prices on the free market developed in accordance with the law of supply and demand and provided one of the best indications of the inflation of the ruble. Prices rose to astronomic heights, reaching their peak toward the end of 1943. (This data comes from the objective and conscientious study of H. Schwartz, *Prices in the Soviet Economy*, published in the December 1946 issue of **American Economic Review**.) At that time the price of bread on the free market was 130 times the price of rationed bread ; meat was 60 times dearer on the free market than in the ration stores ; sugar cost 220 times as much, with a kilogram selling for a total monthly wage of an average worker.

Certain writers perceived in the establishment of the free market a movement that was destined to promote an increase of industrial production, above all, of per capita production. The workers who produced above the "norm" would be remunerated by bonuses with which they could purchase products on the "free" market In reality, the free market levels were such that a worker with his wages could not buy more than a kilo of bread a week, or a pound of sugar a month. It is obvious that such an "incentive" could not act strongly on the workers. On the other hand, this incentive proved altogether effective for the peasants, who even before the war were avid for money, and who were attracted by the big sums they received for their agricultural products.

However, there was no corresponding supply of consumer goods to cover the peasants' receipts on the free market. The peasants began to hoard and the "first millionaires" appeared. While seeking by means of war loans to siphon off into the coffers of the state this inflationary purchasing power, the bureaucracy found itself nevertheless constrained to take into account the powerful urge of the prosperous peasants to find on the free market some counter-part for their paper rubles. At that time, in April 1944, the government decided to open up "commercial stores" in which the State itself would sell freely foodstuffs and consumer goods. In this way it sought to offer a counter-part for the purchasing power of the rich peasants, while exerting under the guise of "competition" pressure toward lowering the "free prices" on foodstuffs. This policy was not without success. The prices of foodstuffs began to drop slowly. After the entry of Soviet armies into the "buffer zone," the "commercial stores" began receiving quantities of consumer goods, and when Russian production in this sector also recovered, it was directed in its entirety into these commercial stores, from which the peasants made haste to profit.

The wages of industrial workers had in the meantime remained more or less stable. The increase in total wages consequent upon the prolongation of the working day was neutralized by reductions in bonuses and by a considerable increase in deductions at the source – which resulted in lowering individual incomes. (An emergency "war tax" was introduced, slashing into all incomes on a progressive scale, but invariably cutting wages by more than 10 per cent. To this were added war loans to which the workers were constrained to subscribe "voluntarily." These subscriptions amounted to 8 and even 10 per cent of the nominal wages.) The prices of rationed goods remained rigorously stable and thereby even the worst paid workers were able to buy all their rations, the cost of which varied between 75 and

125 rubles a month, depending on the category and quantity of rationed products. Thus each worker had his *guaranteed minimum of necessities*, such as they were, and only the highly skilled workers and the bureaucrats could afford to buy supplementary goods on the free market.

In the course of 1945, conditions improved considerably for the population as a whole. The prices of foodstuffs in "commercial stores" and in the free market dropped considerably. The net income of the workers increased, with the abolition of war taxes and war loans. (Thus despite the continued inflation, the "direct taxes" in the Soviet budget dropped from 40 billion rubles in 1945 to 23.5 billion in 1946.) After five years of terrible privations, a universal demand for consumer goods made itself felt, a demand which the total volume of goods on the free market did not meet at all. The bureaucracy anticipated at the time a twofold result from the production in 1946 : first, the possibility of abolishing the rationing of many agricultural items, thanks to a large increase in agricultural production. The prices in the free market would in the meantime have dropped low enough to make possible, by slowly raising the prices of rationed products, the establishment of a "single price," after the abolition of rationing, which would be a real price, without provoking a new black market. The reduction in the peasants' money reserves would relieve the pressure on the means of consumption in the market. The increased production in this field would produce a certain equilibrium between supply and demand, and would likewise permit the stabilization of prices, even if at levels higher than the food prices. In February 1946 Stalin announced the forthcoming abolition of rations on bread, flour, oats, fats and several other items. By 1947, all ration cards would be abolished. At the same time, foreign observers were all in accord that at the beginning of 1946, the free market and the "commercial stores" were filled with food products, whose prices had declined sharply. But the disproportion between the supply and demand of consumer goods increased instead of decreasing. In addition, the discontent of the peasants grew in the same measure as the bureaucracy pressed its offensive against the private sector in agriculture. It was under these conditions that the extremely bad harvest came, and the bureaucracy found it necessary to preempt this harvest in its entirety in order to avert famine. At that time, too, the press began to denounce numerous collective farms for their altogether inadequate state deliveries of grain. It was then that the bureaucracy decided to make a series of concessions to the peasants, inaugurating a new policy of wages and prices, and a new policy toward the cooperatives.

7. The Decisions of September 16, 1946

On September 16, 1946, three days before the publication of the decree on the reorganization of the collective farms by the Council of Ministers – the connection between these two decrees is certainly not accidental ! – the Stalinist government decided to triple the prices of all rationed products, to increase slightly the wages of the lowest paid workers and to cut by 25 to 40 per cent the prices in the "commercial stores." Towards the end of 1946 the bad harvest produced a tremendous new rise in food prices. The tables [3] below show the evolution of prices in the two sectors :

Table I.: Prices in Rubles of Rationed Goods (per Kilo)

	Up to September 16, 1946		*After September 16, 1946*
Black Bread{{}}	1.10	3.40	

White Bread{{}}	1.70	5.00
Sugar{{}}	5.50	15.00
Butter{{}}	28.00	66.00
Meat{{}}	14.00	34.00

Table II : Prices in Rubles of Goods in Commercial Stores

	Winter 1943/44	*Summer 1946*	*October 1946*	*January 1947*
Black Bread (kilo)	30/35	10	7.50	40
Sugar (kilo)	800	130	60	200
Butter (kilo)	1000	210	140	800
Shirt{{}}	500	400	300	300
Footwear (ordinary)	2000	700	500	500
Clothing (ordinary)	2500 and up	1500	1000	1000

The increases in monthly salaries were as follows :

- For wages below 300 rubles – increase of 110 rubles.
- For wages between 300 and 500 rubles – increase of 100 rubles.
- For wages between 500 and 700 rubles – increase of 90 rubles.
- For wages between 700 and 900 rubles – increase of 80 rubles.
- No increases for wages above 900 rubles.
- For pensions and scholarships – 60 rubles increase. (**Neue Zuercher Zeitung**, October 18, 1946.)

These measures are a brutal acknowledgment of the shifts in the distribution of income which have taken place in the course of the war. Their effect is to rob the workers of the minimum necessities which they were guaranteed by rationing at low prices, while at the same time revising upwards the real income of the swollen nominal revenues of the bureaucracy and the well-to-do peasants. The brutal slashing of the real wages of the workers robs them of any possibility of using their purchasing power for consumer goods, which once again become accessible to bureaucrats and rich peasants, but at lower prices than during the war. Moreover, in contrast to what happened in most of the warring countries where the peasantry hoarded and where, since the termination of hostilities, their purchasing power was greatly diminished either by the rise in prices for consumer goods (the United States, neutral countries, etc.) or by the withdrawal of a large portion of the paper currency (Belgium, Holland, France, Czechoslovakia), just the opposite development is taking place in Russia where the mass of

paper currency hoarded by the peasants remains intact and has now acquired a *higher* purchasing power.

This policy pursues the following objectives :

- To guarantee the peasants a real return for their savings and their nominal incomes.
- To compel the workers to increase their output, in view of the fact that without bonuses they are no longer able to purchase even their rations.
- To try to stabilize the ruble at approximately half of its pre-war value and to set the stage for introducing uniform prices.
- To concentrate the purchasing power of the workers exclusively on food products.
  It is necessary to understand that this latest brutal slash in living standards of the masses in reality expresses the *inflation of the ruble*. This "planning" of prices is not so much a measure to retard or limit the action of the laws of the market as it is an attempt to meet them half-way. In this sense we find expressed here the relation of forces between the *classes* and between two antagonistic social systems, a relationship which has been modified to the benefit of the petty bourgeoisie.

We can gain some conception of the shift in real incomes from the following tables which give the *purchasing power* of four types of families among the Russian population ; each family has 2 children below the age at which they can earn their own living. The family of type I consists of a husband who is a semi-skilled worker and his wife, an unskilled worker ; in the family of type II, the man is a highly skilled worker, and his wife, semi-skilled ; type III involves an average bureaucratic family where the man is a factory director ; and type IV is a family of well-to-do peasants.

FAMILY TYPE I						
	Feb. 1943	*Feb. 1946*	*Feb. 1947*			
Gross income (man)	500		500		600	
Gross income (wife)	200	200	310			
Total	700	700	910			
Deductions (man)		100		35		45
Deductions (wife)	30	12	20			
Rent, light, etc. [4]	60	60	60			
Children’s canteen [5]	150	150	300			
Canteen for man and wife	304	304				
Rations for man and wife	(200)	(200)	600			
Total	644	561	1025			
Balance{{}}	56		139		deficit of 115	

The 56 rubles in 1943 were equivalent to one-quarter of supplementary rations.

The 139 rubles of 1946 were equivalent to 7/10 of supplementary rations.

The 1947 income does not suffice for the purchase of all the necessary rations.

FAMILY TYPE II

	Feb. 1943	*Feb. 1946*	*Feb. 1947*			
Gross income (man)	1000		1000		1000	
Gross income (wife)	500	500	600			
Total	1500	1500	1600			
Deductions (man)		305		125		125
Deductions (wife)	100	35	45			
Rent light etc.	60	60	60			
Children’s canteen	150	150	300			
Canteen for man and wife	304	394				
Ration price	(200)	(200)	600			
Total	919	674	1130			
Balance{{}}	581		826		470	

The respective balances are equivalent to the following :

581 rubles in 1943 was equal to 10 kilos of potatoes and five eggs.

826 rubles in 1946 was equal to 50 kilos of potatoes, 1 kilo of meat, 1 kilo of butter, or 1 pair of shoes and 1 pair of pants.

470 rubles in 1947 was equal to 30 kilos of potatoes or 1 pair of shoes.

FAMILY TYPE III

	Feb. 1943	*Feb.1946*	*Feb. 1947*			
Gross income	2500		2500		2500	
Deductions		900		350		350
Rent, light etc. [6]	100	100	100			
Children's canteen	150	150	300			
Man's canteen [7]	200	200	400			
Woman's rations	75	75	225			
Total	1425	875	1375			
Balance{{}}	1075		1625		1125	

The equivalence of the respective balances is as follows :

1075 rubles in 1943 was equal to 10 kilos of potatoes and ¾ kilo of butter, or 1 shirt and 6 pairs of socks.

1625 rubles in 1946 was equal to 50 kilos of potatoes and 4.5 kilos of butter, or 1 pair of pants and 1 pair of shoes.

1125 rubles in 1947 was equal to 50kilos of potatoes and ½ kilo butter, or 1 dress and 2 pairs of socks.

FAMILY TYPE IV [8]

10,000 rubles in savings could buy in 1943, five pairs of ordinary shoes (always very scarce).

10,000 rubles in savings in 1946 could buy 14 pairs of ordinary shoes, which could be obtained more readily.

10,000 rubles in savings in 1947 could buy 20 pairs of ordinary shoes, which could be obtained even more readily.

8. The Strengthening of the Cooperatives

Wherever wages do not permit the satisfaction of minimum needs, it is impossible to seriously combat the tendency to seek for supplementary means of income. On the other hand, the acute scarcity of consumer goods renders perpetual and universal the tendency to seek for supplementary amounts of these products – and supplementary in this context signifies something outside the framework of legal trade in "free" or rationed goods. These two tendencies do not encounter each other except on Sundays at the "market-place" or the "bazar" and this rendezvous becomes the constant goal in the social life of each individual. Already during the war, after 11 hours on the job, the worker would go to repair his foreman's roof or paint his kitchen. Another would "borrow" some tools from the factory and spend the night laboriously turning out kitchen utensils, or pieces of furniture or crude agricultural tools. One hour of this kind of supplementary labor yields him more than a day's work in the factory. In turn, the purchaser of products of these

supplementary labors is in this way able to obtain commodities for which he would have to wait six months or pay three times as much at the bazar. This simple commodity production is a constant concomitant of Soviet economy, insofar as the latter, while preserving the monopoly of the industrial means of production, proves incapable of satisfying the toiling population's needs for consumer goods.

Soviet economic life, as it appears on the "surface," with its very powerful heavy industry, Dneprostroy and industrialization in general, is *coupled with* a complementary economic life which often escapes the notice of superficial foreign observers and which is not listed in the statistics. On a local scale, there exists a network of commercial exchanges, based on the one hand on the super-abundance of money and on the other on small handicraft production carried on by workers and poor peasants. In the small Soviet towns, alongside of the gigantic combine, the historical process once again unfolds itself on a miniature scale through all its successive stages. Proceeding from barter, this "complementary" economy quickly assumes the form of a simple exchange of commodities, which leads to the direct purchase of labor power [9], and even the construction of small factories "not provided for in the plan" [10]. The common link between these various forms of economic activity and the "official" Soviet economy, separate and apart from the pressing needs which the latter leaves unsatisfied, is supplied by the theft of raw materials by the "parallel" producers.

There can be no doubt that the Soviet authorities were well aware of what was going on, but they lacked the means for coping with it, that is, the regime of collectivized economy lacked the necessary resources for waging an *economic* struggle against these tendencies. Before the war, these tendencies were kept restricted within "normal" bounds, without making themselves heavily felt in the balance of Russian social forces. The extreme scarcity of consumer goods invested them with extraordinary importance during the war. The expansion of the "free" market and later the opening of "commercial stores" acted to stimulate these activities still further. In exchange for the sum received from a peasant for a hammer which a worker had just made, the worker could legally buy a pair of shoes on the free market. The concessions to individualistic tendencies within the *peasant* sphere tend to create more and more conditions and increasing pressure for the expansion of individualistic tendencies in the sphere of handicraft production. It is necessary, in the first instance, to discern an open recognition of this impetus and of its scope in the decree of November 12, 1946.

Toward the end of the First Five-Year Plan, the producers' and consumers' cooperatives lost the first-rate importance which they had previously enjoyed for several years. Consumers' cooperatives, which by 1930 had a veritable monopoly of retail trade, were rapidly pushed out of the cities by the competition of state-owned stores (Bettelheim, **op. cit.**, p.248). Later on their sphere of activity was restricted by law to the countryside, and they were confined to selling to their members rationed products delivered by the state. In other words, they were reduced to the rank of a subordinate factor in state-ized economy.

The same thing happened with the producers' cooperatives, the famous peasant "*artels*." They were likewise completely integrated into the planning and obligated to fulfil the industrial orders of the state. An article by Malyshev, quoted by Bettelheim (**op. cit.**, p.32), set at 5½ per cent their share in the total industrial production of the USSR in 1937.

The November 12, 1946 decree represents a turn in policy with regard to the cooperatives. *Stimulation of private initiative* – that is the goal that has been placed on the order of the day. Henceforward, the consumers' cooperatives may establish branches in the cities, they may purchase foods and consumer goods directly from producers and sell them at freely fixed prices, which may not, however, exceed the prices in the "commercial stores." Producers' cooperatives are exempted from their obligations to the plan and are free to devote themselves to the production of consumer goods. They may likewise sell their products directly to consumers, in stores of their own. Their growth is to be aided by the government which will deliver to them, among other things, 7,000 trucks, necessary machines, tools and raw materials. The cooperatives have been by and large freed from various kind of taxes. The local authorities are instructed to extend them all the necessary facilities, grants of land and buildings for stores and workshops.

The Soviet government has set up a general directorate for cooperatives which will control their activities and which has fixed a production plan for 1947, providing for the creation of 2,500 new workshops and 2,000 new stores and an output of 500,000 beds, 4,000 tons of household goods, 250 million rubles worth of furniture, 5 million pairs of skis, 23 million pairs of boots, 5,000 tons of thread and 35 million meters of cotton cloth. (**Neue Zuercher Zeitung**, January 1, 1947.)

These measures must be viewed both in the light of "the breaking through of individualistic tendencies in the sphere of handicraft production," as well as in the light of the acute scarcity of the means of consumption, which endangers the governmental policy of revaluating the incomes of big peasants. In its own way the juridical recognition of the existence of inflationary purchasing power which, because of the scarcity of consumer goods, become a permanent pole of attraction for artisan production. The government is powerless to suppress this activity ; it will try from now on to *include* it more or less in its planning, that is, it will tolerate it so as to be able to control it. The cooperatives, as simple links in state-ized economy, become the intermediaries and silent partners of petty bourgeois production. The *weakening* of collectivized economy is demonstrated by the fact that not merely is it incapable of eliminating artisan production by offering greater quantities of manufactured products of super quality and lower prices but that it is even obliged to *utilize* petty bourgeois production in order to relieve slightly the pressure of inflationary power on the consumer goods market.

By issuing to the cooperatives a kind of *license to act as intermediaries* between the producers of agricultural products, the bureaucracy is at the same time pursuing the policy of maintaining and increasing the stimulus for expanding agricultural production, and of favoring the distribution of "surpluses" over all of Russia. The cooperatives will buy the "surpluses" from the peasants and will thus save the latter having to take it to the city, cutting transportation costs and averting loss of time. They will at the same time be able to channel these supplementary supplies into famine-stricken areas, instead of keeping them concentrated in towns in the vicinity of the prosperous collective farms. Here, too, the bureaucracy admits implicitly that it is unable to collect these surplus products, and, above all, that the peasant *prefers* to make deliveries to intermediaries who appear as more or less "private" traders rather than make deliveries to the state, even at the same prices. Not only objectively but also subjectively, that is, in the consciousness of the peasant population, petty bourgeois production appears as an indispensable complement to state-ized economy, and even inspires more confidence than the latter does.

The production figures set for the cooperatives may appear modest in the light of the needs of the Soviet population. But reflections of this sort do not take into account the principal fact, namely, that this production is intended *exclusively* for the free market, that is, a market which with rare exceptions remains inaccessible to three-fourth of the population. It is here that the corollary function of the decree on cooperatives and of the decree on wages and prices appears. The absorption of inflationary purchasing power, revalued on September 16 as a forthright concession to the well-to-do peasants, will be achieved, in the spirit of the Stalinist government, through artisan activity. It ought to be added that the increasing pressure by the workers will compel the bureaucracy to direct an ever larger part of consumer goods not toward the "commercial stores" but toward the factories, in the shape of distributions at cheap prices [11].

9. Inflation

Inflation, arising from the disorganization of Soviet economy during the war, becomes in its turn the principal brake upon the restoration of adequate planning. We have already seen the effects of inflation on the living standards of the workers ; it has caused a substantial reduction in real wages. We have also seen how the purchasing power created by inflation provoked in its turn an expansion of individual artisan production. On the road toward the "stabilization" of the ruble, which is still hypothetical, the bureaucracy was driven to accede to the emphatic demands of the well-to-do peasants, while at the same time trying to tear away from them land areas which they had appropriated during the

war. It now remains for us to examine the decisive role played by inflation in the domain of state-ized economy.

A superficial examination of prices leaves the impression of a perfect stability. Indeed the *selling prices*, fixed by the state, of industrial enterprises remained practically unchanged during the war. But this stability is entirely fictitious. The *costs* have soared to quite obvious inflationary heights. This arises from a multiplicity of causes : the drop in labor productivity, the disorganization of the transport system, the general rise in costs, the increased looting by the bureaucracy, the wearing out of machines, failure to repair them, and so on. A second increase in resale prices results this year from the raising of minimum salaries in industry.

We have very little data concerning the amplitude of this increased cost, but Schwartz's book, which we have already cited, contains the following figures for the building industry : in relation to 1940, production costs in 1944 had increased by 31.30 per cent in bricks ; by 20 per cent in hewn stone ; by 44 per cent in sandstone and by 26.5 per cent in timber. In order, in the first instance, to *maintain* the sale prices, in face of these increased costs, and in order to keep inflationary pressures as low as possible, the bureaucracy was compelled, doubtless counter to its own desires, to resort to two measures. First by reducing and then even eliminating the profits of the industrial trusts. This clearly appears from a comparison of taxes on the industrial profits, a component part of the Soviet state budget :

Taxes (in billion rubles)						
1939		*1940*		*1945*		*1946*
17.6	22.4	16.8	16.0			

Taking the inflation into account, we may estimate, without falling into error, that industrial profits have dropped to one-third of their prewar levels.

At the end of their tether, the enterprises began *raising their sales prices* in 1946, despite the government's cries of alarm. One after another, the trusts began demanding higher prices for their products, which led to a general price rise. This increase appears most clearly under the mounting *turnover* tax in the Soviet budget. Whereas during the war the total of this tax dropped to half of its pre-war level, denoting the formidable decline of Russian production, it was swollen in 1946 to 200.8 billion rubles, as against 92.6 rubles in 1939, while the *quantity* of the products on which this tax is levied dipped to less than *half* of the 1939 amount. (The budget figures were published in **Neue Zuercher Zeitung**, November 16, 1946.)

The extremely dangerous increase in cost prices was recognized by the bureaucracy in two ways. *Explicitly, as* was, for example, the case in the speech delivered in mid-October before the Supreme Council by the Minister of Finance, Zverev. His speech took note of the fact that soaring prices became manifest in the sector completely state-ized at a time when there was observable a considerable decline in the "free" market. This was also recognized *implicitly* in the systematic campaign unleashed by the Soviet press for raising the productivity of labor. *"More Production Per Capita and Per Year"* – that is the principal demand of the State Planning Commission's report at the beginning of 1947. (**The Observer**, March 2, 1947.)

It is not hard to understand the degree to which inflation *undermines* the planning. It was inflation that forced the bureaucracy to accept a "parallel" circuit of goods alongside of the planned circuit. It was likewise inflation that compelled the bureaucracy to proceed to a constant *revision* of the objectives and of financing, in the same measure

as the tendency toward the *uncontrollable* soaring of prices, which is beginning to manifest itself in Russia, renders planning virtually impossible. Under the conditions of muffled inflation, that is occurring in Russia, the problem of *investments* and of financing becomes extremely complicated. Taken as an entity, Soviet economy permits investments only in the measure that there is a reduction in the share of the masses in the distribution of the social product, that is, their consumption. On the financial plane, this finds expression in the fact that investments are being financed less and less by taxes on profits, while the turnover tax, which is levied on an ever smaller mass of consumer goods, has swollen to monstrous proportions. On this road, the bureaucracy quickly runs up against the *physical* limits of human endurance.

It would nevertheless be erroneous to conceive of Soviet inflation as a replica of the inflationist tendency that manifested itself in capitalist countries following the first and second world wars [12]. In these countries, inflation has its origin in the self-same manifestations of scarcity of consumer goods and of expansion of paper currency issued by the state to meet its expenditures. But this inflation received, after the termination of hostilities, a new impulsion owing to the "boom" in the sector of the means of production. This "boom" entails a general rise in prices, followed first by a stabilization, and then by a price decline in consumer goods. Despite appearances, we are witnessing an *inverse* process at work in the USSR today. It is not an increased demand for means of production that provokes price rises, but on the contrary it is the scarcity of the means of consumption that is at the bottom of the decline of labor productivity. The rehabilitation in Russia cannot be carried out except under conditions of low prices or of relative stabilization. Soviet "prosperity," in contrast to capitalist prosperity, has as its condition a low price level and not a high one. This specific character of the Soviet crisis brings us to pose in conclusion the problem of the specific causes for the Soviet crisis.

10. The Soviet Crisis

The Soviet crisis is not simply a crisis of re-adjustment and reconversion, as is represented by many bourgeois economists, "liberals" and Stalinophiles. It is, at bottom, a veritable *crisis of the regime*, and this in a twofold sense. It is a crisis of the regime of planned economy, to the extent that large scale destruction of the technological base of planning has provoked a massive return to individualistic forms of production. It is a crisis of the *bureaucratic* regime, of *bureaucratic* planning, to the extent that the absence of any equilibrium between the means of production sector and the means of consumption sector coupled with the absence of any control by the mass of producers results in a more and more accelerated decline in labor productivity.

It is unquestionable that the war and the vast devastation it wreaked upon the key regions of Soviet economy is, in the first instance, responsible for the present *acuteness* of the Soviet crisis. Doubtless it is likewise difficult to place upon the bureaucracy the responsibility for the terrible drouth ; it is rather necessary to note that the progress made in the development of productive forces in relation to Czarist economy and the economy of the NEP period has tended to restrict the scope of the disaster, as compared to what happened in 1891 or in 1921. But it nonetheless remains true that the sum aggregate of these extra-economic factors did nothing except *reinforce* and accentuate a tendency that has been operating in Soviet economy for many years before the war : the bureaucratic regime becomes more and more of an insurmountable obstacle in the way of solving the current problems of Russian economy.

The development of the productive forces was realized in the period of the ascent of capitalism through the cyclical movement of production, resulting from the accumulation of surplus value produced by the frenzied chase for profits ; it cannot be achieved within a post-capita-list society except through an impetus toward increasing of labor productivity and the improvement of the technique of production. This demands at a certain stage not only the enthusiastic cooperation of the mass of producers but also their conscious and coordinated intervention in the process of production. During the period of the first two Five-Year Plans, the bureaucracy was able to replace this motor force by borrowing foreign technological processes and by stimulating individual output. A relative rise in the living standards of

the masses, even if exceptionally slow and disproportionate with the over-all increase in production, permitted the bureaucracy to surmount the essential stages of industrialization as such. The new profound decline in the living standard of the proletariat, however, undermines completely the foundations of this policy. After having intensified his exertions first because of ideals and later because of self-interest, the Soviet worker cannot be constrained to exert himself except by means of terror. The fearful growth of the role of forced labor in Soviet economy – correctly noted by D. Logan in his article *Explosion of Bureaucratic Imperialism*, with whose conclusions, however, we do not agree – -is a graphic indication of the downward trend of the productivity of labor in Russia. The current remedy of the bureaucracy – cutting "normal" wages below minimum subsistence levels – is far removed from a solution to this problem, and tends, on the contrary, to render it more insoluble, to the extent that it brings greater pressure to bear upon the workers to procure supplementary resources outside the framework of planned economy.

The same thing holds true of technical progress as such. The objective comparison of technical procedures, the progressive substitution of methods requiring smaller expenditures of labor for those which require greater expenditures, is possible only through *disinterested* research, that is, in the final analysis, through the constant control of the masses over the directing personnel. The bureaucracy has been compelled to acknowledge that the chase after *personal gain* today constitutes the main stimulus for the industrial cadres. This cannot provoke anything else but the plundering of the economy's resources and the squandering of the productive forces, that is to say, a further lowering of labor productivity. When we consider the problem in all of its aspects, we cannot but arrive at one and the same conclusion : the elimination of the bureaucracy is the sole means of permitting a new and decisive progress of planned economy.

Does this mean that the bureaucracy will be incapable of surmounting the existing and especially acute phase of the crisis ? It would be imprudent to assert this. Having gained a breathing spell of a year and a half through the systematic pillage of its "strategic buffer zone," the bureaucracy now confronts the peasant threat with an industrial potential which is, despite everything, far superior to that of 1927 ; the absence of assistance from without will find its expression in the fact that the bureaucracy will once again try to unload the burdens of reconstruction on the backs of the Soviet masses. The problem of the solution of the *immediate* crisis becomes essentially a *social and political* problem. Although Russia passed through a very grave crisis toward the autumn of 1946, and although numerous reports have come of a strike wave such as was not seen in Russia for two decades, we lack any concrete indications that would enable us to answer the question of whether or not the Russian proletariat will find in the immediate future sufficient moral resources to launch a cohesive resistance against the pressure of the bureaucracy and of the peasantry. Just as on the world scale, there is henceforth a race between the tempo of the revolutionary regroupment of the proletariat, on the one side, and the tempo of the stabilization and the transition to a total offensive by the conservative forces on the other. The role of the Bolshevik-Leninist vanguard consists, in Russia as throughout the world, in speeding up by its conscious intervention this process of regroupment and revival of the revolutionary class consciousness of the proletariat.

March 15, 1947

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[1] Figures for 1937 production and the 1942 Plan are cited from Bettelheim. Figures for 1940 are taken from Stalin's election speech as quoted in **Les Cahiers de l'Economie sovietique**, issue No. 4 for April-July. Figures for '44, '45 and '46 were estimated from the data in **L'Economie**, February 2, 1947. The figures in this particular article are rather defective.

[2] **Les Cahiers de l'Economie sovietique**, No.4, April-July 1946, page 33.

[3] The data in these tables was compiled from : **Les Cahiers de l'Economie sovietiques**, No.4, pp.24-25 ; **Neue Zuercher Zeitung**, September 18 and October 18, 1946 ; H. Schwartz, **Prices in the Soviet War Economy** ; **Manchester Guardian**, February 26, 1947.

[4] The figure cited has been derived from data in issue No.4 of **Les Cahiers de l'Economie soviétique**. We have assumed that 1946 rents have not been increased, but this still remains to be confirmed.

[5] The children eat in school, and must pay for this canteen service a relatively small price. The increase from 75 to 150 rubles per child, in September 1946, is our own estimate.

[6] While paying rent only slightly higher than that paid by workers, the bureaucrats have at their disposal modern apartments, or quarters in the new buildings of the great cities, which are in any case luxurious compared with the rooms of workers.

[7] The administrative personnel eats in special dinings rooms, which are kept apart from the workers' canteens. They are more expensive but offer food that is far better and tastier.

[8] There is no diagram for Family Type IV.

[9] It is quite customary in many regions for workers to hire themselves out at wages set in advance for the construction of a house or a workshop, for work in a garden, or in a handicraft shop, or for a well-to-do peasant or a "townsman" in easy circumstances. Equally widespread is the phenomenon of poor collective farm peasants working for a daily wage in a "rich" *kolkhoz* (Leon Trotsky, **Revolution Betrayed**) ; or of the hiring of workers from nearby factories, after workhours, by factory directors who lack manpower and who are afraid of falling short of the plan. Bettelheim, in his book (p.33) cites a passage from **Pravda**, April 21. 1938, denouncing the hiring of outside labor for a cooperative by the collective farms.

[10] A government decree, carried by **Izvestia**, October 23, 1938, prohibited industrial enterprises within the collective farms ; but the scope of this text is not made clear. (Bettelheim, **op. cit.**, page 33.)

[11] At the same time that the Soviet government took the measures relating to the cooperatives, it decided to increase the plan figures for 1947 with regard to the means of consumption. Concurrently there came news of strikes in the Kuznets Basin, Stalingrad and elsewhere. Thus, in 1947 alone, 1,346,000 new spindles will be placed in operation, while the total envisioned originally by the Plan amounted to 2,860,000 spindles.

[12] I refer here to "normal" capitalist countries and to inflation which is produced on the basis of the "normal" mechanism of the economic laws. Run-away inflation which erupted after World War I in Germany and after World War II in Hungary, Rumania, etc., is a phenomenon that requires an independent study.

