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**SOCIAL ECONOMIC
PLANNING IN THE
UNION OF SOVIET
SOCIALIST REPUBLICS**

**REPORT OF DELEGATION FROM THE U. S. S. R. TO THE
WORLD SOCIAL ECONOMIC CONGRESS AMSTERDAM**

**AUGUST ²³⁻²⁹
1931**

**V. V. OBOLENSKY-OSSINSKY
S. L. RONIN
A. GAYSTER
I. A. KRAVAL**

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PREFACE.

Social economic planning as a method to be examined in the light of such experience as already exists, rather than as a proposal to be debated, was the subject of the World Social Economic Congress held in Amsterdam, Holland, August 23-29, 1931, under the auspices of the International Industrial Relations Association (I. R. I.) * The theme was further described in the full wording of the topic on the program as Social Economic Planning - The Necessity for the Planned Adjustment of Productive Capacity and Standards of Living. The report on social economic planning in the Soviet Union which is here issued as part of the material available in advance of the full publications, is a new printing of the pamphlet which was brought to the Congress and orally presented at the session on Experience in National Planning by the delegation of economists and representatives of planning institutions in the U. S. S. R. Its full significance will be better understood if its place in the Congress program as a whole be indicated.

Taking as its starting point The Paradox - Unemployment in the Midst of Economic Progress, the congress had before it statistical analyses of fluctuations in employment and unemployment from 1910 to 1930 in the United States, Canada, Australia, Great Britain, France, Germany and the Soviet Union, with notes on the industrial situation in China.¹ The other side of the paradox was pictured in statistics of the world's productive capacity during the same period.² These economic

* Address of Secretariat: 66 Javastraat, The Hague.

¹ The economists making these studies were Dr. F. C. Benham, of the London School of Economics and Political Science, who wrote the reports on Great Britain, France and Australia; Dr. W. A. Berridge, of the Metropolitan Life Insurance Company, New York, who reported on the United States and Canada; Dr. Susan M. Kingsbury and Dr. Mildred Fairchild, Bryn Mawr College, Pennsylvania, who reported on the Soviet Union; L. K. Tao and S. H. Lin, of the Institute of Social Research, Peiping, who prepared the report on China; and Dr. Robert Wilbrandt, Technische Hochschule, Dresden, who reported on Germany. These reports were interpreted for the congress at the opening session by Dr. Max Lazard, Paris.

² By Dr. Otto Neurath, Director, Social Economic Museum, Vienna.

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analyses revealed for all these countries recurrent unemployment, with the present situation characterized as the deepest depression in the period reviewed and indeed the most severe on record, except in the Soviet Union where the problem was shown to be shortage of labor, not unemployment. Even there, however, it was clear that standards of living, though shown to be improving, are far below what is desired. In other countries, such as the United States, where a higher standard of living has been attained, its insecurity, especially through prolonged periods of unemployment, is the characteristic problem. Thus the raising and the maintenance of standards of living in proportion to the increase in productive capacity was shown by these preliminary studies to be the vital social problem before modern industry today in all lands.

For all countries, indeed, the facts of the present situation reveal not merely a negative problem of how to escape from unemployment, but a larger task of economic organization, namely, how to balance productive capacity and purchasing power so that the goods and services of modern industry will be utilized. In other words, modern industry's own potentialities, growing out of the enormous development of technology involved in power as the basis of industrial mechanization, have created for the whole network of industry the problem of broadening the base of consumption. In other words, the question is: How can standards of living be raised in proportion to industry's growing productivity?

The idea which constituted the subject of the Congress is that this task of achieving balance between productive capacity and purchasing power or standards of living is to be accomplished by social economic planning, defined as a method of attaining balance between production and consumption by a rational integration of all branches of economic life. The significance of the word "social" is in its implication that the objective of this economic planning is the social task of raising standards of living.

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The sessions of the Congress were set up under the following main heads:³

- I. THE PRESENT PARADOX—UNEMPLOYMENT IN THE MIDST OF ECONOMIC PROGRESS
- II. PRINCIPLES AND PRACTICABILITY OF ECONOMIC PLANNING
 1. Principles and practice of Scientific Management: United States.
 2. Principles and practice of Scientific Management: Europe.
 3. The Problem of Planned Economy.
- III. EXPERIENCE IN NATIONAL ECONOMIC PLANNING
 - a. Agricultural. b. Industrial.Here was presented the report on Social Economic Planning in the U. S. S. R.
- IV. NECESSITY AND MEANS FOR INTERNATIONAL ECONOMIC PLANNING
 1. International Planning by Industries.
 2. Mass Distribution and Higher Standards of Living.
 3. The Functioning of the International-Financial System in the Economic World.
 4. Economic Service of the League of Nations.
 5. Experience and Potentialities in International Economic Treaties.
- V. STANDARDS OF LIVING—THE RESULTANT OF PRODUCTIVE CAPACITY AND BUYING POWER
 1. International Agreement on Labor Standards.
 2. Economic Policy of the International Labor Movement.
- VI. ROUND TABLE CONFERENCE ON THE WORKSHOP
 1. The starting point of discussion was the Industrial Employment Code in process of formulation by a committee of the Taylor Society, New York. As part of the discussion a paper was read by title on Human

* See full program with names of participants, reprinted in appendix, p. 161.

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Relations in the Electrical Industry in the United States and Canada.

2. The workshop as a unit in planning under different national systems (with general discussion by congress members from different countries).

VII. THE NECESSITY FOR WORLD SOCIAL ECONOMIC PLANNING— A SUMMARY OF THE PROCEEDINGS.

Thus having analyzed the facts of the present situation in order to define the problem - the Paradox - the program-makers sought for a record of experience bearing on planning in two main directions - in the principles, methods and practices of scientific management in the country of its origin, the United States, and on a national scale in the only country which so far has definitely undertaken the task of planning its total economy, the Union of Soviet Socialist Republics.

Scientific management was described as "a great stabilizing force". Stability, however, is not necessarily static, but may be conceived as "a state of moving equilibrium, like a ship at sea; regulated and ordered progress". This equilibrium is to be reached and constantly maintained by the continuous application "of the basic principles of research and standardization" whereby management "discovers, reconstructs, defines and co-ordinates the factors of a managerial situation, brings them under co-operative control, and thereby establishes relative stability."⁴

Historically, these principles have been developed and applied first in the small unit of a workplace, then to the workshop and later to extended individual enterprises. The extension has been a natural growth, due to the necessity of taking account of all the factors affecting stability. But thus far scientific management has been limited to enterprises having homogeneous control or ownership. Its principles, however,

⁴ Person, H. S., Principles and Practice of Scientific Management, p. 6. Printed for the 1931 World Social Economic Congress by the International Industrial Relations Association.

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namely research, standardization, control and co-operation, are available for use over a wider area. "But," said Dr. Person,

"there remains the inevitable question: Can society adapt this technique to the management of its industry on a still larger scale - collectively - at the same time preserving the values of individual initiative and self-expression as they have been heretofore preserved in the onward march of scientific management?"⁸

This question was further elaborated out of the experience of scientific management in Europe. Could these principles be made world-wide in their application? Further, could they be worked out contemporaneously in two systems, the capitalist system of the Western world and the communist system of the U. S. S. R.?

The companion paper to these two, on The Problem of Planned Economy, came to the conclusion that

"economic planning is a practicable method of economic guidance. Without passing judgment on the performance in the Soviet Union and allowing for the conditions which simplify the Soviet problem, the operation of the Five-Year Plan has gone far enough to prove the feasibility of the method in its particular Soviet form. Whether it could also work under a different set of institutions still has to be proved but there is a basis for a favorable presumption. It is based on the growing technique of statistical determination of both demand and resources, on the increasing concentration of directive authority today, on the effectiveness of our methods for organizing public opinion, and on increasing insight into the nature and process of machine economy."⁹

At this point in the program the report on Social Economic Planning in the U. S. S. R. was presented under the title: Experience in National Planning. It will be seen that at the outset this report took the ground that planning as envisaged in the Soviet Union is a comprehensive program of production and consumption possible only in a society which has socialized the ownership of the means of production. Indeed, the opening section of the report which is here issued denies the possibility of planning where private ownership

⁸ Ibid., p. 39.

⁹ Lorwin, Lewis L., The Problem of Economic Planning, p. 30. Printed for the 1931 World Social Economic Congress by the International Industrial Relations Association.

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prevails in a capitalist system. If for the moment this problem of control and ownership be ignored - though recognized as a fundamental point of difference - the report on methods of planning in the Soviet Union may be read as a "case" of scientific management applied to the economic life of a nation as a whole.

That the spokesmen for the Soviet Union were qualified by experience to speak on planning is shown in the list of the delegation:

Valery V. Obolensky-Ossinsky, head of the Soviet delegation to the World Economic Congress called by the League of Nations in 1927; formerly President of the Central Statistical Board of the U.S.S.R. (which is now incorporated in the Gosplan); member of the Institute for Economic Research of the Gosplan; and now engaged chiefly in individual scientific and literary work.

Solomon Ronin, member of the Institute for Economic Research and of the State Planning Commission (Gosplan); for which he is expert on questions of industrial planning and of financing.

Aron Gayster, Vice-President of the Agricultural Academy of the U.S.S.R. and member of the State Planning Commission; delegate at the International Conference of Agricultural Economists at Cornell University, Ithaca, New York, in 1930.

Ivan Kraval, Director of the Labor Research Institute and assistant in the Commissariat of Labor; an authority on labor questions in connection with planned economy.

Alexander Cohn, Director of the Institute for Foreign Trade; concerned particularly with problems of international economic relations.

It will be noted that the report on the Soviet Union is composed of four sections, each prepared by the delegate most competent to speak on that subject: (1) The Premises, Nature and Forms of Social Economic Planning, by Mr. Ossinsky, assisted by the staff of the Institute for Economic Research of the Gosplan; (2) Planned Economy in Operation, by Mr. Ronin, with the same assistance; (3) The Planning and Development of Agriculture, by Mr. Gayster; (4) Labor in the Soviet Planned Economy, by Mr. Kraval. The fifth member of the delegation, Mr. Cohn, did not prepare a written report in advance, but took part in the discussion, especially on questions related to international commerce and finance.

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These reports will best speak for themselves. But having in mind the emphasis given to certain points in them through discussion at the Congress, it may be useful here briefly to stress certain aspects which are particularly significant.

First, it may be said that the Five-Year Plan is not the whole of Russian planning, nor is planning itself the whole of communism. Indeed, communism as envisaged in Russia has not yet taken final form, but rather is in process of becoming - an organism developing, as the Russians believe, from historical necessity. In its development, social economic planning is the process of administering socialized production to achieve a given aim. The leading aim or social purpose is determined by the Communist Party and the government; it is defined in Mr. Ossinsky's report as "the general aim of constructing a socialist society on the basis of the maximum development of productive forces and the systematic improvement of the material conditions of the workers." (p. 58) This general aim is then redefined in terms of a leading aim for each period - five years or one year or one month or even five days, according to the unit and period of planning which is being worked out.

The second point which is important to note is the methodological principle implied in the word "balance". The significance of this word in economic life is being given a new content by the development of the technique of planning in Russia. Mr. Ossinsky said: "the method of balancing, subordinated to the leading aim of the plan, is the fundamental method of social economic planning." (p. 62.) Balance works itself out as between demand and supply of the chief consumption goods, as between factors in production such as grain and fodder, raw materials, fuels, metals, construction materials, equipment and labor and, finally, the balance of the unified financial plan.

It has been said that the Soviet Union is independent of such conditions as are involved in price-setting in capitalist countries.

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But in answer to this suggestion this report emphasizes the absolute necessity of what is called the "business basis" of planning. The report on The Nature and Forms of Social Economic Planning declares that

"the socialist business basis is the foundation of the plan and the lever for its accomplishment. It is a great mistake to believe that adherence to the business basis, i.e., aspiring to attain the greatest possible economic results for the least expenditure, is characteristic only of private capitalist economy. The socialist business basis differs essentially from the capitalist business basis, but it is a feature of socialist economy as it is of every rational economy." (p. 27.)

Finally, attention may be called to the impression made by these reports as a whole, namely, that the plan is not merely an array of figures on paper, but a living process in which the figures are merely the record, and they are subject to change as day-to-day developments translate them into reality. As the report of the Soviet delegation points out: "all the work of planning is so constructed that it combines the concentrated will and aim of the working class organized as a whole with the local initiative of masses of workers in each subordinate economic unit." (p. 58.) It is safe to say that the methods of planning in force today could not even have been predicted in their detail fourteen years ago. Technique has developed with growing experience and it changes as industrialization proceeds.

The report of Mr. Kraval, representative of Russian labor, illustrates this point in that it shows the development of workers' participation in planning, which was not included in the original technique of planning. He says: "These means for maintaining workers' discipline are possible in the Soviet Union because the workers themselves are the organizers of production." (p. 129.) Speaking at the congress, Mr. Kraval pointed out that forced labor can exist only when one man exploits another. But if you are your own master, "force is the same as though you were riding on yourself". Nevertheless, accepting this theory of workers' control through

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ownership has not been the last word in Russian experience. It is another evidence of the point just made that experience in planning in Russia is the realization of an idea. In the actual methods of planning itself, counter planning has been put forward to give the individual his place. Mr. Kraval's report again says:

"The most important problem of socialist competition has been to get the industrial-financial plan individualized for every department, every worker, every machine in the factory. It was necessary not only that the working class as a whole should direct industry but that every individual worker should understand his part in the total scheme of production and the connection between his own work and that of other workers in the same or allied branches of industry. It was only when that stage had been reached that we were able to achieve results whereby the workers, utilizing all the internal possibilities and resources of the plant, could play a decisive role in the drafting and execution of the production plan." (p. 128.)

In the course of discussion at the Congress many questions were raised by members from other countries. The wish was expressed that greater emphasis had been laid upon mistakes and defects in planning, since these are a valuable part of any experience. The delegates from the Soviet Union replied that study of mistakes and defects is a constant process in the plan, but that on this occasion they were seeking to present the positive, constructive aims of the Soviet system, rather than the difficulties, which they were ready to say had been very great. In fact, it was shown that the whole system had been built up through continuous sacrifice and with tremendous effort. After fourteen years the task is not finished, but the basis of the system is not regarded as an experiment.

The great need now, in the opinion of the delegates from Russia, is that those outside of Russia should understand the new system. Through such understanding, they declare, the peaceful co-existence of the two systems becomes possible. Moreover, such understanding is vital to the preservation of peace and the welfare of humanity.

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The Congress did not end with the presentation of Russian experience. As the program shows, subsequent sessions dealt with the international organization of industries, the international finance system, and the governmental organizations for international co-operation, particularly the League of Nations and the International Labour Organization. This is not the place, however, to sum up the discussions along these lines. The purpose here is to introduce these reports on experience in national planning in the Soviet Union. The Amsterdam Congress was the first occasion when representatives of the Soviet Union have come out of Russia to give to the Western world their account of the actual methods of planning as part of the Soviet system. The materials which they prepared for the Congress, interesting as they are, must be regarded merely as a beginning of the full record which ought to be made available for other countries on the increasingly substantial experience of the Soviet Union in social economic planning. The aim, then, in publishing this material for American readers is twofold: first, to contribute to a clearer understanding of the new system of a nation covering one-sixth of the globe, with potentialities of far-reaching importance in the world's commerce; and second, to make these reports available in the United States for those who wish to be informed of the Russian experience in its bearing upon the problems involved in attaining a balance between production and consumption. The facts brought together in the program of the 1931 World Social Economic Congress indicate that this problem of balance requires the working out of methods for remedying the insecurity and inadequacy of standards of living as a task both for national action and for international co-operation.

New York, November 1st 1931.

MARY VAN KLEECK.

Chairman, Program Committee,
1931 World Social Economic Congress.

Vice-President in the United States of the
International Industrial Relations Association.