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ECONOMIC PLANNING IN SOVIET RUSSIA

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With a Foreword by
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FOREWORD

It can hardly be said that the intense interest with which, for more than fifteen years, all the world has been watching the developments in Russia has been rewarded with an amount of instruction at all commensurate with the space it has occupied among the topics of general discussion. Few of those who have been following the ever-increasing stream of literature on the subject can have felt satisfied that they ever really knew what was happening in that country and a great many have by now practically abandoned the attempt to form a clear opinion of the results so far achieved. It is fashionable to speak of it as the great experiment and to emphasize its importance for the future of the human race, but how many who use these phrases really know what the whole thing actually means.

To some degree this unsatisfactory state of affairs is due to the political passions involved which inevitably deprive much of the available information of reliability. But this cannot fully account for the existing situation. During the last few years there has certainly been no lack of dispassionate attempts at a serious examination of the problem, and yet in most cases the outcome has been singularly inconclusive. About the central problem, the advantages or disadvantages of centralized economic planning, the difficulties which the Soviet Government has met and the degree to which it has

solved them, our knowledge has not much increased. The reason for this is the extraordinary scarcity of information on which conclusions of this sort could be based. The difficulties which have to be overcome in this respect are so immense that only an investigator of quite exceptional qualifications could hope to overcome them.

But among those who have been attracted to such investigations, the majority have lacked even the first requisite for really successful researches—mastery of the Russian language. Where most of the really relevant information has to be laboriously collected from occasional statements in internal Russian discussions, and where all information made available in foreign language is notoriously misleading, it is impossible for anyone who does not possess a full command of the language to hope to get very far. But a qualification no less important but much more rare is such an intimate knowledge of the country, its history and institutions, and of the psychology of its people, as will enable the observer to separate what is specifically Russian and independent of the system by which that country is at present governed, from the consequences which can be said properly to derive from the existing system. It is not really surprising that most of the accounts of modern Russia hardly penetrate at all below the surface. No doubt as the impressions of intelligent men they have a certain interest. But they certainly contain little answer to the main question.

But beyond this there is a further qualification necessary. Even the most careful study of the Russian facts cannot lead very far if it is not guided by a clear conception of what the problem is; i.e. if it is not undertaken

by a person who, before he embarks on the investigations of the special problems of Russia, has arrived at a clear idea of the fundamental task that economic planning involves.

It is improbable that anyone but a Russian economist will ever combine the qualifications required for the successful conduct of such a study. But the number of Russian economists who still really know their country and who at the same time are in the position to speak freely about the present events has become very limited. Among those who remain the author of the present volume may claim to speak with special authority. Professor of agricultural economics at Petersburg from 1907 to 1922 and long recognized as one of the first authorities on Russian agriculture, Professor Brutzkus has followed the developments with an active interest at close quarters. In his book on the *Agricultural Development and Agricultural Revolution in Russia*[1] he has given us a most illuminating and certainly not unsympathetic account of the trends that led to the Revolution. From the very beginning of the new regime he devoted himself to an intense study of the tasks it had set itself, and as early as 1920 he produced, under circumstances which he describes in his preface, the remarkable survey of the economic problems raised by socialism, which in a slightly abridged English translation forms now the first part of the present volume. If one reads it to-day, in the light of the developments that have since taken place in Russia and of the extensive discussions

[1] This work was published in German. Its original title is *Agrarentwicklung und Agrarrevolution in Russland.* Mit einem Vorwort von Max Sering ("Quellen und Studien" herausagegeben vom Osteuropa-Institut in Breslau, Abt. Wirtschaft) Berlin, 1926.

which have been devoted to the problem of collectivist planning,[1] one is still struck by the extraordinary clarity with which at that early date its author had grasped the really central problems. Together with the works of Professor L. Mises and Max Weber, which appeared in Germany only a few months earlier, this book must indeed be regarded as one of the chief of those studies which initiated the modern discussion of the economic problems of socialism.

This critical analysis of the problems of socialism assumes special significance from the fact that it deals not only with socialism in general, but also with the concrete problems of a country which for more than a dozen years has actually had to try to solve the problems. The attentive reader who keeps in mind the date when it was written will again and again be struck by the extraordinary foresight shown by the author and the degree to which his predictions have been verified by actual events. Not only the more spectacular changes of economic policy which have occurred during the period but also many of the minor events in the history of the Russian experiment are clearly foreshadowed in his discussion. This is clearly demonstrated in the second part of the volume where the developments of the past fifteen years are analysed.

For some time after the publication of this criticism Professor Brutzkus was still allowed to remain in the country, and for a time in 1922 he even acted as chairman

[1] An account of these discussions together with a collection of translations of the more important critical studies of the economic problems of socialism by continental writers will appear simultaneously with the present book in a companion volume under the title *Collectivist Economic Planning*, edited by F. A. Hayek.

of the agricultural planning commission for the Petrograd district in the people's commissariat for agriculture. But at the end of that year he was compelled to leave the country and settled in Germany where, for a period of ten years, he was Professor at the Russian Scientific Institute at Berlin, a position which he lost after the National Socialist Revolution. This position enabled him, however, to follow events in Russia closely and to study all aspects of the further economic developments of that country in great detail. Numerous publications (mostly in German) which appeared during the course of this period bear witness to the uninterrupted attention which he devoted to every phase of that phenomenon. A short study reviewing the results of the First Five Year Plan, which appeared in 1932, has attracted particularly wide attention.[1] In the second part of the present volume he has now elaborated this into a more comprehensive survey of economic planning in Russia from the revolution to the present time. It seems to me that in it he has succeeded in throwing more light on the history of this experiment than any other work known to me. His familiarity with the Russian scene has enabled him to draw on relatively inaccessible sources which, just because they were not prepared for foreign consumption, tell more about the actual situation than volumes of official statistics. Yet, as the reader will notice, the fragments of information from which he pieces together his surprisingly complete and illuminating picture are all gathered from statements from the most authoritative sources. I do not hesitate to place his work as it is now collected in the present volume in

[1] *Der Fünfjahresplan und seine Erfüllung*, Leipzig, Verlag Deutsche Wissenschaftliche Buchhandlung, 1932.

the very first rank of the really scientific literature on present-day Russia. It is to be hoped that in its English form it will have the same success as its German predecessors.

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Political Science.
October 1934.

PART I

THE DOCTRINES OF MARXISM IN THE LIGHT OF THE RUSSIAN REVOLUTION

(1920)

PREFACE

THE ideas set forth in these pages matured in my mind during the early years of constructive communism in Petrograd. I was first given the opportunity of enlarging upon them in August 1920, when I lectured to an academic audience in that city. The communist government, intoxicated by its successes in the counter-revolution, had promised to deal promptly with all economic problems now that its hands were free to do so. It was at this moment of its greatest triumphs that I put forward my contention that the system of Marxian communism, as then conceived, was—quite apart from the conditions produced by the war—intrinsically unsound and must inevitably break down. My lecture aroused much interest, and I repeated it several times in private.

Before long the retreat of communism had set in. In March 1921, Lenin had no choice but to announce the New Economic Policy (N.E.P.), which entailed the rejection of " natural socialism " and the reconstruction of an economy based on money.

There seemed to be some hope just then of a revival of non-communist literature. Certain private firms in Petrograd showed signs of great activity and, what was more, a few non-communist newspapers were permitted to appear. I therefore decided to have my articles on socialism printed in the *Economist*, a journal which the Russian Technical Society had been publishing since the end of 1921, under the title, " The Problems of National

Economy under the Socialist Order." I hoped that the spell of Marxism might now be broken, after the bitter experiences undergone by the communists, and that a contemporary Russian criticism of socialism might prove interesting at this juncture. And this time my faith in the tolerance of the communists was justified. My treatise ran through three numbers of the journal and only a few controversial paragraphs were suppressed by the censor.

But, alas, this "lucid interval" of tolerance was of short duration. By the summer of 1922 the censorship had been tightened, and after the double number IV–V of the *Economist* appeared, further publication was forbidden and the existing copies were seized from the bookshops. When the communist congress met in August of that year, Sinoviev proclaimed a spiritual war against the bourgeois ideology. Act I of this "spiritual war" consisted in mass arrests of Intellectuals in Moscow and Petrograd. Early on the morning of August 17th, 1922, a large portion of the editorial staff of the *Economist*, including the present writer, were lodged in the notorious prison of the former Cheka in the Gorochovaya Street.

These prisoners had nothing to do with politics as such. They were professors—of philosophy, jurisprudence, economics, even higher mathematics—or well-known publicists and literary men who had hardly had a chance of publishing anything for four years back. But to be non-political is no protection against violence in a communist state, where not only deeds, but opinions can be regarded as criminal. Still, the communist rulers behaved with unusual leniency on this occasion, for we were merely ordered to quit the country with all possible haste. Trotsky, who at that time played the leading

part in political life, described the Soviet Government's attitude towards us as "preventive humanity". He little knew that the same fate was to overtake him a few years later. "Learned ideologists", he wrote in the *Pravda*, "are not at present dangerous to the Republic, but external or internal complications might arise which would oblige us to have these ideologists shot. Better let them go abroad therefore." The German Government responded very kindly to our request for visas and we were thus enabled to conform to the Soviet's orders.

In publishing in a foreign country the essays which I wrote on socialism at that time, I have thought it right to refrain from any alterations or additions based on the more recent literature on this subject; for this could only spoil the character of a criticism of socialism that is unique in that, by chance, it was published under Soviet rule.[1]

Since the transition to the N.E.P., Soviet Russia has shelved for the time being the idea of natural socialism. But the system has not been definitely overthrown in that country and still less is this the case in other countries, where socialism is still thought of as a system with a no-money basis. I therefore feel entitled to express my confidence that this brief essay, written under the direct impression of the tremendous Russian upheaval and consisting of a criticism of natural socialism and the economic theories of Marxism bound up with it, will be found to have retained its actuality in the English version.

[1] All I have permitted myself is the insertion of certain passages suppressed by the censor and the addition of a final paragraph, which though a logical sequel to the whole could not have been printed in Russia.