

12735

By L. E. Hubbard
**SOVIET MONEY
AND FINANCE**

12s. 6d. net

"This is a very important book. Mr. Hubbard has brought to bear upon some of the most interesting economic issues raised by Soviet planning a happy combination of expert knowledge both of Russia and of the theory and practice of banking. He writes, moreover, with a cold objectivity which is still too seldom found among economists who dabble in Soviet experience."

—ECONOMIC JOURNAL

"The merit of this book is that it is the most comprehensive and up-to-date work on Soviet financial planning available in English, and is written by one who is thoroughly acquainted with Russia and her language."—THE ECONOMIST

"The author approaches his subject in an admirably temperate and scientific spirit, equally far removed from uncritical eulogy and one-sided criticism. His conclusions are based on a solid foundation of tested facts and statistics. It is a book that no serious student of Soviet economy can afford to overlook."

—MANCHESTER GUARDIAN COMMERCIAL

Dhananjayrao Gadgil Library



GIPE-PUNE-012735

**SOVIET TRADE
AND DISTRIBUTION**

**SOVIET TRADE
AND
DISTRIBUTION**

**BY
LEONARD E. HUBBARD**

**MACMILLAN AND CO., LIMITED
ST. MARTIN'S STREET, LONDON
1938**

X:55.58.N4

G8

12735

COPYRIGHT

PRINTED IN GREAT BRITAIN
BY R. & R. CLARK, LIMITED, EDINBURGH

AUTHOR'S NOTE.

IN *Soviet Money and Finance*, published in 1936, I described the financial system of the Soviet Union, mainly as it affects State and national enterprise. But the rouble plays as important a part in the life of the ordinary Soviet citizen as does the currency of any country in the lives of the people ; and in *Soviet Trade and Distribution*, in addition to describing the organisation and mechanism of distribution, I have tried to show how the flow of goods and their prices are related to the purchasing power of the money incomes of the people. If I have dealt with the various distributive organisations and their particular functions in somewhat tedious detail, it is because I thought it worth while to make a complete record of a system that is certain to undergo many important alterations before it attains any degree of permanent stability.

A great deal of the contents of this book is based on principle, particularly in regard to planning, and must not be accepted as an accurate description of what is done in practice. The whole economy of the Soviet Union is run on a compromise between theoretical planning and expediency. Since no Soviet official or employee dare admit that planned procedure is not always carried out, it is only by occasional hints and chance peeps behind the scenes that the foreign investigator begins to realise how different are Plan and Practice.

In attempting to give an objective description and analysis of any branch of Soviet economy, the difficulty is to strike a fair balance between scepticism and credulity. It would be too arbitrary to reject all official statistics and statements as worthless; on the other hand, to accept them without qualification would give a very misleading and far too favourable complexion to the situation. It seems to me, on the whole, better to give a too optimistic view of Soviet trade than to risk being over-critical and so render the system less than justice. Besides, even if theory is far from being completely translated into fact, the theories and principles on which the distributive system is organised and operated are in themselves of no little interest. I have therefore proceeded on the supposition that the Soviet distributive system is more or less organised and operated in accordance with theory, but have been careful to indicate where personal observation or a comparative analysis of official facts and figures reveal obvious discrepancies between principle and practice.

CONTENTS

INTRODUCTION	PAGE 3
------------------------	-----------

PART I

THE EARLY PHASES

CHAPTER I

THE ORGANISATION OF DISTRIBUTION	9
The Revolution—Requisitioning from the Peasants— The Decline of Money—The New Economic Policy—Begin- nings of State Trade—Co-operative Distribution.	

CHAPTER II

LIQUIDATION OF PRIVATE TRADE AND THE BEGINNING OF PRICE CONTROL	18
The Sales Crises—Measures against Private Enterprise —Development of Planning—Rising Prices.	

PART II

PLANNED DISTRIBUTION IN THE FIRST FIVE-YEAR PLAN

CHAPTER III

RATIONING	29
Increasing Capital Investment—Official Reasons for Rationing—Ration Categories—Numbers of Population in Receipt of Rations—Standard Rations.	

CHAPTER IV

RETAIL TRADE UNDER RATIONING	36
Abolition of the Market—Increase in State and Co-opera- tive Distribution Points—Free or Non-rationed Goods— G.O.R.T. and O.R.S. Organisations.	

CHAPTER V

	PAGE
THE WHOLESALE DISTRIBUTIVE SYSTEM	41
Industrial Selling Organisations—Reorganisation of the Wholesale System—The Prombazy—Wholesale Trade at the End of the First Five-Year Plan.	

CHAPTER VI

THE STATE AND THE PEASANTS	46
State Purchases of Grain—Peasant Contracts—Excessive Requisitions caused Peasants to slaughter Cattle—Collecting Organisations—Decentralised Collections.	

PART III

THE SECOND FIVE-YEAR PLAN

CHAPTER VII

TRANSITION	55
Beginning of Commercial Trade—Food Shortage in 1933—Commercial Trade absorbs Surplus Purchasing Power—Abolition of Bread Rationing.	

CHAPTER VIII

STATE DEPARTMENTS OF INTERNAL TRADE	61
People's Commissariat of Supplies—People's Commissariats of Internal Trade and Food Industries.	

CHAPTER IX

THE CO-OPERATIVE SYSTEM	70
Types of Co-operative Societies—The Consumers' Co-operative Societies at the Beginning of the Soviet Régime—Reorganisation after Abolition of Rationing—Structure of the Co-operative System—Democratic Constitution of Co-operative Societies.	

Contents

ix

CHAPTER X

	PAGE
THE DISTRIBUTIVE SYSTEM AT THE CLOSE OF THE SECOND FIVE-YEAR PLAN. I	79
§ A. <i>Industrial Wholesale Organisations</i> Factory Warehouses and Prombazy.	
§ B. <i>State Retail Organisations</i> The Torg Retail System—Types of Torg Shops—Special Retail Organisations—Department Stores—Provision Shops.	

CHAPTER XI

THE DISTRIBUTIVE SYSTEM AT THE CLOSE OF THE SECOND FIVE-YEAR PLAN. II	91
<i>The Co-operative Organisations</i> The Village Consumers' Co-operative Society—District Co-operative Unions—Producers' Co-operative Societies.	

PART IV

THE ORGANISATION OF DISTRIBUTION

CHAPTER XII

PRINCIPLES OF PLANNING	103
Goods produced for Consumption not for Trading Profits—The Object of Rationing—Bureaucratism and Red Tape in State Enterprise—Planning Methods after Derationing—“Planned”, “Regulated” and “Unplanned” Goods—Plans often merely Paper Schemes.	

CHAPTER XIII

THE PRACTICE OF PLANNING	116
How the Individual Enterprise makes its Plan—Contracts between Manufacturing and Trading Enterprises—Goods made to order—Plans do not always correspond with Reality—Degree of Independence of Individual Enterprises and Shops—Unplanned Turnover—Planning in the Rural Co-operative System.	

CHAPTER XIV

THE FINANCE OF TRADE	126
Credit to finance Stock Turnover—Trading Enterprises must possess some Turnover Capital of their own—Turn-	

over' Periods for Different Commodities—Terms of Repayment of Bank Credit—Accounting System—the State Bank should enforce Financial Discipline—Short-term Credit to Consumers' Co-operative Societies—Profits of State Trade.

CHAPTER XV

THE FREE MARKET. I 139

Peasant Trade

Pre-War Peasant Bazaars—The Peasant Market under N.E.P.—Restrictions on Peasant Trading during the Rationing Period—Official Reorganisation of Open Peasant Market—Money Turnover of Peasant Market—Source of Supplies of Produce sold in the Market—Market Prices of Foodstuffs.

CHAPTER XVI

THE FREE MARKET. II 150

Co-operative and Private Enterprise

Luxury Trade in hands of Co-operative and Private Enterprise—Trades and Professions open to Private Individuals—Co-operative House Building—Goods Exchanges supplement Planned Distribution.

CHAPTER XVII

STATE GRAIN COLLECTIONS 161

Requisitioning of Grain through Compulsory Contracts—Standard Compulsory Deliveries introduced in 1933—Payment in Kind to M.T.S.—The Milling Tax—The Different Crops subject to Compulsory Delivery—State Purchases of Marketable Surplus—Premiums over Standard Price for Increased Sales—"Stimulation" Funds or Preferential Sales of Manufactured Goods to Peasants voluntarily selling Large Quantities of Produce to the State—Distribution of Marketable Surplus of Grain Harvest.

CHAPTER XVIII

"DECENTRALISED COLLECTIONS" 175

State and Co-operative Organisations allowed to purchase Foodstuffs direct from the Peasants—Government control of Prices by Means of Price Bureaux—Number and Types of Organisations allowed to purchase Peasant Produce—Village Co-operative Societies act as Purchasing Agents—Decentralised Collections play a Small Part in Total Trade in Agricultural Produce.

PART V

SOME ECONOMIC ASPECTS OF SOVIET TRADE

CHAPTER XIX

THE PRICE SYSTEM	PAGE 191
----------------------------	-------------

The Rouble is a Unit of Amount for expressing Prices—
Effect of Supply and Demand on Prices—Price Zones—
Reasons for Differential Regional Prices—The Disposal of
Trading Profits.

CHAPTER XX

TRADING COSTS AND PROFITS	201
-------------------------------------	-----

Planned Turnover and Planned Prices determine Planned
Profit—Reasons for Low Ratio of Trading and Overhead
Costs—Items in Total Costs—Soviet Trade yields very low
Paper Profits—Bureaucratic Red Tape and Waste.

CHAPTER XXI

DEMAND AND SUPPLY	211
-----------------------------	-----

End of Rationing compels Trading Enterprises to study
Demand—Soviet Government should plan Production to
give Maximum Satisfaction to the Consumers—Different
Classes of Demand—Industry does not always plan Production
according to Requirements of Trading Organisations—
Industry tends to Manufacture Goods that show Highest
Ratio of Planned Profit, irrespective of Effective Demand—
Increasing Production of Secondary and Luxury Consumers'
Goods to satisfy Higher Class Demand—Average Peasant
Income—Changes in Peasant Demand for Manufactured
Consumers' Goods.

CHAPTER XXII

DISTRIBUTION OF SHOPS IN RELATION TO POPULATION	224
---	-----

Total Numbers of Retail Outlets—Retail Turnover per
head of Population—Peasant Purchases in Urban Shops—
Specialised Shops—Population per Retail Outlet—Geo-
graphic Differences in Provision of Shopping Facilities.

CHAPTER XXIII

THE RISE OF CLASS SHOPS	239
-----------------------------------	-----

The Beginning of Class Discrimination in Shopping
Facilities—"Commercial" Shops cater mainly for Better

Class Demand—The Large Department Stores—"Model" Shops run by Industrial Commissariats—The Local Torg Shops cater for the Rank and File of the Urban Population—Shop Inspectorate to protect Customers.

CHAPTER XXIV

SHOP PERSONNEL 249

Salaries and Wages in Distributive Enterprises—Educational and Cultural Qualifications of Shop Assistants—Soviet Trade employs very few Pre-War Shopkeepers and Assistants—Commercial Educational Institutions—The Consumers' Co-operative University—Efforts to improve the Cultural Standard of Shop Assistants—Hours of Work—Wages partly based on Piece Rates.

PART VI

THE SOCIAL DIVIDEND

CHAPTER XXV

THE WORKER'S REMUNERATION 259

The Theoretical Difference in Kind between Capitalist and Socialist Wages—The Soviet Worker does not consume the Full Amount of his Output any more than does the Capitalist Worker—Differentiation introduced into Soviet Wages to stimulate Labour Productivity—Elements of a Labour Market in Soviet Industry—Wages in Different Industries are influenced by the Relative Intensity of the Demand for Labour—Incomes of Kolhozniki are not Wages.

CHAPTER XXVI

NOMINAL WAGES AND REAL WAGES 269

Difficulties in calculating Movements in Real Wages—Great Rises in the Retail Prices of Ordinary Consumers' Goods—Estimated Supply per head of Manufactured Goods and Foodstuffs—Proportion of Retail Goods sold at Ration Prices—Rise in Money Wages compared with Rise in Cost of Living—Real Purchasing Power of the Average Wage—Increases in Absolute Output of Consumers' Goods—Value of Industrial Production disproportionately expanded by Increased Manufacture of Luxury Goods—Sales Tax artificially increases the Money Turnover of Retail Trade—Average Wage bought no more in 1936 than in 1928.

CHAPTER XXVII

THE PEASANT AS PRODUCER AND CONSUMER PAGE 289

The Russian Peasant has always been exploited—Value of a Pud of Rye in Terms of Manufactured Goods in 1936 compared with 1913—Total Money Income of the Peasant Population—Marketable Surplus of Agricultural Production—Proportion of Grain Crops compulsorily bought by the Government—Compulsory Deliveries of Other Products—Sales of Produce on the Free Kolhoz Market—Kolhoz Dividends in Money and Kind—The Average Money Income of the Kolhozniki—Agricultural Contribution to Total National Income—Pre-War Money Income of Peasant Households compared with Soviet Conditions—Food Consumption per head of Agricultural Population compared with Industrial Proletariat—Proportion of Total Supply of Manufactured Goods allotted to Peasant Population—Government's Monopoly Profit on Compulsory Purchases of Agricultural Produce.

PART VII

CONCLUSIONS

CHAPTER XXVIII

SOCIAL-ECONOMIC PROBLEMS 309

Socialism should theoretically afford a Better Standard of Living to the Masses than Capitalism—Marx's Fallacies—Cost of Industrialisation under the Soviets—Planned Investment compared with Principle of *laissez faire*—"Cost" of Capital in the Soviet System—Enormous Capital Investments show a very Insignificant Yield in Consumers' Goods—The Ownership of Capital in Soviet Russia—Soviet Counterparts to Capitalist, Entrepreneur and Labour—The Real Status of the Soviet Industrial Worker—The Soviet Government alone is responsible for planning Decisions—Planning demands meticulously Complete and Accurate Statistics and Accounting—The Difficulty of correlating Plans and Actual Needs—Planning may be undertaken on False Premises—How Labour is distributed among Different Industries—Forced Labour enables Undertakings of Doubtful Economic Value to be carried out—Results of Ill-considered and too Rapid Introduction of Complicated Machinery—Mechanisation of Agriculture causes Peasant Unemployment—A Considerable Proportion of Total Workers earn mere Starvation Wages—Doubts whether Employment could be found for all at Wages affording a Decent Standard of Living.

CHAPTER XXIX

	PAGE
WHAT BOLSHEVISM HAS ACCOMPLISHED	333

Socialism in Practice has not changed Human Nature—The Relations between the Individual and the Community—Inherent Antagonism between Peasant and Industrial Worker has not been solved—The Economic Groups in the Soviet Union—Privileged Position of Communists—Decline of Party Supremacy—Rise of a Bourgeois Élite—Higher Income Bourgeois Groups defend their Privileges from Attack from Below—Concrete Achievements of the Soviet Régime—Economic Crises not avoided—Planning has not substantiated Claims of Absolute Superiority.

APPENDICES

1. DIAGRAM OF DISTRIBUTIVE SYSTEM	349
2. PRINCIPLES OF PLANNING	350
3. COMPULSORY GRAIN DELIVERIES	353
4. DECENTRALISED COLLECTIONS	357
5. COLLECTING ACTIVITIES OF SELPO	360
6. PEASANT INCOME	362
7. AGRICULTURAL YIELDS	364
8. THE KOLHOZ STATUTES	365
9. SOVIET STATISTICS	368
10. THE ARTEL	371
GLOSSARY	373
REFERENCES	377
INDEX	379

INTRODUCTION

B

INTRODUCTION

COMMUNISM as contemplated by the original Bolsheviks can exist only in conditions of equal poverty or of wealth sufficient to gratify all desires. But poverty makes no appeal to the ordinary human being and the Russian Communists never adopted it as their guiding principle. Greed and envy, they said, flourish in conditions of poverty and inequality. To abolish these it is necessary to produce wealth in such volume that all members of the community are fully satisfied and there are no "have nots" to covet the possessions of the "haves". Precisely how this wealth when available is to be distributed is not explained. There will be no money, because money being the measure of what the individual earns, is also the measure and limit of what he may consume. And when Communism has been established consumption will not depend on earnings but on the inalienable right of each member of the community to receive according to his needs.

Whether a Communist society can more successfully gratify all the desires of every member of the community than a system based on private property still lacks proof, for in the Soviet Union so far there is no question of satiety. On the contrary many legitimate desires and even needs of the community cannot be satisfied, and the fundamental principle of Communism, "from each according to his capacity, to each according to his needs", now reads

Introduction

—“to each according to his worth”.

So Soviet workers still earn money wages varying widely from the salary of the highly qualified, highly paid expert, to the subsistence wage of the rank-and-file labourer. In this there is no apparent difference between Soviet Russia and any other country, and in fact in most material things the Soviet worker is in the same position as his capitalist opposite number. In theory he may have an infinitesimal share in the country's means of production; but in practice he is just a hired hand in one of the many State enterprises liable to penalties and dismissal. According to Trotsky, “State property becomes the property of the whole people only to the degree that social privilege and differentiation disappear, and therewith the necessity of the State”.⁽¹⁾ In Soviet Russia all State property and enterprises are administered by the Government through its various departments and subordinate organisations. The Government is thus the employer of all those employed in State enterprises. But it combines the rôle of employer with that of provider, for the worker spends the wages he earns as a State employee in buying from State shops.

The only satisfactory way of distributing the available flow of consumption goods among the members of the community, in accordance with the value of their respective labour, is to allow the consumer to spend his income on those goods which he considers most desirable. The rationed distribution of goods, a temporary expedient when little more than the bare necessities of life were available, was abandoned when the volume and selection of

Introduction

consumption goods afforded a reasonable margin of choice. But the Soviet Government when reverting to free retail trade was not prepared to permit the consumers to dictate the production of consumers' goods. The central planning of production and distribution precludes a free commodity market : and consequently a distributive system has been evolved differing in many important respects from trade as carried on by private enterprise in capitalist countries. Soviet internal trade as carried on to-day and the different wholesale and retail organisations have evolved gradually as the result of trial and error since the beginning of the Soviet régime. It is therefore impossible to deal with the existing system without some survey of the developments that led up to it.

PART I

THE EARLY PHASES

CHAPTER I

THE ORGANISATION OF DISTRIBUTION

WHEN the Bolshevik revolution arrived at the beginning of November 1917, Russia had been at war for three years and had already seen another revolution only a few months before. These events had disrupted the economic organisation of the country, industry was in a state of collapse, transport was chaotic, and trade and finance were thoroughly disorganised by the currency inflation practised by the Provisional Government, which in eight months had practically doubled the note issue. No sooner had the Bolshevik Party established the Soviet Government than it found itself involved in civil wars, supported by Allied intervention, which lasted until 1921. For the first few months after seizing power the Soviet Government was unable to make any serious attempt to organise supplies for the general population. Grain and some other essential commodities were declared State monopolies and requisitioned for the use of the Red Army and the workers engaged in making munitions.

In April 1918 the first important step was taken towards organising a system of State distribution of consumers' goods; all the co-operative societies and their stores were converted into a Government trade apparatus, and later on membership of a consumers' co-operative society was made compulsory for the urban population, to whom were

The Early Phases

issued ration cards entitling them to obtain a very limited ration at their particular store. Foodstuffs were requisitioned from the peasants, who received practically nothing in exchange, and private trade was prohibited. A few train-loads of agricultural machinery, textiles, soap, nails, etc., were despatched in April to Western Siberia, the Volga and North Caucasus for distribution to the peasants, but this had little effect in stimulating grain deliveries, and practically all that was procured in this way was required for the army. As a matter of fact the urban population, except the factory workers, who received the greater part of their wages in the form of foodstuffs, managed to survive largely through bartering their possessions with the peasants for food. This was illegal, and many townsmen returning from foraging expeditions in the country had their booty confiscated, and not a few who resisted were shot. By February 1921 it was declared that socialisation was complete. Private trade had been exterminated, and the peasants were compelled to surrender to the Government all supplies of foodstuffs over the necessary minimum for their own consumption.

At the beginning of 1921 it seemed that the Soviet Government was well on the way to realising its ideal of a moneyless State in which the State would distribute goods to and perform services for the population in return for labour performed, and in which the peasantry would supply foodstuffs and raw material in return for supplies of manufactured goods. The destruction of money by inflation was commenced under the Tsarist régime, which under the pressure of the War had begun to resort to the

The Organisation of Distribution

printing press in 1915. By the end of 1916 the note circulation had expanded to 474 per cent of July 1914 and the retail price index was 235 per cent of 1913. Under the Provisional Government the circulation was further increased and by November 1917 was 1201 per cent of July 1914, while retail prices were more than ten times the 1913 level. When the Soviet Government came into power in November 1917 the circulation of the old Imperial notes and the new notes issued by the Provisional Government amounted to R.17,578 million. After twelve months of Bolshevik Government the circulation was increased to R.51,526 million and by the beginning of 1921 it exceeded R.1,000,000 million, and the price index published by the Bureau of Labour Statistics was 16,800 (1913=1). The purchasing power of this mass of paper was equivalent to about R.70 million compared with about R.3000 million in August 1914, and it was calculated that in July 1921 the yield to the Treasury from the issue of paper money did not cover the cost of printing and the upkeep of the Treasury.

Already in February 1919 it had been decreed that the medium of exchange was in future to be known as "Sovznaki" or Soviet Accounting Tokens and not as money, and the more extreme section of the Bolshevik leaders expected the early demise of a monetary currency. In fact at the close of 1920 the Commissariat of Finance ventured to declare that it anticipated a progressive depreciation and finally the complete disappearance of money, which was not an unreasonable forecast since the budget revenue in 1920 consisted almost

The Early Phases

entirely of receipts of commodities. Then on 16th March the hastily convened tenth Congress of the Communist Party resolved to adopt a "New Economic Policy". The immediate cause of this was the revolt of the armed forces at Kronstadt on 2nd March in protest against the economic situation and the oppression of the peasants. The first decree inaugurating the new system was issued on 21st March limiting the peasants' liabilities to a fixed tax in kind, after which they were at liberty to dispose of the rest of their produce as they pleased. But this did not prevent the famine of 1921, caused by the decline in peasant sowings in the autumn of 1920 and the failure of the spring rains in 1921.

The concessions made to the peasants were followed by measures legalising private trade and the restoration of money as a medium of exchange, though no attempt was made, nor apparently suggested, for an immediate stabilisation of the currency. Wages were no longer to be paid in kind and payment for State and municipal services were revived, including rent for dwelling space in nationalised houses. Towards the end of 1921 direct taxes on the urban population were reintroduced, and in May 1923 the peasants were permitted to pay their tax either in kind or in money calculated at the Government's purchasing price of grain. A rapid revival of trade, however, was hindered partly by the disastrous harvest of 1921 and partly by the Government's further inflation of the currency. The tenth Congress of the Communist Party had appointed a special financial committee under the presidency of Preobrazhensky to work out the

The Organisation of Distribution

details of the New Policy. Preobrazhensky held the theory that in the initial stages of revolution the proletariat must accumulate capital by the exploitation of the peasantry, and to do this he proposed a deliberate issue of paper money as a means of procuring the necessary commodities from the peasants. This policy was followed, and during the first eleven months of 1921 17,404,000 million roubles, or about 550 car-loads of paper notes, were distributed. But the results were almost as unfavourable to the State as to the peasants, and in October it was decided to establish a State Bank with the right of issuing bank-notes backed by a metallic reserve.⁽²⁾ The new currency unit, the so-called "Chervonetz", based on the gold content of the pre-War 10-rouble coin, began to circulate towards the end of 1922 side by side with the rouble notes issued by the Commissariat of Finance until the spring of 1924, when the two issues were amalgamated. But though during this period the Soviet rouble continued to depreciate in relation to the Chervonetz, the existence of a stable unit in which accounting could be conducted permitted a reorganisation of trade on commercial principles.

The New Economic Policy did not, of course, reinstate private owners in possession of nationalised enterprises; it merely legalised private trade, and to a small extent private industry as complementary to socialised enterprise. Private enterprise naturally gravitated towards trade, for one reason because industry requires more fixed capital which nobody possessed, and for another, the employment of hired labour was risky; private employers had to pay higher wage rates than the State, and as "ex-

The Early Phases

plotters" of their fellow men might at any moment find themselves in serious trouble. Private trade was, as a rule, carried on by individuals on a very small scale; thus in 1926 43·8 per cent of the retail trade of the country was in private hands, but private trading enterprises formed 83·6 per cent of the whole; about 68 per cent of all private enterprises were mere stalls or one-man shops, and only about 4 per cent had more than four sellers, and these as often as not were probably members of the family and not hired employees. In wholesale trade private merchants in 1925-26 handled only 7·1 per cent of the whole turnover. State manufacturing enterprises occasionally found it convenient to buy raw material from private merchants who had succeeded in buying flax, hides, etc., from peasants. A great obstacle to private wholesale trade was the high railway freight charged on privately owned consignments, even when they were carried at all.

Private industry took the form mainly of individual artisans and handicraftsmen making clothing, footwear, wooden and metal goods, etc., by hand or with the simplest machinery. The employment of up to three hired assistants was permitted without the employer incurring penalties, but enterprises on a larger scale were severely taxed. Before the War the Kustar (peasant artisan) output of consumption goods, such as homespun linen, leather goods, samovars, furniture, etc., had been a big element in the total supply, and during the period of the New Economic Policy, when factory production fell much below the pre-War level, Kustar industry helped to fill a very large gap.

All large-scale industrial enterprises were

The Organisation of Distribution

nationalised soon after the revolution, but at first they carried on independently. During the early period before the New Economic Policy, industrial enterprises were supposed to receive from the State the raw material and consumption material required not only for the production of goods, but for the subsistence of their workers. In many cases, after using up their existing stocks of material, factories ceased work because fresh supplies could not be obtained. With the introduction of the New Economic Policy factories manufacturing the same class of goods were concentrated into Trusts, which controlled the commercial activities and policies of the factories, leaving the factory managements to devote their energies entirely to the internal business of production. The buying of raw and consumable material and the sale of the finished goods for all the factories in a Trust were carried out by special independent State organisations called Syndicates, in which the Trusts usually held a portion of the capital. The Syndicates were thus linked to the industrial system, while State and co-operative trade came under the Commissariat of Supplies, which later became the Commissariat of Trade. Wholesale enterprises of the State trading system, known as Torgi, were organised on a Provincial basis, and administered by the Provincial Governing Bodies. These dealt on the one hand with the Syndicates and on the other with the local consumers' co-operative, the agricultural co-operative and industrial co-operative societies and the private retailers. To the co-operatives and private retailers they sold the manufactured goods supplied by the Syndicates, and from the various

The Early Phases

co-operative societies they purchased agricultural produce and raw material and the products of rural industry for re-sale to the Syndicates, the urban co-operative societies and the State retail organisations. At the same time they were instrumental in procuring raw material locally or from other districts for the industrial co-operatives.

The consumers' co-operative system, which, as mentioned above, was made a State organisation in 1918, membership being compulsory and free for all urban residents, was by a decree of 7th April 1921 restored to its independence. Membership became voluntary and membership fees and contributions were reimposed, while the administration of each society was transferred to a management committee elected by the members. Owing to the inflation the co-operatives had lost practically all their liquid capital, for while they were virtually State institutions their chief business was to distribute rations without payment on behalf of the State, and money had played a very small part in their activities. Now, when they had to buy a supply of goods before they could re-sell them to their members, they had no money; the Government, therefore, had to come to the rescue with credit and grants of money and goods. In the following November, however, State assistance ceased and the co-operatives thenceforth had to stand on their own feet. All consumers' co-operative societies were affiliated to the central organisation, known as Tsentrosoyuz, which after State support was withdrawn arranged credit facilities and acted as a sort of clearing centre, buying and holding stocks of industrial manufactured goods for distribution throughout the

The Organisation of Distribution

co-operative system and acting as buyer for the State of produce and raw material from peasant producers. Tsentrosoyuz was also largely instrumental in purchasing foodstuffs from rural co-operatives for redistribution among the urban co-operatives, and thus filled an important place in supplying the town population with food.

The organisation of distribution as described above lasted during the period of the New Economic Policy, or up to 1928. But during this time the Government was gradually working out its system of planning. There was never any intention that the liberal attitude towards private enterprise should be permanent. The existence of a more or less open commodity market was permitted as a mere breathing-space, during which the Government could consolidate its economic position and create State organisations capable of conducting the distribution of goods more or less efficiently. As State economic institutions and enterprises gained experience and strength the Government's attitude towards private trade and the open market naturally became less and less indulgent. The successive stages in the Government's trading policy, which culminated in the complete suppression of private enterprise and in a system of price-fixing, will be described in the next chapter.

CHAPTER II

LIQUIDATION OF PRIVATE TRADE AND THE BEGINNING OF PRICE CONTROL

PERHAPS the most striking result of the currency inflation and the Government's early attempts at price control was the so-called "Sales Crisis" in 1923 when the industrial Syndicates found it impossible to dispose of the whole output of their Trusts at current prices. There was no question of demand being saturated, for industrial output was still far below pre-War level; it was simply that the purchasing power of the population was insufficient to purchase the full industrial production. In 1922 the Government collected by way of tax over seven million tons of grain or about 75 per cent of the pre-War sales on the domestic market.⁽³⁾ For this, of course, the peasants received nothing. The industrial and town population being supplied with bread by the State had no reason to buy large quantities of grain on the open market and, there being no export to absorb the surplus, the market price of grain fell, diminishing the peasants' purchasing power. At the same time industrial wages were very low, on the average not more than half the real value of pre-War wages. Consequently both the agricultural and non-agricultural sections of the population possessed a very low purchasing power, while industrial costs of production were not only increased by various causes

Private Trade and Price Control

such as the poor state of machinery for which spare parts had long been unavailable, but by inefficient administration and uneconomic use of material. There seems also to have been a deliberate inflation of prices by some industries, proposing by exploiting the consumer to replenish their working capital dissipated during the early years of the new régime. The root of the trouble seems to have been, partly at least, an attempt on the part of Government and State enterprises to accumulate capital resources too rapidly by limiting the purchasing power of the consumers so that consumption fell below production.

The crisis lasted for three months, February to April, in each of which the volume of retail trade was considerably smaller than in January. Afterwards sales rapidly improved till, by the end of the year, the turnover was three and a half times as great as in January. This result was due to the Government's insisting on a reduction of prices, and to some extent was brought about by restricting credit to those enterprises which had allowed their stocks of goods and merchandise to accumulate unduly.

By 1924 industry and distribution had become re-established on stable lines, though production and consumption were still much below pre-War. Taxes were mainly collected in the form of money, the State purchasing grain and industrial raw material from the peasants at fairly low prices, it is true, but still at prices which the peasants were willing to accept without direct compulsion. The Government, however, possessed in its control of railway transport a strong weapon to prevent

The Early Phases

competition by private buyers. By making it impossible or extremely difficult for private buyers to get their produce into the cities, it effectively discouraged private buying. Peasant Kustari and rural industrial co-operatives were in the market for agricultural raw material, such as hemp for rope-making and sunflower seeds for oil-crushing, and since they paid relatively satisfactory prices from the peasants' standpoint, the production of these crops increased much faster than flax, for example, of which the chief buyer was the State and for which low prices were paid.

The Government possessed in addition to its control of transport the power of deciding what areas should be supplied with industrial goods and in what quantity. As a matter of principle, consumers' goods produced by State industry were distributed in the Provinces according to the quantities of agricultural produce offered to the State buying organisations. In 1925-26 consignments of textiles, leather goods, sugar, agricultural implements, etc., were sent to the Ukraine, North Caucasus and the Volga provinces on the understanding that certain specified quantities of grain should be sold to the Government. A system of contracts was devised under which, in return for manufactured goods, the peasant co-operatives undertook to provide a given quantity of grain. This was another blow against private trade, which even if it offered higher prices for agricultural produce, was not always able to supply the goods the peasants wanted.

In each succeeding year the Government's distribution plans covered a larger area and a greater proportion of the total output. In 1926 about 80 per

Private Trade and Price Control

cent of the output of State industry was affected by the plan, though the assortment of goods for despatch to different areas and their distribution among the various trading organisations was left to local agreement. Later, not only the total volume of goods, but their assortments and the proportion destined for the various forms of retail trading organisation, were specified in the central plan. The more detailed and more comprehensive the plan became, the more restricted became the opportunities for private enterprise; that is to say, trading in merchandise and not, of course, the direct sale of produce or the products of cottage industry by the producer to the consumer, which continued on a fairly large scale until it was declared illegal and its suppression attempted early in the first Five-Year Plan. As private trading became less necessary in the interests of the consumers, that is to say, as State co-operative trade expanded and improved, the taxation on private shopkeepers was increased, the list of goods they might buy from the industrial Syndicates was reduced, and the prices they had to pay raised in relation to the prices paid by socialised trading organisations. A sharp fall in the number of private enterprises was the natural result; whereas in 1926 there were 538,000 registered private traders, less than 400,000 remained by the middle of 1928, and in 1927-28 the turnover of private trade had sunk to 23·4 per cent of the whole. The fact that the turnover declined proportionately more than the number of enterprises shows that the repressive measures were more effective against the comparatively large enterprises than the small and insignificant men. That so many persisted until

The Early Phases

1928' was partly due to the fact that the Nepmen were denied alternative means of livelihood. A private trader was practically outlawed. He and his family were excluded from other employment because no trade union would grant them membership, while the children of a private trader were denied education. The only Nepmen, who possibly in the long run did not suffer severely for their temporary prosperity during the heyday of the New Economic Policy, were those who accumulated large savings and invested them in Government loan bonds yielding 12 per cent tax free. Whether in fact any really succeeded in saving sums large enough to yield a respectable income is very doubtful. A few experienced and clever pre-War business men, who during the New Economic Policy engaged in private commercial or financial activities, when private enterprise was suppressed became unofficial brokers or agents for State enterprises. Their position was, of course, illegal and more than a little risky, but they filled a useful purpose in bringing together enterprises with surplus stocks to sell and enterprises whose planned supplies were insufficient or not forthcoming. They were, therefore, permitted to exist and made a more or less comfortable living out of the commissions they earned. To-day they have probably found legitimate employment in State enterprises, for the ban on Nepmen and members of the old bourgeois class was relaxed after the completion of the first Five-Year Plan, and the better efficiency and organisation of State trade has rendered the services of private negotiators and brokers less necessary.

While the Soviet Government from 1924 or 1925 followed a deliberate policy of suppressing private

Private Trade and Price Control

enterprise by indirect means, private trade was not in itself illegal, and it was not until the first Five-Year Plan was well advanced that penalties were imposed on private traders as such. Of course, during the period of the New Economic Policy private traders were often punished by fines or imprisonment for technical breaches of the law ; for instance, in respect of wages rates and conditions of employment when they employed hired assistance, for tax evasion, etc. A shopkeeper who was believed to have made any considerable profit out of his business was practically certain to be charged on some pretext or other and was lucky if he managed to save any of his property. But the large profits that could be earned, even towards the end of the period, attracted adventurous and alert traders, most of whom had served their apprenticeship before the War. While it was out of the question to undercut the State and co-operative shop prices, there was nearly always a shortage of something or other, and the private shopkeeper who had been acute enough to anticipate the shortage was able temporarily to make very large profits. The private shops, too, gave better service than the socialised institutions, where insufficient sales personnel and the complicated system of payment made shopping a tedious and aggravating business.

Between 1923 and 1925 retail prices were based on what the traffic would bear. The Government, it is true, kept the town prices of food down by paying low prices for agricultural produce and, in this way, killed two birds with one stone ; the industrial workers, on whom the Soviet Government depended politically, got cheap food while the

The Early Phases

peasant consumption of manufactured goods, being artificially restricted, left more for the urban population. But though the Government tried to keep prices as low as possible, supply and demand were allowed to have their effect in retail trade and to a considerable extent in wholesale exchange. Theoretically wholesale prices should have been determined by production costs, but, when these fell as the result of improved efficiency, manufactured prices were not lowered in sympathy. Industrial enterprises thus retained the surplus profit instead of passing it on to the consumers in the form of lower retail prices. As a matter of fact retail prices tended on the whole to rise during the whole period until rationing was introduced.

The theory of planning views the fluctuations of market prices as a product of a primitive economic system ; for when money is freely convertible into goods, the degree of satisfaction obtainable by the holder of a given sum of money depends on prevailing prices. Distribution as planned may therefore be upset by a change in the price level as a whole or by changes in the relative prices of different things. But while money is the mechanism by which planned distribution is effected, price alone can determine the precise goods equivalent of a given sum of money. Prices must be subordinate to the plan, that is, they must conform to the plan and not the plan conform to prices. For example, it would be no advantage to the peasant producers to get a higher price for their crops unless their increased receipts were accompanied by an increase in the supply of manufactured goods. The prices paid by the State to the peasants should afford the

Private Trade and Price Control

latter just sufficient purchasing power to buy the supply of manufactured goods and services made available at the fixed prices, which should in effect be based on actual costs. At the same time, the prices paid for the various sorts of crops should be fixed so that the stimulus to grow each particular crop results in the production of the desired quantities of each. In the course of the years 1927-28 to 1931-32 the Government's purchasing prices for grains and flax were increased proportionately much more than prices for oil seeds, potatoes and wool, the reason being that the low prices formerly paid for grain and flax in the absence of private buyers had resulted in a smaller marketable surplus being produced.

Between 1927 and 1929 the wholesale price index of agricultural produce rose, according to the State Planning Commission, from 1566 (1913=1000) to 1650, while owing to an improvement in the efficiency of industry industrial wholesale prices fell a trifle during the same period. An important cause of the rise in agricultural prices was the subdivision of the larger peasant farms. The campaign against the Kulaks was a frequent reason for a farm being cut up and divided among the members of the household. Just before the War there were about 18 million peasant farms and households, while in 1928 there were 24.6 millions,* the gross production being approximately the same. This meant the

* The increase in the number of peasant households was accompanied by an increase in the density of the rural population in many of the grain-growing regions. Thus the population per 100 Desyatins of utility land, excluding forests, in the Ukraine rose from 56.1 in 1916 to 65.2 in 1923 and in Central Russia from 61.4 to 70.1.

The Early Phases

production of a smaller marketable surplus, though the urban and industrial population was rapidly growing. Thus the initial attempts of the Government to plan distribution by means of price control were not very successful. In order to induce the peasants to grow more produce for market, prices had to be raised, and in order to make this effective the supply of goods to the countryside had to be increased. It is worth noting that during the years 1927-31, that is, while the individual peasant farmers still produced the greater part of the total agricultural produce, the sales of consumption goods in the country increased by 102 per cent against 71 per cent in the towns, while between 1931 and 1934, that is, after the greater part of the individual peasants had been collectivised, retail sales in the country were not quite doubled, while in the towns the turnover expanded by about 140 per cent.

The rise in prices for agricultural produce naturally caused a rise in food prices to the industrial population, compelling the Government to grant increased wages. This rendered the fulfilment of planned reductions in production costs difficult, if not impossible. It was clear that the first Five-Year Plan, which officially opened on 1st October 1928, would be endangered unless a much stricter control of prices could be achieved, for unless the retail prices of food, which naturally greatly influenced wage rates, could be kept within limits, costs of industrial production were certain to rise and interfere with the plans for industrial development. These were the main considerations behind the decisions to introduce rationing and to force the collectivisation of the peasants.

PART II

**PLANNED DISTRIBUTION IN THE
FIRST FIVE-YEAR PLAN**

CHAPTER III

RATIONING

THE period of restoration of Soviet economy was regarded as completed in 1928. The time had arrived to begin the reconstruction of the National Economy on purely socialist principles. On 1st October 1928, the first Five-Year Plan came into operation and officially ended on 31st December 1932, the second Five-Year Plan nominally beginning on 1st January 1933.

As we saw in the previous chapter, the retail price level was already showing a distinct tendency to rise before the Five-Year Plan opened. The Plan provided for a much higher rate of capital investment and a more rapid increase in the number of workers employed in industry than during the closing years of the New Economic Policy. Much more money would be distributed among the population, but the supply of consumers' goods could not be increased to correspond, largely because the Plan allotted by far the greater part of the country's foreign exchange resources to buying foreign producers' goods and to hiring foreign experts to supervise the creation of new large-scale industrial plants. Light industry consequently was starved of imported raw material and had to carry on with old pre-War plant. In a free retail market prices would inevitably have soared to heights recalling the currency inflation of ten years before.

The First Five-Year Plan

In these circumstances some system of direct or controlled distribution was necessary, firstly to prevent the retail prices of essential consumption goods rising too sensationallly, and secondly, to secure as high a standard of consumption as possible to the industrial proletariat, on whom depended the fulfilment of the Government's ambitious industrialisation plans.

Rationing appeared first in Leningrad, where the City Soviet in November 1928 adopted a resolution "for the introduction of ration books for the distribution of bread". It took some time to effect all the preliminaries, and it was not till March 1929 that the system came into operation.

On 19th February the Moscow City Soviet adopted a resolution to introduce rationing: "for the purpose of assuring a normal supply and maintaining the current price level for the working population of Moscow, and for preventing the diversion of foodstuffs to other than consumers' needs the Executive considers it necessary to adopt a number of measures directed to regulating the supply, in the first instance, of bread. It therefore recommends the Presidium of the Soviet to bring into effect a system of supplying bread to the working population against ration books and to issue bread to the non-worker population at increased prices: as regards other deficit goods, to continue the practice of preferential issue to members of co-operative associations. In addition to these measures the Executive recommends the Presidium to work out a series of measures to assure the adequate provisioning of the workers and Government employees and the indigent sections of the peasant population."

Rationing

As a result of this decision the Moscow City Soviet instructed the Moscow District Union of Consumers' Co-operatives to establish ration books for the following categories of consumers :

- (1) Worker-members of consumers' co-operative societies belonging to the Moscow District Union of Consumers' Co-operatives.
- (2) Workers not being members of a Consumers' Co-operative.
- (3) Other members of the labouring masses being members of Consumers' Co-operatives.
- (4) Non co-operative labour.

In the first part of 1929 the rationed distribution of bread had been introduced in Moscow, Leningrad, Odessa, Kiev and Kharkov, and as time went on the system was extended throughout the whole country. In the second quarter of 1929 rationing was applied to sugar and later to other commodities. The chief foodstuffs and the dates at which they were brought into the ration system in Moscow were :

Foodstuffs	Date
Bread	March 1929
Sugar, tea, groats, vegetable oil and butter	April „
Herrings	September 1929
Meat	October „

Among other rationed commodities were : potatoes, eggs, macaroni, preserves, pastry and sweets.

Rationing of non-foodstuffs was also begun early in 1929 (in Moscow textiles and soap were rationed in April), and by 1931 the rationing of most essential consumers' goods to the urban population was general. The supply of industrial goods set aside for

The First Five-Year Plan

rural consumption was distributed by districts according to the results of the grain collections, preference in distribution to individuals being given to poor peasants, members of co-operative societies and peasants who were the earliest to sell their grain to the State and co-operative collecting organs. In order to stimulate the cultivation of cotton, grain was supplied to the peasants of the cotton-growing regions of Central Asia in proportion to the amount of cotton they produced. Cereal foodstuffs were also supplied to peasants engaged in fishing, fur-trapping, timber-felling and so on in order to relieve them of the necessity for growing their own food supply. The distribution of foodstuffs to this class of consumer was not organised on a basis of individual ration cards as in the case of the industrial workers, but supplies were made available to the collective body or co-operative in proportion to the quantity of produce, goods, or services supplied or rendered to the Government by the peasants collectively. It is therefore impossible to say accurately how many persons received food from the Government at ration rates under this system; but it is estimated that, in all, some 25 million peasants and dependents may have been thus entitled to Government food rations.

The number of proletarian workers, including dependents, drawing food rations is more precisely known. These numbered—

In 1930 . . .	26.0 millions
„ 1931 . . .	33.2 „
„ 1932 . . .	40.3 „
„ 1933 . . .	39.0 „
„ 1934 . . .	40.3 „

Rationing

In 1934, just before rationing began to be discontinued, there were nearly 70 million persons receiving Government rations of bread and cereal foodstuffs. Meat, butter, eggs, etc., were distributed only to the higher ration categories of industrial workers; while the peasant categories received nothing but bread, flour or grain with, possibly, a small quantity of sugar.

When rationing was first introduced the amount of the rations was not standardised, but varied in different places in accordance with local needs, neither was the population classified in different ration categories. Everybody who was a member of a consumers' co-operative society (and that embraced practically the whole of the employed population as well as certain remnants of private enterprise such as droshky drivers, cobblers, working tailors and so on) was entitled to buy rationed goods at his co-operative shop. In the spring of 1930 the first step was taken towards standardisation, all towns being classified in two categories, later increased to four, according to the amount of the standard ration. The larger the town the more abundant was the ration, because normally the smaller towns had better opportunities of buying food direct from the surrounding villages or from peasants in the street markets. At the same time Tsentosoyuz laid down a standard model for ration books issued by the co-operative societies and these were issued only to persons employed by the State, public bodies and the various co-operative organisations. These, including dependents, numbered about 26 millions; and since the total urban population in 1930 was only a little more than 30

The First Five-Year Plan

millions it would seem that the majority of town-folk could obtain at least bread at ration prices.

In 1931 the issue of ration books was taken over by the Government and entrusted to the town Soviets, and this marked an important change in the system, for the ration book holders were classified into several categories according to their economic value to the State; industrial workers, pre-eminently those employed in heavy industry, receiving the best rations both as regards quantity and variety.

In December 1932, under a Government decree, the issue of ration books to industrial workers was transferred to the factory administrations. This gave the managers of all employing enterprises a stranglehold over their workers, because on dismissal the worker was deprived of his ration book. The preferential treatment of the industrial workers is indicated by the following: in Moscow in 1930 the worker-class formed 34 per cent of the whole population, but it consumed the following percentages of the total amount of the commodities distributed under the ration system :

Bread	.	47	per cent
Groats	.	56	„
Macaroni	.	56	„
Meat	.	47	„
Herrings	.	55	„
Butter	.	43	„
Vegetable oils		45	„

The quantities of the principal foodstuffs contained in the official ration for Moscow in April 1930 were—

Rationing

Foodstuffs	For Manual Workers	For Non-manual Workers
Bread . (grams per day)	800	400
Meat . (grams per month)	4400	2200
Sugar . " "	1500	1200
Tea . " "	25	25
Butter . " "	300	300
Herrings " "	1200	800

Ration books were primarily designed for food purchases. Other goods were distributed in different ways; the standard ration book for members of co-operative stores contained coupons for such things as soap, sewing cotton, and sometimes for articles of clothing and boots. In the case of workers in large enterprises supplied from the factory store, such things as boots, suits and overcoats could be bought only on an order issued by the management. As a rule a worker could obtain an order for an important purchase, such as an overcoat, after not less than six months' employment.

The number of rationed manufactured articles increased up to the middle of 1931, while the list of rationed foodstuffs reached its apex in April 1932. Although only "deficit" goods were supposed to be rationed, up to 50 per cent of all manufactured goods distributed by the consumers' co-operative system in the towns were rationed during 1931 and 1932, and the proportion of rationed foodstuffs was still higher.

CHAPTER IV

RETAIL TRADE UNDER RATIONING

THE abolition of markets, the compulsory delivery of produce by the peasants at fixed prices and the controlled distribution of consumption goods, also at fixed prices, seemed to foreshadow a return to the principles of War Communism.

The Left Wing of the Communist Party tried to interpret the new system as the prelude to the abolition of money and, in fact, the way in which the retail distributing organisations, primarily the consumers' co-operative societies, carried out the new system was very much like direct distribution. But the Government, or rather the ruling section of the Communist Party, were too cautious to try doubtful experiments, especially after their experience of War Communism. All purchases of rationed goods had to be paid for, although the prices were fixed without regard to supply and demand. The shops, of course, never had to think about demand when indenting for supplies; they were rather in the position of a regimental quartermaster or ship's paymaster who, knowing his ration strength, knows exactly what quantities of supplies he must draw from his depôt. Shop managers knew approximately, if not always precisely, the number of their customers and their various ration categories, and could therefore calculate how many pounds of bread, meat, etc., they would have to

Retail Trade under Rationing

provide every day or every week. It was no concern of theirs whether their customers might prefer beef to mutton, butter to margarine, or fish to eggs ; the ration was so much meat, so much fats, etc., and the customer had to take what was given him. The same applied to non-foodstuffs ; so long as boots, clothing, etc., were sufficient to meet the ration demand, size, fit, colour or pattern were of small moment. The customer could buy or not as he chose ; there was always someone else who would.

At the beginning of the ration period by far the largest distributive system was the consumers' co-operatives ; later on State trading organisations increased, and eventually in 1936 entirely superseded the co-operative system in the towns. The following table shows the number of shop units and the total turnover of the State and co-operative systems during the years 1930-33 :

	State		Co-operative	
	No. of Trading Units	Turnover in Millions of Roubles	No. of Trading Units	Turnover in Millions of Roubles
1929-30	23,612	4,110	158,712	12,400
1931	14,727	6,547	139,409	18,178
1932	39,547	12,995	157,423	22,509
1933	72,964	16,850	185,356	21,240

In 1929-30 the State system accounted for only 13 per cent of the total number of shops and 25 per cent of the total turnover, but in 1933 for 28 per cent of the shops and 44 per cent of the turnover.

The decline in the number of shop units in 1931 was due to the closing or amalgamation of small shops which could not be brought into the rationing system. The remarkable expansion of State shops

The First Five-Year Plan

in 1933 was due to the formation of the O.R.S. organisations, which will be described shortly, and the recovery of both systems in 1932 was largely due to the wide extension of communal feeding, that is, restaurants of a kind, and dining-rooms under both systems which were statistically included among trading enterprises.

The co-operative shops were better adapted to the rationing system because they were already organised on a membership basis, while the State shops had been accustomed to sell to all and sundry. After rationing was introduced, the co-operative shops continued to sell "free" goods to non-members and those State shops selling "free" goods continued to do so. The list of "free" goods included "cultural" articles, such as musical instruments, writing paper, pictures; some articles of food of a luxury nature, such as wines, caviar and canned foods; and what the Russian calls *galantereya*, including more or less what is comprised under the word haberdashery, such as ties, collars, lace, ribbons, etc. But the State shops formerly dealing in textiles, clothing, boots and other rationed goods had to be brought into the ration system. They were, therefore, converted into "closed" shops, that is to say they sold only to their own particular customers whose ration books were valid only in that particular shop. Most State shops in the towns were under the State Department for Retail Trade, from whose initial letters G.O.R.T. the shops took their name. As a general rule G.O.R.T. shops were organised for the upper classes, Government officials, administrative officials in the industrial Trusts, banks, etc., the higher technical personnel

Retail Trade under Rationing

such as engineers, scientific workers, university and high-school teachers and so on.

Each category, at least in the big centres, had their own special G.O.R.T. shops in which both the quality and quantity of the rations varied, the best being those supplying members of the Government, People's Commissars and the leading members of the Communist Party. Another form of G.O.R.T. was the "Insna" for supplying the needs of foreign experts employed in State enterprises.

The urban co-operative shops were broadly divided into two classes, general town shops for the lower ranks of Government officials, clerical staffs, municipal workers, etc., and the special factory shops for the exclusive supply of the workers in a single enterprise. In 1932 a large proportion of the factory co-operatives was transferred to a new State organisation known as the Department for Workers' Supplies, from whose initials O.R.S. the shops took their name. The O.R.S. shops were put under the management of one of the factory directors, generally the Senior Deputy Manager, who was responsible for obtaining supplies, issuing ration books and the general administration of the shop. In most cases the factory O.R.S. also included dining-rooms for the factory staff and workers. Meals taken in any communal feeding establishment were in addition to the worker's ration and did not form part of it. Many O.R.S. also ran their own farms for providing vegetables and dairy produce.

In 1934 there were 2514 O.R.S. farms with a total area of nearly 6.5 million acres, owning about 250,000 cattle and about 370,000 pigs. At the same

The First Five-Year Plan

time the sales turnover of the O.R.S. system was about 16 per cent of the total retail turnover in the whole country. When rationing was abandoned the O.R.S. system, having lost its chief reason for existing, was gradually re-absorbed into the general State retail system and the O.R.S. farms were distributed among their neighbouring collective farms.

CHAPTER V

THE WHOLESALE DISTRIBUTIVE SYSTEM

IN 1929 the industrial Syndicates (described in Chapter I) were liquidated and their place taken by commercial departments or offices, called Sbyty, set up by the various industrial Trusts. In 1930 there was a certain revival of Left Wing theories which held that in a planned socialist economy a wholesale link between the producing enterprises and the retail distributive system is unnecessary and superfluous. This led to the co-operative wholesale depôts being suspended and the individual consumers' co-operative societies obtaining their stocks direct from the industrial Sbyty. But the managers of the rural co-operative societies were generally ignorant of which manufacturing enterprises were in a position to supply their requirements, and in any case it was a greater tax on their intelligence to write out orders for goods on distant enterprises than to go to their nearest wholesale depôt and pick out what they wanted on the spot. This naturally led to delay in the receipt of goods and the accumulation of stocks in the manufacturers' warehouses. Goods were frequently despatched to regions for which they were unsuitable, while manufacturing enterprises were apt to concentrate on producing whatever they found easiest to make instead of goods attractive to the consumer.

The First Five-Year Plan

So long as there was a general shortage of goods and so long as the manufacturer could dispose of any goods he liked to manufacture, there was no incentive to try to meet the consumers' requirements. Undoubtedly the failure of industry to improve or even maintain quality and variety of output was partly due to the system of planned production costs and arbitrarily fixed prices, but certainly the lack of a connecting link between manufacturing and retailing organisations which could voice the wants of the public, helped to create a sense of irresponsibility and indifference in the manufacturer. A good deal of the trouble seems to have been due to the inefficiency and lack of enterprise of the managers of consumers' co-operatives. Theoretically these should have protected their members' interests, but the Presidents and staffs of the co-operative associations and shops were only nominally, if at all, responsible to their members. The Presidents were frequently, possibly in a majority of cases, Party members brought in from outside for political reasons by the local Soviet or Party Committee, while the office staff and salesmen were generally drawn from the less intelligent and active members of the community because the wages paid were extremely low.

In 1932 the Government took measures to improve the wholesale organisations. It established:

- (1) Special wholesale depôts (Prombazy) under the Commissariats for light industry and the Commissariat for food industries.
- (2) Wholesale bases under the various local trading organisations.
- (3) Inter-regional wholesale depôts under the

The Wholesale Distributive System

Provincial Unions of consumers' co-operative societies.

These organisations, as well as holding stocks of goods, were charged with the task of drawing up plans for the supply and distribution of consumers' goods according to the special requirements of their districts.

The Commissariats for light and food industries established the following Prombazy throughout the country :

Light Industry

For the sale of cotton piece goods	.	.	.	134
" " knitted goods	.	.	.	17
" " silk goods	.	.	.	9
" " woollen goods	.	.	.	1
" " leather goods	.	.	.	56
" " ready-made clothing	.	.	.	67
" " glass and pottery	.	.	.	29

Food Industry

For the sale of sugar	.	.	.	34
" " salt	.	.	.	43
" " fish products	.	.	.	73
" " preserves	.	.	.	17
" " tobacco	.	.	.	84
" " confectionery	.	.	.	35
" " perfumery, etc.	.	.	.	42

These organisations were of two types; one group concerned itself exclusively with selling the products of their own industries, while the other also carried out the procuring of material and supplies. The first group included such industries as cotton and woollen textiles in which the collection of raw material was concentrated in the hands of

The First Five-Year Plan

special Government departments, while the second group included industries such as leather, glass and pottery whose raw material was more diverse and obtained from various sources.

The Prombazy, while serving to distribute manufactured goods throughout the country, were not well adapted to the needs of the small village co-operative shops, and even the smaller shops in the towns. To supply the requirements of these a number of general wholesale warehouses were established. These were partly under Tsentrosoyuz, that is, belonged to the consumers' co-operative system, and partly belonged to State trading organisations.

At the close of the first Five-Year Plan (the end of 1932) the wholesale system was in general outline somewhat as follows: manufactured consumption goods such as textiles, hardware, leather goods, etc., were disposed of in the first place by the Sbyty, which sold direct to a few of the biggest retail shops in large towns, to the Prombazy for distribution throughout the country, and to local wholesale or intermediate organisations for further redistribution to the smaller town retail shops. Manufactured foodstuffs were also distributed in the same way through the Sbyty of the food Trusts. Commodities not coming under either of these systems, including timber, grain, coal and oil, were sold by the commercial organisations of the respective industries, such as Soyuzugol and Soyuzneft, for coal and oil respectively, or Soyuzhleb, which sold flour and grain procured by the State grain-collecting commission. The co-operative system also possessed its own wholesale buying and selling side. Tsentrosoyuz, in addition to controlling, financing and planning

The Wholesale Distributive System

the whole of the consumers' co-operative system, supplied to the co-operative societies and the co-operative wholesale depôts goods which it bought direct from the producers, as well as imported goods such as tea, coffee and spices.

CHAPTER VI

THE STATE AND THE PEASANTS

PRIOR to the first Five-Year Plan the peasants had been more or less free to grow what they liked. The Government did not directly force them to sell their produce; the motives for growing a marketable surplus were the need of money to pay taxes and to buy manufactured goods. During the economic year 1927-28 the centralised purchases of grain by the State and co-operative purchasing organisations amounted to less than 10 million tons out of a total harvest of some 73·5 million tons. The future supply of food to the towns was causing the Government some anxiety, for the town and industrial population was increasing very rapidly, while the total quantity of foodstuffs produced in the country was no more than before the War and showed little tendency to increase. Besides, the rural population was also increasing and consuming more of its own produce.

Higher prices would no doubt have induced the peasants to grow more produce for market, but the Soviet Government was not prepared to make farming a more profitable pursuit. Since the peasants would eventually benefit from the industrial expansion it was fitting that, like the workers, they should in the meantime, that is during the Five-Year Plan, restrain their consumption. The policy followed by the Government in effect meant forcing

The State and the Peasants

the peasants to sell a quantity of food at artificially low prices. The method adopted was to make the peasants sign obligatory "contracts", binding themselves to deliver stated quantities of grain to the Government at the latter's price on the understanding that a certain quantity of industrial goods would be made available to them.

At the plenary meeting of the Central Committee in November 1928 the principle of peasant contracts was formally approved after some conflict with the Right Wing, which wanted to encourage individual initiative among the peasants by perpetuating the open market principle. As a matter of fact the principle of contracts had been in use for some years in respect of industrial crops such as cotton and sugar beet. When all industry was nationalised there could be no private demand for such commodities, and so the peasants had no option but to sell these crops to the State. These contracts had been based on commercial principles—that is, the peasant grower agreed to deliver his crop to the State at a mutually agreed price, part of which might take the form of good-quality seed and food-stuffs. This practice was not new; long before the War the Transpontine Greeks, engaged in tobacco-growing on the Black Sea coast, made similar agreements with the tobacco merchants and were usually exploited in the process, while throughout Russia the poorer peasants often mortgaged their prospective crops to the Kulaks against cash advances in the spring. In 1927–28 this contract system was extended to many other crops, the terms being arbitrarily fixed by the Government. From being a merely seasonal obligation

The First Five-Year Plan

relating to one harvest, the contracts were expanded to cover successive harvests in a cycle of crop rotation, and thus the peasant was bound each year to plant whatever crop his contract designated.

It was stated that "the contract system played an important rôle in regulating the productive processes in agriculture and in stimulating the expansion of certain crops". In other words, the State dictated to the peasants what they were to plant. The following figures show the area of land planted under "contract" in the years 1928-30 :

	1928	1929	1930
Grain (000 hectares)	18,160	49,200	72,000
(Proportion of total sowings)	18.9%	50.2%	68.5%
Cotton (000 hectares)	913	1,037	1,585
(Proportion of total sowings)	100%	100%	100%
Beet (000 hectares)	572	613	763
(Proportion of total sowings)	74.3%	80.4%	100%

The system of contracts was also an instrument for encouraging collectivisation, the contractual deliveries of the individual peasant being fixed considerably higher than those of the collectivised peasants. There was no attempt to justify this discrimination, except the somewhat cynical explanation that the individual peasant must pay for the privilege of being independent. But in fact there was a certain economic reason, for it is easier and costs less to collect a large quantity of produce from a single enterprise than a number of small quantities, probably varying in quality, from an equal number of small enterprises. Instead of paying the individual peasant less than the standard price the State made him part with more produce, which

The State and the Peasants

came to much the same thing, since the standard price in the opinion of the peasants themselves and probably in reality meant selling for bare production costs or even less.

During all this period a sharp struggle was going on between the Right and Left Wings of the Party. The course actually followed was, as always, between the two extremes, but did not pursue a straight line, sometimes inclining one way and sometimes another. During the years 1929-32 the policy of the Government partook a good deal more of the Left than the Right. A very large proportion of the surplus food produced was taken from the peasants by methods that differed little from out-and-out confiscation—in some years and in some districts so much was taken that the peasants practically starved before the next harvest came round. By excessive taxation on their farms and by denying them a share in the small amount of manufactured goods available, the independent peasants were forced to collectivise. Partly in revenge and partly for food, because the State had taken so large a proportion of their crops, they slaughtered millions of livestock, while millions more when collectivised died of neglect. All this discredited the Left, and in his famous speech in July 1931 (generally known as the “dizziness from success” speech) Stalin in effect admitted that terrorism and compulsion could defeat their own object.

Of the total grain collections from the 1931 harvest collective farms supplied two-thirds. The disappearance of the individual peasant from his place as chief food producer rendered the collecting functions of the agricultural co-operatives un-

The First Five-Year Plan

necessary. While the bulk of the peasants were still individual farmers, the co-operatives provided an excellent means of collecting from each farm the few puds due to the State, but when the predominant agricultural unit was the large collective farm more or less under Government control, an intermediate collecting organisation became superfluous. In February 1932 the Government decreed a reorganisation of the collecting system. A Committee of Collection was formed under the Council of Labour and Defence (afterwards transferred to the Council of People's Commissars) to which was entrusted the duty of supervising and regulating all collections of grain. Similar committees for the collection of cotton, hemp, flax, etc., were established under the Commissariats whose industrial or distributive organisations were the principal consumers of these materials.

The direct collection and redistribution of agricultural produce by specially created Government organs accounted for the larger part of the produce supplied by the peasants for national use. But clearly this centralised collecting could not be made exactly to coincide with surplus produce available, that is, so long as the quantity of produce due from each farm was determined in advance. And it was a necessary part of planning that the Government should determine and fix in advance the quantities of grain, sugar beet, cotton, flax, etc., it would have at its disposal and not rely on getting as much as it could after the crops had been harvested. The centralised agricultural collections normally left a certain margin in excess of the peasants' minimum domestic needs, and so it was decided to supplement

The State and the Peasants

centralised collection by so-called decentralised collections. Under this scheme the consumer co-operative societies and other organisations such as the O.R.S. were permitted to purchase produce direct from the collective farms and individual peasants for their own use. The prices paid for decentralised purchases were somewhat higher than those for compulsory deliveries, though they did not equal the open market prices.

While the bulk of the grain requirements of the non-agricultural population was covered by centralised and decentralised collections, the sale of perishables such as fruit, vegetables, milk and eggs was to a much greater extent left to direct marketing by the peasants. In every town peasant markets were re-established where the proletarian housewife could bargain with the peasant grower. The produce thus sold came partly from the collective farms, the money realised going into the funds of the farm, and partly from the individual members of the collective farms and independent peasants. Prices in the open peasant market were determined by supply and demand, and at first were many times higher than the prices charged for similar goods in the shops. The difference between the open market and closed ration prices indicated the extent to which rationed supplies failed to cover effective demand.

PART III
THE SECOND FIVE-YEAR PLAN

CHAPTER VII

TRANSITION

At the close of 1932, when the first Five-Year Plan ended, rationing seemed to be a permanent institution. True, a few so-called "commercial" shops had made their appearance in the big towns where all sorts of consumption goods were sold without restriction, but at enormously increased prices. These shops catered principally for the highly paid bureaucrats, engineers, administrators and others who alone could afford to pay the prices demanded. The money turnover of "commercial" retail organisations in 1932 was only some 3 per cent of the total retail turnover of the whole country. In volume the proportion was much less.

In 1933 the country was suffering from the effects of two consecutive poor harvests. The poor harvest of 1932 was aggravated by the shortage of all livestock products as the result of the appalling slaughter and mortality among all domestic animals in 1930 and 1931; and according to Soviet statistics the value of all foodstuffs produced in 1932 was the smallest since 1925 or 1926. In such circumstances the rationing of foodstuffs had to be more rigid than ever. In many parts of the country, where the harvest had been particularly bad, the peasants, after making their compulsory deliveries, were left with insufficient grain for their own needs and were reduced to bartering with eggs

The Second Five-Year Plan

and vegetables for any bread the workers could save from their rations. "Commercial" trade, however, continued to expand, and in value amounted to about 15 per cent of the total retail turnover. During the first Five-Year Plan the output of the primary consumption goods such as food and clothing had increased very slightly, if at all. The purchasing power of the urban population, however, had expanded very greatly, the aggregate sum distributed in wages and salaries to those employed in State and co-operative enterprises rising from R.8200 million in 1928 to R.35,000 million in 1933. In a free market retail prices would have risen, but one of the principles underlying rationing was to maintain the prices of essential consumption goods at a constant and relatively low level. Many Soviet Government spokesmen, refuting charges of currency inflation, referred to "the large quantities of consumption goods distributed to the workers at cheap prices". The truth was that the workers, after buying their rations, still had a large part of their money unspent. Many of the popular quips of the time were elaborations of the theme that the Soviet worker was the richest in the world because he had more money than he knew what to do with. There is no doubt that this excess volume of purchasing medium was responsible for a considerable amount of illegal private trade or "speculation".

The "commercial" shops in a sense were a compromise between the socialist principles inherent in rationing and the expediency of conforming to the law of supply and demand. The ordinary Soviet worker, no doubt, perceived that the rouble notes with which he was paid were evidence of his claim

Transition

on the State for the necessities of life. He would be conscious that, if part of his money was relatively useless, he was not getting a proper return for his labour. In spite of the leaders' insistence on the theory of the Dictatorship of the Proletariat and the Workers' Government, it is very doubtful whether the average proletarian worker really identified himself with the State. As far as he was concerned, he was just a paid worker employed by some State enterprise which for practical purposes was not very different from a capitalist employer. Just as capitalist workers complain against their Governments when costs of living rise, so the Soviet workers were conscious of a grievance against the Soviet Government when increasing money wages were not accompanied by increasing consumption.

As soon as "commercial" shops became fairly widespread they formed an outlet for surplus incomes. Workers began saving up to buy a pair of boots, some household crockery or the like, which they had little or no chance of getting from their co-operative or factory shop; and, in any case, the goods sold in the "commercial" shops were of better quality and more attractive than the rationed goods. The Left Wing of the Party, holding uncompromisingly by the doctrines of pure Communism, opposed "commercial" trading because it marked a return to bourgeois principles of distribution and reconferred the quality of money on the rouble, which, they had believed, was on the way to become a mere labour voucher. But all the power of the Party was rapidly becoming concentrated in the hands of a small oligarchy and opposition from any side could no longer influence policy.

The Second Five-Year Plan

In 1934 "commercial" shops had been opened in practically every town and the consumers' co-operative shops began to sell "commercial" goods alongside their ration stocks. Some 25 per cent of the total retail turnover was "commercial" trade. Although no official hint was given, it seems fairly certain that early in that year the Government had decided to abandon rationing as soon as possible. In order to prepare the way for the abolition of ration cards and accustom the people to the idea that "commercial" prices were the true prices, while rationing had been a temporary measure, ration prices were raised and rations themselves reduced. The Government assumed great credit for a certain lowering of "commercial" prices in 1934 compared with 1933; but with a greatly increased volume of "commercial" trade the exorbitantly high prices of 1933 would naturally fall. At the same time the 1933 harvest had been average to good, and, according to Soviet figures, the output of consumers' goods in 1934 showed a material improvement over 1933.

In November 1934 the Government officially announced that ration cards for bread and some other cereal foods would be abolished from 1st January 1935; bread was then to be sold in all food-shops and in many new shops and stalls specifically established for the sale of bread alone. At first, no person was allowed to buy more than two kilogrammes at a time; but this precaution was found to be unnecessary, for the new, so-called single, prices were fixed high enough to keep demand within the limits of supply. For the lower paid groups of the population the loss of cheap

Transition

rationed bread certainly raised the cost of living, but as partial compensation wages were raised on an average by 10 per cent. On the other hand, the end of rationing was a boon to that section of the population which had never had the privilege of buying cheap rations. Various adjustments in wholesale prices, credit and the prices paid to the peasants had also to be made.

Meanwhile "commercial" trade in other foodstuffs and manufactured goods was increasing at the expense of rationed distribution, and on 1st October 1935 nearly all foodstuffs and several classes of industrial consumption goods were removed from the ration list. On 1st January 1936 rationing was completely ended. From that date all State and co-operative shops have sold goods to all comers without distinction at the single controlled prices, which have necessarily been fixed at a level approximating to that which would have emerged as the result of the free play of supply and demand.

Among the reasons for abolishing rationing were the expense and trouble involved—it was estimated that every ration book issued involved an expenditure, mainly in labour, of about R.8 a year—and the dissatisfaction it aroused among the consuming public. The attitude of most shop managers towards their customers had been "take it or leave it". Consumers were hindered from expressing their tastes and preferences by means of the price they were willing to pay, while abstention from buying only resulted in the goods being sold to other buyers. Manufacturing enterprises contented themselves with producing a few standard articles

The Second Five-Year Plan

in order the more easily to fulfil their gross production plans. The return to a system of more or less free trade revived in some degree the competitive element, for the consumer had a choice of shops and naturally gravitated towards those which offered the largest selection of goods, whose personnel were efficient and courteous and whose premises were attractive and clean.

CHAPTER VIII

STATE DEPARTMENTS OF INTERNAL TRADE

PRIOR to 1930 the People's Commissariat of Trade had controlled and administered both the foreign and domestic trade of the country. In November 1930 domestic trade was transferred to a new organisation, the People's Commissariat of Supplies. Significantly, the new Department was not called the Commissariat of Internal Trade. The Russian word "Torg" conveys the idea of bargaining, and its derivative "Torgovliya", meaning trade or commerce, also connotes the principle of voluntary exchange. A system of rationed distribution cannot properly be described as trade. Hence the Commissariat of Supplies, which was established to abolish trade and inaugurate a system of planned distribution. Its functions were to plan the distribution of consumption goods by regions and by sections of the population, to supervise the distributing organisations, and organise and administer the food-manufacturing industry.

But with the revival of retail trade in the "commercial" shops and the impending abandonment of rationing, the prejudice against the word "trade" declined: and many new problems connected with the marketing and pricing of goods arose, requiring a more elaborate organisation than the Commissariat of Supplies. In July 1934, therefore, the Commissariat was divided into two new

The Second Five-Year Plan

Commissariats, the People's Commissariat of Internal Trade and the People's Commissariat of Food Industries. The latter, as its name implies, took over the administration of all enterprises concerned in the production of food, while the former was responsible for planning distribution, price control and the conduct of State wholesale and retail organisations. It also controlled the relations between the trading organisations and the industrial Trusts producing manufactured consumption goods.

The chief departments or sections of the two Commissariats were—

The Commissariat of Internal Trade :

- Price regulation.
- Supervision of local trading organisations.
- Inspectorate of trading enterprises.
- Various departments to administer food-shops, model department stores, restaurants, etc.
- Training of personnel.
- Finance.
- Statistics.
- Transport.
- Planning.

The Commissariat of Food Industries included, besides sections for Finance, Planning, etc., special bureaus for—

- Fish canning industry.
- Research and organisation of fishing enterprises.

State Departments of Internal Trade

Sugar.

Wines, spirits and other beverages.

Perfumery and cosmetics.

Dairy produce.

Tobacco.

Cold storage.

The complete abolition of rationing at the beginning of 1936 rendered centralised control of distribution not only unnecessary but detrimental to the new principles of free trading. Accordingly the All-Union Commissariat of Internal Trade was reorganised as an advisory and co-ordinating institution, delegating most of its controlling and regulating functions to the corresponding departments of the Republican and Provincial Governments. By a decree of 5th January 1936 the All Union Commissariat of Internal Trade was organised as follows :

Two Chief Administrations in charge of trading organisations in—

- (1) The cities and Provinces of Moscow and Leningrad, the Karelian Autonomous Republic, the Northern and Kirov Provinces, the Tatar and Bashkir Autonomous Republics, the Orenburg, Sverdlovsk and Cheliabinsk Provinces and the Federal Republics of the Ukraine and White Russia.
- (2) The Provinces of Western Siberia, Eastern Siberia, Krasnoyarsk, the Far East, Omsk, the Autonomous Republics of Yakutsk, Kara-Kalpak, Kirghizia and Kazakstan,

The Second Five-Year Plan

the Federal Republics of Turkmenistan, Tadjikistan, Uzbekistan and the Transcaucasian F.S.R.

(The various Autonomous Republics and Provinces in Central and Southern European Russia, including the Crimea, North Caucasus and the Volga regions, were placed under the Commissariat of Internal Trade of the R.S.F.S.R.)

A Chief Administration for restaurants, cafés and public dining-rooms.

A Chief Administration for railway buffets, dining-cars and ship canteens and restaurants.

The functions of these Chief Administrations include auditing the accounts of their various subordinate organisations, approving their plans for turnover and capital extension, and a general inspectorate. Their expenses are covered by a levy on the turnover of their subordinate organisations.

Departments as follows :

- (a) For the organisation of trading enterprises. This department drafts legislation affecting trade, plans the distribution (in space) of trading enterprises, controls peasant and general bazaars and fairs, and decides technical questions of construction, etc.
- (b) For planning the distribution of industrial goods, prices, discounts, assortments and quality of goods.
- (c) For planning the distribution of foods and foodstuffs.

State Departments of Internal Trade

- (d) For planning the turnover of all trading systems and public feeding enterprises, also questions relating to personnel and conditions of employment and capital construction.
- (e) For finance, including credit, trading costs, administrative expenditure, etc.
- (f) For trade inspection, including checking of weights and measures, prices, sanitation, etc.
- (g) For training and educating personnel.
- (h) For statistical work.
- (i) For special duties (presumably political).
- (j) For transport.
- (k) For economic administration.

The following are attached to the Commissariat, but do not form an integral part of its organisation :

- (a) A Sector for the registration and assignment of personnel.
- (b) A bureau of technical survey.
- (c) A bureau of arbitration.
- (d) Inspection—Auditor group.
- (e) Secretariat.

The above forms the central administration of the Commissariat. The executive organisations subordinate to the Commissariat are—

I. Wholesale Trading

- (a) All-Union State Office for wholesale trade in metal manufactures, earthenware, glass and furniture.

The Second Five-Year Plan

- (b) All-Union State Office for wholesale trade in *galantereya* and knitted goods.
- (c) All-Union State Office for wholesale trade in groceries.

II. Retail Trading

- (a) All-Union State Office for retail trade in groceries and foodstuffs, including the establishment and administration of "model" provision shops.
- (b) All-Union State Office for the administration of "model" Univermagy.
- (c) All-Union State Office for retail trade in textiles and ready-made clothing.
- (d) All-Union State Office for retail trade in metal manufactures and structural material.
- (e) All-Union State Office for retail trade in knitted goods, *galantereya* and perfumery.

III. Special All-Union Bureaus

- (a) For organising the supply of consumption goods and public feeding in holiday resorts, homes of rest, etc.
- (b) For supplying goods and services to the navy and army.
- (c) For supplying goods and services to the personnel and troops of the Department of Internal Affairs (G.P.U.).
- (d) For wholesale-retail trade in furs.
- (e) For trade in jewellery, watches, precious stones, etc.
- (f) For drafting plans for shops, warehouses, restaurants, etc.

State Departments of Internal Trade

- (g) For procuring and selling fruit and vegetables.
- (h) For wholesale-retail trade in school requisites, stationery and cultural goods.

The Commissariat of Internal Trade of the R.S.F.S.R. is organised as follows :

- (1) A chief administration of local trading organisations in the Provinces of Kalinin, Ivanovo, Western Russia, Kursk, Voronezh, Gorky, Kuibyshev, Saratoff, Stalingrad, Azov-Black Sea and North Caucasus and the Autonomous Republic of the Crimea.
- (2) A directorate of trading enterprises.
- (3) A department for organising the distribution of shops.
- (4) A department for planning and finance.
- (5) A department for training personnel.
- (6) An economic administrative department.
- (7) A department of accounts.

Attached to the Commissariat are :

- (1) A bureau for the registration and assignment of personnel.
- (2) A bureau of inspection and audit.
- (3) A bureau of arbitration.
- (4) Secretariat.

The Commissariat, under general instructions issued by the All-Union Commissariat, plans the distribution of goods, the turnover of trading organisations ; fixes prices in accordance with the decrees of the Central Government ; and generally super-

The Second Five-Year Plan

vises the activities of all trading systems and organisations in the R.S.F.S.R.

Every Republic and Province also has a Commissariat of Internal Trade, which is organised as follows :

- (1) A department for organising the trading system.
- (2) A department for trade in food and industrial goods.
- (3) A department for planning and finance.
- (4) A department for accounting and statistics.
- (5) A department for training personnel.
- (6) A department for special duties.
- (7) An economic-administrative department.

In addition four bureaus for :

- (1) Registration and assignment of personnel.
- (2) Inspection and audit.
- (3) Arbitration.
- (4) Secretariat.

Finally every urban and rural district council possesses a department for trade or at least an inspectorate. The largest towns, such as provincial capitals, generally possess special trading organisations more or less independent of the local government.

In the more important Provinces, containing a large industrial as well as agricultural population, the chief trading organisations are :

- (1) The Provincial Commissariat, exercising a general supervision over all trading systems and organisations and co-ordinating their plans.

State Departments of Internal Trade

- (2) Departments for Trade in the Municipal Government of the capital city and in urban and rural district councils. The chief duties of these departments are to regulate the location of shops and trading points in order to secure an even distribution, and in this connection they have a certain voice in questions of capital finance.
- (3) Two organisations, known as Torgi, handling respectively food products and industrial goods in the capital city; and two in the rest of the Province. These are the organisations which actually handle goods, having their own wholesale warehouses for supplying the retail shops under their jurisdiction. They are directly under, and responsible to, the Commissariat of Internal Trade of the R.S.F.S.R. for their trading activities, their relations with the Provincial Commissariat being confined to planning, distribution of shops and finance.

The above is little more than a summarised description of the various ramifications and pyramidal organisation of State trade. Many of these organisations will be referred to again in chapters on wholesale and retail trade, the financing of trade, etc.

CHAPTER IX

THE CO-OPERATIVE SYSTEM

THERE are several co-operative systems wholly or partly engaged in trading, including industrial co-operative societies manufacturing various goods such as furniture, cutlery, leather-ware, clothing, etc., and disposing of their products partly wholesale to trading organisations and partly from their own retail shops; but for practical purposes co-operative retail trade is synonymous with the consumers' co-operative system. The movement originated in Imperial Russia soon after the emancipation of the Serfs. In the early days of the Revolution the co-operative system was the mainstay of retail distribution and to a considerable extent controlled wholesale trade. During the first Five-Year Plan and the period of rationing, while retaining the name and some of the forms of a co-operative association, it became for practical purposes a State organisation. With the abolition of rationing a new phase opened. In the larger towns the tendency, rather naturally, was for specialisation in shops. The co-operative system was not adapted to providing shops for the exclusive sale of clothing, footwear, hardware, etc. The principle of consumers' co-operatives always was to provide their members with every sort of ordinary necessity, clothing, household equipment, food, etc., in a single shop; and this in the new conditions was

The Co-operative System

considered "uncultured". As we saw in the last chapter, State organisations were set up in the towns to organise retail trade in specific goods, and these rendered co-operative shops redundant. In October 1935 the Government decreed that urban consumers' co-operative enterprises be transferred to State retail organisations and that the co-operative supply system be henceforward confined to the country. In the small country towns and villages the general co-operative shops catering for all the needs of the peasant population and rural workers were to remain the chief channel of retail distribution.

Another point to be remembered is that the output of industrial goods and manufactured goods was large enough by the end of 1935 to permit of the country population receiving a larger share, not, it is true, in anything like the same proportion as the industrial workers, but a good deal more than the negligible amount allotted to them during the rationing period. It was therefore desirable that the country consumers themselves should have some voice in the selection of goods sold by their own co-operative shops, instead of having to be content with the goods allotted to them at the caprice of central organisations out of touch with the customs and mode of life of the rural population. The Government accordingly decided to reform the whole co-operative system, giving the local organisations more initiative and control over their own finance and commercial transactions, and making the central institutions rather co-ordinating and planning organs, depriving them of much of the arbitrary powers of control they formerly possessed.

The Second Five-Year Plan

The introduction of rationing and direct Government control had resulted in the co-operative system becoming more and more bureaucratised and inefficient. Goods were unequally and inappropriately distributed and with unconscionable delay, for which the Government as the ultimate authority got the blame. Even if the proposed decentralisation did not result in any improvement in the work of the primary societies, the Government could at least retort to complaints that the co-operative consumers had the remedy in their own hands, since they elected their own representatives and officials. Whether in fact there ever was or is any real democratic control is another matter.

The structure of the consumers' co-operative system is—

Village co-operative societies, or Selpo.

District Unions of co-operative societies, or Raysoyuz.

Provincial Unions of District Unions, or Oblastnoy Soyuz.

Republican Unions in all Federal Republics except the R.S.F.S.R.

Tsentrosoyuz—the peak organ for the whole country.

The Selpo on an average has some one to two thousand shareholders, comprising most of the adult members of the village community. Administration is in the hands of a President and small committee nominally elected every year by the shareholders. The salaried staff consists of shop managers, salesmen and book-keepers. In the agricultural back blocks it is not always possible to find

The Co-operative System

local persons sufficiently literate to run any sort of trading enterprise, and therefore a fairly large proportion of the Selpo staffs have to be specially brought in from outside the village.

The Raysoyuzy are the central associations of the Selpo situated in the Rayon. The Presidium consists of a President and two assistants elected for a period of two years by a congress of Selpo delegates. The President, who devotes his whole time to the affairs of the Raysoyuz, receives a salary. The two assistants or Vice-presidents receive salaries only if they fill whole-time posts in the organisation. The Plenum, or Advisory Council, consisting of representatives of the various Selpo, meets at fairly frequent intervals to receive reports and accounts and decide any questions of policy. The salaried employees are a manager, book-keepers, storemen in charge of the goods depôt or Raybaz, chauffeurs, carters, etc. The total staff may amount to 30 or more individuals.

The Oblastsoyuzy, or Kraisoyuzy, are associations of Raysoyuzy and are constituted in much the same way. The administrative body, consisting of a President and a board of 10 to 12 directors, is elected for a term of two or three years by the Congress of Raysoyuz delegates. The Presidium consists of the President and two Vice-presidents, who receive salaries. There is also a salaried clerical staff, but as a rule Provincial Unions do not maintain warehouses, except in regions where Mezhraybazy or inter-district wholesale warehouses still exist. Some Provincial Unions, especially in the Steppe country, maintain depôts for the sale of building material, timber, corrugated iron, cement,

The Second Five-Year Plan

etc., to the Kolhozy. With these exceptions the Provincial Unions are purely supervisory, planning and financial organisations.

The Republican Unions of the Federated Republics other than the R.S.F.S.R. are the central organs of the Provincial Unions where such exist, as in the Ukraine, or of the District Unions in Republics not subdivided into Provinces. In the latter case they function in much the same way as ordinary Provincial Unions; but in the Ukraine the Republican Union of Consumers' Co-operative Societies, Ukoopspilka (Spilka being the Ukrainian equivalent for Soyuz), possesses a great deal of independent initiative, being subject to Tsentrosoyuz only in matters of general policy.

The apex of the whole system is Tsentrosoyuz, occupying one of the largest suites of offices in the business quarter of Moscow. The administration consists of a Presidium composed of the President and 6 directors and a Plenary Committee of 25 members who meet about once every two months and are elected for three years by the All-Union Congress of Consumers' Co-operatives attended by delegates in the ratio of one to every 75,000 members.

The internal structure of Tsentrosoyuz is in some ways similar to that of the People's Commissariat for Internal Trade. There are or were seven * autonomous sections each specialising in the supply of goods to different sections of the population such as transport workers, lumbermen, fishermen, etc. In

* Since the reorganisation commencing in the autumn of 1935, various changes in the internal organisation of Tsentrosoyuz have been effected.

The Co-operative System

addition there are numerous departments and sections for planning, finance, accounting, transport, personnel, etc., and sections or boards for controlling trade in various categories of goods, co-operative enterprises such as dairies, bakeries, canning, etc., and collections of agricultural produce. Tsentrosoyuz also acts as wholesale distributing agent for certain industries, notably the match industry, which have no commercial organisation of their own. But under the latest scheme most of the wholesale trade is conducted direct between the Raysoyuz or even the Selpo and manufacturing enterprises and Prombazy, thus curtailing the middleman activities of Tsentrosoyuz, many of whose warehouses have been transferred to other corporations. The main functions of Tsentrosoyuz now are—

- (a) To execute the Government's decisions and plans with regard to all co-operative activities. In this connection it is the legislative body for the whole co-operative system.
- (b) To co-ordinate and finally approve the Provincial and District Plans for the distribution of consumption goods throughout the whole system.
- (c) To approve all large items of capital expenditure and when necessary assist in financing capital construction.
- (d) To organise centres of instruction for the purpose of improving the technical qualifications of co-operative employees.

In theory the constitution of the consumers' co-operative system is thoroughly democratic, being

The Second Five-Year Plan

in the form of a pyramid based on the millions of rural co-operators, all of whom have a direct voice in choosing the officers of their own primary societies and an indirect voice in the election of the officers of the higher organisations. Thus every link in the hierarchy nominally derives its authority from below. But there is no disputing the fact that up to recently the Presidents of the majority of Selpo have been Party members, very often with no previous connection with the district, and that elections have usually been mere formalities, a few members being rounded up by the Party cell to give a certain semblance of legality to the proceedings. If the Selpo were in the hands of village Party bosses, obviously the higher organisations up to Tsentrosoyuz were equally controlled by the Party. The President of Tsentrosoyuz is admittedly a Government nominee and holds a position practically equal to that of a People's Commissar. The official explanation of the predominance of Party nominees among co-operative officials is that nearly everybody with commercial and administrative qualifications is already a State employee in some way or other, and therefore to get the best managers the co-operative societies apply to the local party or Government organs to suggest candidates. There was perhaps some foundation for this allegation before training centres for co-operative officials and employees were as numerous and efficient as they now are. With regard to responsible posts in the higher organisations, in view of the interlocking system of planning between the various economic organisations, it is necessary to appoint officials who have some experience of local and provincial

The Co-operative System

government and who can co-operate with State organisations and enterprises.

All co-operative officials must necessarily observe two loyalties—to their own members and to the State ; and where interests conflict the State comes first. It would obviously prejudice the whole principle of planned distribution if the consumers' co-operative societies were able to do as they pleased without reference to government policy. For instance, local conditions would often make it possible to reduce prices of certain commodities below the official fixed price. This would benefit the co-operative consumers, but would be in direct contravention of the Government's price policy. Unfortunately a certain proportion of the primary societies and secondary unions fell into the hands of dishonest Party careerists, indifferent to the interests of the members ; and a great deal of the discontent among the rural population was undoubtedly due to the abuse of power and privilege by these local Party bosses and their henchmen holding big positions in the village Soviets, collective farms and Selpo. The Central Government was certainly aware of what was going on, and no doubt the new constitution adopted in December 1936 was designed to remedy these abuses among others. Under the new constitution elections of officials are by secret ballot, and a certain minimum percentage of members must vote.

Probably the increasing decentralisation both in production and distribution was a factor prompting the extension of democratic control in the co-operative system. After the abolition of rations, the distribution of consumers' goods had to be

The Second Five-Year Plan

planned with greater reference to effective local demand. In practice local trading organisations gained a wider but still limited right to procure goods where and how it was most convenient. At the same time, a very large proportion of light-industry enterprises producing everyday consumers' goods were transferred from the control of the Central Government to the Commissariats of Light Industry of the Republican Governments and the corresponding departments of Provincial Governments. Thus a large part of local demand is now supplied by local production according to local plans, which are merely submitted to the Central Government for formal ratification.

CHAPTER X

THE DISTRIBUTIVE SYSTEM AT THE CLOSE OF THE SECOND FIVE-YEAR PLAN. I

(A) INDUSTRIAL WHOLESALE ORGANS

IN the earlier years of the Soviet régime, when consumers' goods were produced in comparatively small volume and in very limited variety, direct exchange between the manufacturing and trading enterprises was practicable. By the close of the first Five-Year Plan the variety of goods produced and the number of manufacturing enterprises had increased to such an extent that it was impracticable for each trading enterprise to procure its goods direct from an ever-growing number of manufacturing enterprises. In pre-War Russia retailing enterprises, from the big city shops to the small country storekeeper, bought their supplies partly from the manufacturer direct and partly from wholesale merchants. The larger the retailer the more likely he was to buy direct from the manufacturer, because he was in a position to take large parcels of uniform goods and get better terms than from the merchant who had to make his middleman's profit. This system resulted in manufacturers establishing their own wholesale warehouses all over the country alongside the establishments of the wholesale merchants. And since it was the custom for traders in the same sort of goods to

The Second Five-Year Plan

congregate in the same quarter, it was quite possible for a retailer to buy identical goods from the manufacturer's warehouse or from a merchant's warehouse next door. If he wanted to buy a few lengths only of cotton, woollen cloth and silk, and perhaps some knitted goods, he would naturally go to the merchant where he would find all these things under one roof. An additional advantage was that all his purchases could be made up into one large package, saving trouble and very likely expense in transportation.

In Soviet Russia, whether by deliberate design or not, a system of wholesale distribution has been evolved somewhat similar to the above. True, there are no independent wholesale trading enterprises corresponding to the old merchants, but their place is taken by the wholesale warehouses of trading organisations, while the manufacturers' warehouses may be compared to the Soviet Prombazy. As a rule the output of factories producing mass-consumption goods is delivered to issue warehouses under the control of Disposal Boards belonging to each distinct industry. As the goods are received they are examined for quality, sorted and packed for despatch to the next link in the distributive chain. A select part of the goods may be delivered direct to the large city department stores, another part to State and co-operative trading organisations, but the greater part is despatched to the Prombazy throughout the country, which correspond to the network of wholesale warehouses maintained by the pre-War private manufacturers, the chief difference being that whereas the latter served only one factory or at most a group of factories in a

The Distributive System. I

single ownership, the Soviet Prombazy serve all the factories under a single Chief Administration. Also, since consumption industry is now largely under the control of local Governments, the Prombazy established by the Republican and Provincial Governments form an important part of the whole. For the sale of leather footwear there were, for instance, at the end of 1935 68 Prombazy, 51 belonging to All-Union industry and 17 to local industry. The material difference between the two is that All-Union industries manufacture for, and All-Union Prombazy supply, all parts of the U.S.S.R., while local industries and Prombazy primarily serve their own territory, selling to other Republics and Provinces only when their own territory is satisfied.

Prombazy are classed as autonomous enterprises. That is to say they have direct credit relations with the Bank, have the right of concluding contracts and are legal entities responsible for their own acts. Like all economic enterprises they are bound by the Plan, have to adhere to the official fixed prices, pay the Government rate of wages, etc.

(B) STATE RETAIL ORGANISATIONS

1. *The Torg*.—Nearly all retail trade in the Soviet Union is based on the chain-store principle. The Torg may be briefly described as an autonomous State organisation at the head of a number of retail shops supplying a given area. When the greater part of the total volume of consumers' goods was distributed under the rationing system, various organisations were needed to cope with the

The Second Five-Year Plan

different problems of supplying different classes of consumer. For factory workers O.R.S. shops were established in all large works and factories, for civil servants, clerical employees in the various central offices, and other non-manual worker categories the State Department of Retail Trade (G.O.R.T.) established shops in the cities and towns, while other State or co-operative organisations supplied transport workers, State farm labourers, etc. After rationing was abolished and every consumer could buy where and what he desired there was no further need for these specialised shops catering for special categories. At the beginning of 1936, by the decree of 5th January reorganising the Commissariat of Internal Trade, the whole State trading system was brought into line with the new conditions. The essence of the reforms was the reorganisation of State trade on a territorial basis rather than a class basis. In the process a number of departments of the Commissariat of Internal Trade were dissolved, their duties being to a large extent transferred to local Commissariats; while the various trading organisations were replaced by a standard type of Torg. A Torg is managed by a Board appointed by the Commissariat of Trade in the relative Republican or Provincial Government and is divided into a number of departments for planning, finance, wholesale supplies, retail shops, etc. The retail shops belonging to a Torg fall into two main classes:

- (1) Large autonomous shops, having their own independent budgets, receiving credit direct from the Bank and enjoying a fairly large degree of initiative in contracting for supplies; and

The Distributive System. I

- (2) Small shops or even booths and stalls directly managed in detail by the Torg.

The head of an autonomous shop is termed the director, of a small shop only manager.

The wholesale department maintains a warehouse mainly for supplying the retail shops with a mixed variety of small goods such as are included in the term *galantereya*, cutlery, sports goods, but sometimes also small quantities of textiles and ready-made clothing, furniture, household utensils. The variety of goods stocked depends very much on the existence in the district of industrial Prombazy, for it is obviously unnecessary to duplicate goods which are otherwise available. Standard goods are normally obtained by the autonomous shops under direct contract with industrial organisations and may be received direct from factory issue warehouses or from Prombazy according to circumstances, while goods for the small shops are procured by the Torg and distributed by it among the shops according to their individual requirements. A further source of supply is the manufacturing co-operative societies and Kustarny Artels, most of which dispose of the whole or a large part of their output to State and co-operative trading organisations. Local co-operative industrial enterprises may be commissioned by Torgi and consumers' co-operatives to manufacture goods to order. This is frequently the case when local tradition or conditions prescribe some peculiarity in dress or an unusual shape or pattern of agricultural implement, etc., which the large mass-producing factories do not make. Sometimes the Torg

The Second Five-Year Plan

supplies the co-operative with the necessary raw material. Manufactured foodstuffs, such as canned and preserved goods, sugar, flour, etc., are obtained in the same way as industrial goods, while raw foodstuffs such as meat, dairy produce, fruit and vegetables are obtained from State collecting organisations or direct from the rural co-operative societies or the collective farms. The actual methods of commerce, including the contract system, are of considerable interest and will be described in detail in later chapters.

While all Torgi are organised on the lines described the system is sufficiently flexible to suit varying conditions. In the cities of Moscow and Leningrad, specialisation is naturally carried to a much greater degree than elsewhere. In Moscow there are no less than 18 Torgi, as follows :

- 10 food Torgi in the different city wards.
- 1 bread Torg with separate branches in each ward.
- 1 mineral water Torg.
- 1 forage Torg.
- 2 special industrial Torgi for " cultural " goods and furniture.
- 2 mixed industrial Torgi for all sorts of manufactured consumers' goods.
- 1 naphtha Torg for the sale of kerosene, etc.

In the larger Republican and Provincial capital cities there are two urban Torgi, for industrial goods and foodstuffs respectively, Kiev possessing in addition a bread Torg. The smaller towns such as Saratoff, Stalingrad and Ivanovo, possessing nevertheless a considerable industrial population, have to be content with a single Torg supplying both food and industrial goods. The Provincial Torgi,

The Distributive System. I

having their head offices in the Provincial capitals, supply the needs of the small-town populations through a network of shops situated in various centres. As in the case of the urban Torgi, the Provincial Torgi are sometimes divided into industrial and food Torgi, while in the backward and sparsely populated regions a single Torg may have to supply the wants of the whole Province, including the Provincial capital. Finally, there are a few "Inter-district Torgi", which are something between an urban Torg and a Provincial Torg. These have been established in a few highly industrialised regions such as the textile districts in the Province of Ivanovo, the coal-fields in the Moscow Province, the iron foundries in the Urals where the population is fairly dense and mainly industrial, but not concentrated in actual towns. While the Torg or State system of retail distribution is intended and organised for the service of the urban and industrial population, the rural and agricultural population depends on the co-operative organisations, and generally speaking the two systems do not overlap, though there are some small towns with industrial enterprises such as railway shops, flour-mills, saw-mills, brick-fields, etc., where the population is mixed, and in such towns Torg shops and co-operative shops may be found together.

2. *Special Retail Organs.*—The Torgi are essentially suppliers of the common necessities of everyday life to the general body of consumers. But the Russian consumer is rapidly being differentiated into classes according to income. The higher income groups are, naturally, more exigent than the middle

The Second Five-Year Plan

and lower groups. This is one factor causing a specialisation in certain branches of retail trade. At the same time as the quantity and variety of consumers' goods increases, the general retail shop selling a wide range of goods no longer meets all requirements.

The decree of 5th January 1936 reorganising the People's Commissariat of Internal Trade provided for the creation of a number of Bureaus and Combines for wholesale and retail trade in certain commodities. These were given the name of All-Union Torgi, the principal ones being the textile and ready-made clothing Torg, the *galantereya* and tricotage Torg, the cultural Torg (selling stationery, artists' materials, sports goods, etc.), the metal and building material Torg, the fur Torg, the jewellery Torg and a Combine, not termed Torg, for procuring and retailing fruit and vegetables. To be strictly accurate, the last two existed prior to the reform. The duty of these institutions is to organise a network of urban shops for the sale of their particular goods. They are supposed to co-operate closely with their corresponding industries, on the one hand stimulating them to improve the quality and range of their products, on the other introducing novelties to the consumer. Generally speaking these shops are opened only in important towns and in the best streets, and are designed to supply high-class demand rather than ordinary everyday consumption. From their small numbers it is obvious that they cannot form an important item in the total retail trade of the country. The following is a list of shops opened by the end of September 1936 :

The Distributive System. I

	Total Establishments	Shops
Textile and clothing Torg	39	39
<i>Galantereya</i> and tricotage	45	38
Cultural goods	111	81
Metal and building goods	154	65
Furs	295	233
Jewellery	95	90
Fruit and vegetables	494	237

Note.—The total establishments include kiosks in school premises for the sale of copy-books, pens, pencils, etc.; kiosks and street stalls for the sale of fruit and similar enterprises not important enough to be called shops.

Special All-Union Torgi have also been established for supplying consumption goods to the Army and the personnel and troops of the People's Commissariat of Internal Affairs (formerly the G.P.U.), taking over the special co-operative shops which formerly served these forces. These Torgi, besides providing all sorts of goods, maintain special restaurants, hairdressing shops, cobblers' shops for boot repairs and tailors' shops for making and repairing clothing, not only for the officials, employees and soldiers, but for their women-folk and families. The shops, etc., are not open to the general public and are, in fact, the last remnants of the "closed" shop system.

3. *The Model Department Store* (Pokazatelny Univermag).—The word "Univermag" is a contraction for Universal Magazine. There are Univermags in the Torg and co-operative systems, so called because they sell all sorts of goods from needles and sewing thread to bicycles and concertinas, but never food. The Model Department Store is a different thing. These exist in the largest cities only and are

The Second Five-Year Plan

independent units coming directly under a special department in the All-Union Commissariat. Model Department Stores draw up their own turnover plans and budgets subject only to formal approval by the Commissariat, and conclude their own contracts with the supplying industries subject only to a general control by the Commissariat. Within rather narrow limits the management has a certain discretion in fixing the prices of its goods.

Model Department Stores in appearance, arrangement and organisation are copied from capitalist establishments of the same sort and in the Soviet view represent the highest cultural level in retail trade.

4. *All-Union Provision Shops.*—In 1933, when commercial trade was beginning to provide an alternative source of supply to the “closed” ration system, a number of special provision shops were opened in Moscow. These were situated in the best streets, usually in premises occupied in the old days by well-known grocers, *delicatessen* and confectionery shops. Prices were high since the goods were not rationed, but the variety and quality of the stock was infinitely better than in the ordinary ration shops. In 1935, when rationing was abandoned, these former commercial provision shops were placed under the control of two special offices, called respectively “Gastronom” and “Bakaleya”, established by the Commissariat of Internal Trade. Originally the distinction between Gastronom and Bakaleya shops was that the former sold uncooked or semi-prepared foodstuffs, while the latter sold groceries and ready-to-eat foods. But

The Distributive System. I

this distinction has gradually tended to disappear, each system encroaching on the other's specialities.

In 1936, in connection with the reorganisation of the Commissariat of Internal Trade, a new organisation called the "All-Union State Bureau for Retail Trade in Provisions and Groceries" (known as "Soyuzprodmag") was formed to take over all the existing model shops of the Gastronom and Bakleya offices. The new organisation rapidly grew and by the end of 1936 had opened model shops in some 250 towns. At the same time Soyuzprodmag began to establish general provision shops in many districts and territories, the chain-store principle being followed to the extent even of standardising the appearance and arrangement of these shops.

Soyuzprodmag differs from the Torg system in being an All-Union organisation; whereas, as we have seen, the Torgi are local enterprises under Provincial or Republican administration. At first sight it might be thought that the existence of two parallel systems of food distribution might result in duplication of effort, but in point of fact the two systems are complementary, for Soyuzprodmag specialises in the sale of the products of national food industries such as canned and preserved foods, manufactured cereals, patent foods and the like, while the Torgi sell mainly local produce and the products of local food industries. Both systems sell common groceries such as tea and sugar, but they tend to cater for different classes of demand.

The bulk of goods sold through the Soyuzprodmag system are obtained in the normal way from various food industries, that is, under contracts between individual shops and the commercial

The Second Five-Year Plan

organisations of industry or under bulk contracts concluded by Soyuzprodmag itself, the goods being redistributed from Soyuzprodmag depôts. But Soyuzprodmag also engages in certain subsidiary activities such as bottling liquids, blending and packing tea, etc., and purchasing certain foodstuffs, such as sausages, cheese, etc., direct from collective farms or rural co-operative societies.

Besides the Soyuzprodmag shops, many of the Chief Administrations of the Commissariat of Food Industries maintain their own retail shops at which the products of their own factories only are sold. These include tobacco; fish products; preserves and jams; bread, biscuits and cereals, sweets. Such shops are designed and intended more to advertise wares than as an important part of the distributive system. Besides serving to introduce new lines to the consumer—for the ordinary retail shops are apt to be conservative and shy of experiments—they are useful as an indication of public taste and demand and, having all the latest technical contrivances and generally being managed with more than average efficiency, are an example to the rest of the retailers.

CHAPTER XI

THE DISTRIBUTIVE SYSTEM AT THE CLOSE OF THE SECOND FIVE-YEAR PLAN. II

THE CO-OPERATIVE ORGANISATIONS

1. *Selpo*.—The number of shops belonging to a *Selpo* varies greatly. Including booths and stalls for the sale of one or two commodities only, such as bread, firewood, kerosene, etc., there may be as many as 12 or 15 separate selling points; but the average *Selpo* is content with two or three, while some possess only one. In 1932, of the total number of *Selpo*,

31·5	per cent	possessed	only	1	shop
31·0	”	”	”	2	shops
19·5	”	”	”	3	”
9·2	”	”	”	4	”
4·4	”	”	”	5	”
4·4	”	”	over	5	”

Since that time, however, there has been a considerable amalgamation of *Selpo* too small to be economically efficient. The typical *Selpo* now has two or three shops and supplies the wants of a single village. Russian villages, however, differ very considerably in different parts of the country, in some places being very compact—in others straggling—often with small outlying hamlets some distance from the main centre. In the last-named cases the *Selpo* probably maintains several tiny

The Second Five-Year Plan

scattered shops to supply the neighbouring inhabitants with a few everyday needs such as matches, kerosene, flour, etc. Such small selling points are open for an hour or two only at a time, and often not more than two or three times a week.

The typical Selpo shop, however, sells various kinds of foodstuffs, including bread baked at the co-operative bakery, margarine, salt, sugar, tea, cigarettes and various articles of clothing, crockery, ironmongery, etc., and are served by one or more whole-time employees. Since the Russian village is rather a closed community with a sort of clan psychology the inhabitants strive to have their own Selpo, and thus it sometimes happens that when two villages are close neighbours each has its own small Selpo when one larger one would be more economic and equally well serve the needs of the combined inhabitants. The form of the Russian village dates back to the days of serfdom, when the serfs belonging to one landlord formed their own community. Owing to the configuration of the land or to water supply the serfs of two or more landlords sometimes settled in the same locality and thus, to-day, a settlement which to the casual visitor appears to be one village may actually consist of two or even more separate communities. On the other hand, there are many large single villages containing several thousand inhabitants which are often the result of some sort of primary industry being carried on in addition to farming. In such large villages or townships the local Selpo becomes a far more complex organisation, having separate shops for the sale of foodstuffs (for which the presence of a considerable non-agricultural popula-

The Distributive System.- II

tion creates a large demand), clothing, etc., and the common needs of the agricultural peasant, such as spades, axes, pails, harness, etc. In addition to these two or three main shops in the centre of the village, there may be several small shops in the outskirts. Large and prosperous Selpo usually have their own bakeries, dairies, sausage-making enterprises, sometimes even flour-mills and mineral-water factories, and employ a large staff of salaried clerical workers, storemen and others.

Every resident in the district over eighteen years of age is eligible for membership of the local Selpo. There is a small entrance fee of only a rouble or two, but in addition each new member has to subscribe towards what may be called the share capital of the enterprise. This subscription is based on the applicant's average income and may amount to as much as R.150, though probably the usual figure is between R.30 and R.50. There appear to be no standard rules covering this matter, which depends largely on the individual Selpo. Every member has the right to attend and vote at general meetings. The majority of village co-operators are members of collective farms, who form the mass of the present-day agricultural population. The independent peasant farmers, now constituting a small minority of the agricultural population, together with the hired labourers in State farms, make up the rest of the agricultural membership. The non-agricultural membership consists of a heterogeneous collection of village inhabitants such as doctors, veterinary surgeons, school teachers, engineers and mechanics belonging to the machine tractor stations, handicraft workers and officials. Alto-

The Second Five-Year Plan

gether there are about 40,000 Selpo throughout the whole country with about 126,000 shops and selling points. The total membership is over 40 millions.

As democratic institutions, the Selpo are in theory autonomous, but in Soviet Russia no organisation of any sort can be entirely independent since all must fit into the planned economy. Every Selpo, therefore, must conform to the provisions of the various plans, which regulate such things as the prices of goods, the volume of turnover, the rates of remuneration paid to employees, the amount to be spent on the extension of premises, etc. The actual degree of independence enjoyed by Selpo, however, varies between individuals more or less in accordance to their size. For instance, all Selpo with an average monthly turnover of more than R.20,000 are financially autonomous, which in practice means that they have a credit account at the local branch of the State Bank. Those with a smaller turnover are financed by their Raysoyuz. Large Selpo also have the privilege of making contracts directly with industrial and other supplying organisations for the delivery of goods, and with various purchasing organisations to which they sell the marketable produce grown by their members. (This "Zagotovka" is an important part of the rural co-operative societies' activities, but must be left to a later chapter.)

2. *The District Union*, or Raysoyuz, as explained in a previous chapter, is an association of all the Selpo in the Rayon. Broadly speaking, the Raysoyuz' functions fall into two classes ; on one hand it is a co-ordinating and regulating organ possessing

The Distributive System. II

a large measure of control over its constituent Selpo; on the other it is a representative organ for furthering and protecting the interests of the Selpo. As a controlling organ it acts as an auditor, approves schemes of capital expenditure and controls the Selpo's Zagotovka activities; in its second capacity it assists the Selpo in procuring supplies of goods and in finding purchasers for the marketable produce of members. In the case of small Selpo having a turnover below R.20,000 a month, the Raysoyuz supplies the necessary credit for financing purchases of goods, the money being provided either from its own balances or from credit granted to it by the Bank.

Nearly every Raysoyuz has its own warehouse containing stocks of everything normally required by Selpo members, clothing, piece goods, hardware, toys, sugar, tea, preserves and sometimes even elementary school books, while in prosperous districts bicycles, sporting guns, gramophones and even wireless sets may be stocked. The general rule is that the smaller the Selpo the more it relies on the Raybaz for its stocks of goods. It is a cardinal principle in Soviet trade that every type of commodity has a planned turnover period, which in this connection means that no retail establishment should have in stock at any given moment more than so many days' supply of this or that. Thus, supposing the turnover period for sugar be 24 days, a small Selpo's maximum stock in hand would amount to perhaps three or four hundredweights. This would be too small a quantity to draw direct from a sugar Prombaz, but together with other things would make up a cart- or lorry-load from

The Second Five-Year Plan

the Raybaz. A large Selpo wanting a ton or so of sugar at a time would take it direct from the Prombaz, thus saving intermediate handling and the Raybaz' middleman's expenses.

The Raysoyuz since 1934 have maintained large general retail stores in market towns for the sale of industrial consumption goods, cultural and sports goods. The total number of these stores is about 10,000 and they supply the local and surrounding population with a greater selection of, and on the whole better quality, goods than are obtainable in the village shops. The peasant who saves up to buy himself a new pair of top-boots, an overcoat or perhaps a gramophone, will naturally wait to make his purchase until he makes one of his periodic visits to his market town. He feels that in the town shop he will find a larger choice to select from and that probably he will get better value for his money. The movement during the last two or three years to bring shopping facilities nearer to the rural population would seem to indicate a growth in the purchasing power of the people.

The Selpo in its present form is a comparatively recent development, for, prior to 1931, the principal form of rural consumers' co-operative was the Raypo, or District Society, which administered all the village shops in the district. The merging of the formerly independent village societies in a single District Society was due to the so-called Left movement characterising the first years of the planning period. Generally speaking, the Left Wing of the Party believed in centralised distribution of the necessities of life as a preliminary to the abolition of money. They perceived that the more complex

The Distributive System. II

the distributive system became, the more the processes of exchange resembled trade with the inevitable concomitant of money. Their efforts were directed, therefore, to simplifying the whole distributive system. But their success was only temporary ; the District Societies proved too unwieldy and the Selpo were revived again after 1931. However, in some of the most backward parts of the country with a sparse and often semi-nomadic population, the village society was unsuitable, and, therefore, a few Raypo have continued to maintain shops in the rare centres of settlements in these regions.

3. *The Mezhraybaz*, or interdistrict wholesale depôts, are a survival of an earlier period when wholesale distribution was mainly in the hands of Tsentrosoyuz. They were in effect an intermediate link of wholesale organisations between the specialised warehouses and the rural societies and, when the flow of consumers' goods was small and variety restricted, they served their purpose more or less adequately. The increasing quantity and variety of consumers' goods, however, rendered a greater subdivision of wholesale organs desirable and, in due course, the last link in the chain serving the village co-operatives became the district depôt, or Raybaz. In a few parts of the country, however, the Mezhraybaz persists. It has been found useful in such regions, generally rather backward and sparsely populated, where the Rayons are, in point of population and consumption if not in actual area, rather small and where there are no large centres of population where Prombaz can be advantageously

The Second Five-Year Plan

situated. Mezhraybaz are under the Oblastsoyuz, and are designed mainly to supply the various Raybaz in the region, but are also available to the Selpo in their immediate neighbourhood.

4. *Other Co-operative Societies.*—Co-operation in Tsarist Russia was a comparatively late growth. The oldest form of co-operative society was the credit co-operative, generally organised and often financed by the Zemstvo, an important branch of whose work was buying and selling on commission. This enabled peasants to obtain their supplies at wholesale rates and to dispose of their produce to the best advantage. Economic societies on a co-operative basis, supplying the farmers with machinery, tools, seed, etc., were formed in the biggest centres of the Baltic Provinces in the latter half of the nineteenth century; and later were supplemented by village and consumer societies throughout the countryside. In Central Russia the peasants never showed the same initiative and capacity for organisation as the Baltic races, and the wholesale purchasing and distribution of machinery, seed and general goods to the individual peasant farmers was almost entirely carried out by the Zemstvo, which maintained their own stores, serving much the same purpose as the Soviet Raybaz. For everyday household needs the peasants relied mainly on the village shop, which often belonged to a Kulak.

Producers' co-operatives for the joint sale of members' produce developed very slowly, because the average Russian peasant was too individualistic to allow his own produce to be sold lumped together

The Distributive System. II

with that of his neighbours. Exceptions were dairy co-operatives in Siberia and Northern Russia, which manufactured large quantities of butter for export, and in the Southern grain-growing areas, where the export demand for large parcels of standard quality grain was beginning to convince the peasants of the advantages of joint marketing. Nevertheless, by 1913 there were only some 200 producer co-operatives, excluding the dairies, in the whole of European Russia.

All these agricultural co-operative movements have now been merged in the collective farm, which not only conducts all its commercial transactions as a unit enterprise, but farms its land as a single farm. Although the collective farms are nominally co-operative enterprises, they are far from being genuinely voluntary associations of free peasant farmers. The free initiative of the members of a collective farm is limited to matters of purely domestic import, such as the division of labour, the composition of "brigades", etc. The relations of the collective farm with other organisations are strictly defined and regulated by the State. Nevertheless, the collective farm as a producing and consuming corporation must be included among co-operative organisations as distinct from State enterprises, because the remuneration of the members takes the form of a share of the proceeds in kind and money of their joint labour and not of fixed wages.*

Other producing co-operatives are the so-called "Industrial Artels" manufacturing a variety of goods from ironmongery to clothing. Much of the

* See Appendix No. 8.

The Second Five-Year Plan

highest class clothing, including shoes, furs and hats, are produced by manufacturing artels, while there are also tailoring and dress-making artels making clothes to measure. A very large proportion of the supply of furniture is the product of co-operative enterprises, and in the town of Pavlovo there is a big co-operative industry manufacturing cutlery, locks, etc. In point of size and equipment some manufacturing artels vie with State enterprises, but as a rule they depend more on handicraft labour than on machinery. The workers in any sort of manufacturing artel are members receiving a dividend and not fixed wages, though book-keepers and other subsidiary staff may be salaried employees. Nominally an artel is administered by a board or committee of elected members, but it may be taken for granted that the President and most, if not all, responsible officers are approved by the local Party leaders.

Although both the collective farms and industrial co-operatives are primarily producing organisations and as such should not be included in an account of the distributive system, they play a not unimportant part in the distribution of their own products. A large part of the food supplies of the urban and proletarian classes is sold direct by the collective farms and their individual members to the consumer in the open peasant markets, while industrial artels, besides supplying their finished goods to State and co-operative retail organisations, frequently maintain their own retail shops.

PART IV

**THE ORGANISATION OF
DISTRIBUTION**

CHAPTER XII

PRINCIPLES OF PLANNING

ACCORDING to the Bolshevik view, though the capitalist retailer may study the consumer demand it is not because he wants to please his customers as an end in itself, but rather to attract customers, increase his turnover and make increased profits. Hence the high-class demand of the wealthier portion of the community plays a disproportionately greater part in determining production than the demand of the masses for standard consumption goods. In a Socialist State goods are produced for consumption and not for profit; it is the duty of the State to cater equally for all demands, giving preference to no particular section. This, it must be understood, is not the same thing as equality in consumption; it does not mean that high-class goods shall not be available to satisfy high-class demand, it is simply a statement of the principle that all sections of the community should be satisfied in equal ratios to their value to the community. The consumer's money income is the measure of his value to the community as a producer. Because there is no private enterprise and therefore no exploitation of some members of the community by others, nobody can, in theory, receive an income exceeding his intrinsic worth as estimated by the collective opinion; likewise, of course, he receives no less than he is worth. The

The Organisation of Distribution

citizen who earns a high income may, quite justifiably, buy and enjoy many goods that are out of the reach of the ordinary man, but the luxury desires of the wealthy citizens must not be satisfied at the expense of the essential consumption of the rank and file.

The smaller the production of the necessities of life the more the State must intervene to ensure that at least the absolute needs of all are satisfied, and during the period from 1928 to 1935 this was secured by rationing the supply of the common necessities of life. It must not, however, be thought that the object of rationing was to secure an equal distribution of consumers' goods. There was a margin between the lowest and highest ration scales, the rations allotted to the unskilled casual labourer and the subordinate office-workers affording them a bare subsistence, while the skilled factory workers, high Government officials and leading members of the Party were entitled to a more or less adequate supply of a variety of goods. The peasants were divided broadly into two classes, those engaged in producing foodstuffs and those producing industrial raw material. The former had the right to buy a limited amount of manufactured goods; the latter, in addition, were allowed to buy certain foodstuffs in a fixed ratio to the amount of cotton, flax, etc., they delivered to the Government. Under rationing the despatch and supply of goods to different regions had to be ordered in accordance with the number of persons entitled to rations and the average size of the ration. A district containing a large proportion of industrial workers would, naturally, receive a relatively larger quantity of goods than a mainly agricultural

Principles of Planning

district. The local distributing organisations would, of course, know more or less the numbers of their own ration book holders and the quantities of goods required to meet their requirements, and their returns would form the basis for the supply plan for the succeeding period. When rationing was abolished the supply of goods to each region and district had to be planned in accordance with the purchasing power of the population.

In pre-War Russia small-town merchants and traders, knowing the requirements of their customers, used to select the particular goods they wanted in the local warehouses of the manufacturers and wholesale dealers, or themselves travelled to an industrial and commercial centre such as Moscow, St. Petersburg or Harkoff where they could find an even greater choice. If the manufacturer produced the wrong sort of goods or despatched unsuitable goods to his provincial depôts he suffered losses. Every manufacturer, especially of goods such as cotton textiles in which pattern, design, colour, etc., are highly important, carefully studied the tastes and fashions of the various populations. It was also necessary to keep an eye on local conditions, particularly the harvest, which determined the purchasing power of the population. Thus if the harvest prospects in the Ukraine were good and in the Volga Provinces poor, the wise manufacturer concentrated on turning out goods suitable to the Ukraine and went canny on Volga patterns.

The Bolsheviks, having abolished all private enterprise (which in the open market conditions had to be efficient to survive) in favour of a State-

The Organisation of Distribution

planned economy, have had to find substitutes for the initiative, ability and experience which determined the survival value of private enterprises. State economic planning must by its very nature be founded on mathematical calculations, but the most successful private enterprises are usually, if not always, founded on intuition and taking chances, which are excluded from planning. A serious drawback to State bureaucratic administration is that officialdom as a whole always plays for safety. This is peculiarly the case in Soviet Russia, where the results of errors of initiative are apt to be gravely unpleasant. The retail shop manager hesitates to try new lines because the goods may not sell and thus prejudice his turnover plan ; the manager of the wholesale organisation is interested only in supplying the goods his retailing customers demand, and the manufacturing enterprise is only concerned to fulfil its production plans, which it can most easily do by sticking to its standard lines. In existing conditions, the popular demand for every class of ordinary consumers' goods is so intense that there is practically no " sales resistance " and consequently no competition between retail selling enterprises. This means that there is little incentive to try to attract customers by offering a better selection of goods ; and there can be no competition in prices, because these are fixed. All that a retail shop manager need do to maintain his planned turnover is to avoid repelling customers by offering damaged or defective goods, by insanitary premises, etc. In brief, efficiency has to be inculcated from above rather than inspired by personal interest and ambition.

Principles of Planning

The problems to be solved by planning are—

- (1) To order the distribution of consumers' goods by regions in order that effective demand, throughout the whole country, is more or less equally satisfied.
- (2) To order distribution so that the effective demand of the two main sections of the population, the industrial workers and agricultural peasants, are more or less equally supplied.
- (3) To supply the appropriate goods to the different populations in accordance with national and racial tastes and habits.
- (4) To regulate industrial production in order to ensure the manufacture of goods agreeable to the needs, tastes and fashions of the consumers.

The full sequence of planning is—

- (1) The division of output into a market and non-market fund.
- (2) The allotment of the market fund among the territorial divisions of the country.
- (3) The subdivision of the territorial allotments between the State urban and co-operative rural distributive systems.
- (4) The final distribution to retailing organisations.

All goods are affected by the first division but only so-called "Planned" goods are subject to all the remaining stages. The non-market fund consists of goods required for Government purposes (*e.g.* for clothing the defence forces), for export, for

The Organisation of Distribution

consumption by industry, for further processing or manufacture. Thus part of the textile output is passed on to clothing factories, and part of the non-market fund of certain commodities eventually comes on the market in a more advanced form.

According to the Plan for 1937 the market fund of the principal consumers' goods amounted to 73.9 per cent of the total output. The proportion varied greatly among the various sorts of goods as follows:

Cotton textiles . . .	59.8	per cent
Leather footwear . . .	94.8	„
Linen cloth . . .	36.1	„
Cigarettes . . .	99.7	„
Household soap . . .	96.5	„

The market fund of consumers' goods fall into three categories :

Planned
Regulated
Unplanned

Planned goods are those for which demand is specially intense and which, therefore, have to be more meticulously planned than others.

Regulated goods are those that are in rather better supply than planned goods, or not so essential. Most foodstuffs are in the regulated class.

Unplanned goods consist mainly of luxuries and the output of local enterprises consumed locally.

During the rationing period twelve commodities of prime necessity were "planned"; these included cotton, woollen and linen textiles, ready-made clothing, footwear, tobacco and soap. As the supply increased various items were removed from the "planned" list until, in the spring of 1937,

Principles of Planning

“planned” goods included only cotton textiles, ready-made clothing, footwear and knitted goods produced by All-Union enterprises. The regional distribution Plan for “planned” goods is drawn up by the Committee of Merchandise, Stocks and Prices attached to the Council of Labour and Defence, in consultation with the All-Union Commissariat of Internal Trade and Tsentrosyuz. Formerly the Plan also provided for the allotment of special “reserved” supplies to certain categories of workers such as gold miners, fishermen, lumbermen, etc., who, living in out-of-the-way and often inaccessible places, would have been at a great disadvantage had they been compelled to obtain their supplies in competition with the rest of the population. After derationing these reservations ceased, the provincial trading organisations becoming responsible for providing supplies of goods to all sections of the population throughout their respective territories.

The detailed distribution of “planned” goods between districts (Rayons) and the various trading enterprises is left to the Republican or Provincial Commissariats of Trade, subject to supervision by the All-Union Commissariat.

“Regulated” goods include silk and linen textiles, household necessities, cultural goods and most standard foodstuffs such as flour, tea, sugar, salt, oils and fats and preserved foods. The centralised planning of these is limited to dividing the market fund between the various retail organisations, at present only the State and Consumers’ Co-operative systems, the O.R.S., which formerly constituted a separate organisation, having been

The Organisation of Distribution

practically dissolved in 1936. The All-Union Commissariat of Internal Trade and Tsentrosoyuz independently plan the geographical distribution of their own quotas.

The distribution of "un-planned" goods is planned by the local governing bodies without interference from the Central authorities.

Centralised planning was unavoidable when every industrial manufacturing enterprise of any importance was directly controlled and administered by the Central Government, and when the consumers under the rationing system had very little power of expressing their desires because they had practically no choice in what they bought. But when the consumer could buy where he liked and the quantity and assortment of consumption goods increased, closer co-operation between manufacturing and selling enterprises was necessary and decentralisation of production proceeded more or less *pari passu* with the decentralisation of distribution. Under the new Constitution adopted at the end of 1936, the Central "All-Union" Commissariats of Light and Food Industries surrendered most of their administrative functions to the Republican Commissariats, which then took over the direct control of the factories and other manufacturing enterprises in their own territories. The former All-Union Commissariats were renamed Union Republic Commissariats, their functions being limited in principle to a general supervision and co-ordination of the activities of the Republican Commissariats; with the exception that a few concentrations of large-scale enterprises, such as the cotton textile factories in Moscow and Ivanovo, producing mass goods for

Principles of Planning

the whole Union, were left under the direct control of the Union Republican Commissariat of Light Industry and a few of the most up-to-date and best-equipped factories throughout the country remained under All-Union control as "model" enterprises for training technical personnel and for research. These changes in the administrative organisation of industry were part of the policy of furthering the self-sufficiency of the component parts of the Union. Since the beginning of the first Five-Year Plan, or even earlier, factories for manufacturing all sorts of consumers' goods have been built in regions where industry had never previously existed, to produce goods near centres of consumption, instead of the haphazard concentration of industry where labour or raw materials were plentiful, as was the case in the old days. The expected advantages of factories being scattered about the country and producing mainly for their own particular region are a saving in transport and a closer contact between consumers and producers. Whether these hopes have been realised is another matter. So far the advantages of a territorial dispersion of industry have been largely nullified by the lack of experienced labour as well as of administrative and technical personnel in the new industrial areas.

"Planned" goods are exclusively the output of All-Union enterprises, but by no means all the output of All-Union enterprises is "planned". Enterprises directed by and broadly speaking belonging to the Federal Republican Governments form the majority of enterprises producing consumers' goods. Their output is primarily designed to supply the demand of the Republic. But a con-

The Organisation of Distribution

siderable portion of the output of standard goods such as footwear, clothing, household requisites, glass and earthenware is exported to other Republics. Enterprises belonging to the local governments of Provinces, Autonomous Republics, Autonomous Areas, etc., are as a rule small and relatively unimportant enterprises whose output is almost entirely destined for local consumption. Some local enterprises, however, manufacturing local specialities (*e.g.* wine), sell their output all over the Union.

The system of planning distribution naturally follows the system of production; the Central Government decides the main lines of distribution of goods produced by All-Union factories, the Republican Governments in the main decide the distribution of the output of Republican enterprises, and Local Governments order the disposal of the output of their own local enterprises. But this does not mean that the Plans of the Central, Republican and Local Governments are independent; all are co-ordinated into one comprehensive Plan by the All-Union Commissariat of Internal Trade for final approval by the Council of Labour and Defence. But a bare description of the planning system is likely to give the impression that planning is carried out much more accurately and scientifically than is actually the case. In the first place, planned production seldom coincides exactly with actual production. In regard to volume, output sometimes exceeds, but more often falls below, the Plan; in regard to quality and assortment, reality is generally short of expectation. Even were Plan and realisation to coincide exactly, it would obviously be quite impossible to work out a detailed Plan of

Principles of Planning

distribution in kind. As a matter of fact this is not attempted; distribution Plans are drawn up in money values, except possibly in the case of uniform commodities such as salt, matches and flour. Unfortunately the Soviet authorities do not divulge the more intimate details of their planning methods, confining themselves, both in their text-books and verbal explanations, to recounting the main principles on which they work. In a pamphlet entitled *The Principal Problems of Wholesale Trade in Industrial Goods*, published by the Central Research Bureau of the People's Commissariat of Internal Trade in 1936, it was disclosed that the quarterly Plans of wholesale goods turnover are seldom confirmed much before the commencement of the period and sometimes not until it has already begun. Thus the general wholesale Plans for 1935 were confirmed by the Council of Labour and Defence on the following dates :

First Quarter . . .	17th December 1934
Second „ . . .	17th April 1935
Third „ . . .	28th June 1935
Fourth „ . . .	23rd September 1935

The several Provincial Plans were confirmed by the Commissariat of Internal Trade on the following dates :

First Quarter . . .	7th January 1935
Second „ . . .	Provisionally 2nd March, finally 10th May 1935
Third „ . . .	5th July 1935
Fourth „ . . .	3rd October 1935

It should perhaps be explained that all economic Plans possess an annual and a quarterly aspect.

CHAPTER XIII

THE PRACTICE OF PLANNING

IN the previous chapter the principles of planning the distribution of consumption goods were described. Obviously, in the absence of a market, some competent authority must decide how the total supply of goods produced shall be distributed. But while centralised planning may result in the supplies of common necessities being more or less properly distributed geographically in accordance with demand, it cannot effectively plan distribution in two important details : namely, the supply to individual retail organisations and the selection or assortment of goods. It is the local authorities only who are in a position to estimate the tastes and preferences of the local population in respect of quality, pattern, design, etc., of the goods they desire to buy. Therefore local trading organisations must be given the opportunity to select the goods best suited to their own customers.

Under its own official Plan any given trading organisation should know (1) the value of its annual and quarterly turnover ; that is, how much money it may devote to buying merchandise in the ensuing year and in each quarter of the year ; (2) how much money it may devote to buying each sort of commodity, *e.g.* cottons, woollens, silks, footwear, haberdashery, etc. ; (3) from which manufacturing enterprises it must obtain its stocks. In the period

The Practice of Planning

of ration distribution the trading enterprise had very little choice in the goods it was allotted, but since derationing every selling enterprise must be able, within limits, to make its own selection and must therefore have some direct contact with its manufacturing and supplying enterprises. To meet this need a system of so-called contracts has been devised. Actually there are three types of contract roughly parallel to the sequence of Plans and in a way a concrete expression of the more or less abstract "Plan".

1. *General Contracts*.—These are concluded between the central organs of suppliers, that is, the selling departments of the Chief Administrations of industries in the Union and Republic Commissariats of Light Industry, or sometimes industrial Trusts, and the central organisations of trade, e.g. the Glavtorgs, Tsentrosoyuz, Republican and Provincial Co-operative Unions, etc. These general contracts state the total volume and value of the goods, according to main groups or specifications, to be supplied by the industries concerned to the various trading organisations subordinate to the other party to the contract. They also define the general conditions and terms of delivery, such as price, regularity of despatch of consignments, etc.

2. *Direct and Local Contracts*.—These are concluded between subordinate or inferior organisations in the trading and industrial systems in extension of and complementary to the General Contract. While the General Contract is an agreement between two administrative bodies, the direct

The Organisation of Distribution

and local contracts are between enterprises actually handling the goods, such as a Prombaz and a Raysoyuz or local Torg. The contract defines in much greater detail qualities, assortments, frequency of deliveries, etc. One can visualise the system perhaps more easily by imagining a large capitalist industrial cartel arranging a comprehensive or covering agreement with a large multiple-shop corporation to supply a total quantity of goods on certain terms to the shops of the latter. The various unit enterprises in the cartel and the individual shops are then, we will say, paired off and allowed to arrange details mutually satisfactory so long as the total quantity and value of goods delivered, prices, etc., do not conflict with the terms laid down in the covering agreement.

3. *Preliminary Orders.*—All organisations competent to conclude direct contracts may give preliminary orders to manufacturing organisations. A preliminary order is in effect an order to the manufacturing enterprise to manufacture certain goods to the specification of the buyer. Goods for which preliminary orders may be given include cotton, linen and silk fabrics, ready-made clothing, household requisites and ironmongery, earthenware and glass, saddlery and furniture. All these are eminently goods having a wide range of pattern, design, colour, etc. In order to give trading enterprise an idea of the new designs, etc., factories are prepared to deliver, industrial organisations send travelling representatives to visit their customers and show the latest samples, take orders and generally study local fashions and requirements. The proportion of

The Practice of Planning

goods under contract that may be obtained under preliminary orders varies from 60 to 100 per cent. Clothing factories, which buy textiles for further making up, and model Univermagy may give preliminary orders for 100 per cent of their contract supplies, while Torgi and other organisations controlling a number of separate enterprises may order 60 to 80 per cent only. The reasons for this distinction are not specifically stated, but in all probability unit enterprises such as clothing factories and Univermagy may be presumed to know precisely the quantity and styles of goods they want and can therefore give specific orders for all their requirements, whereas Torgi, etc., are ordering for a number of separate shops and a certain margin is advisable to allow for subsequent adjustments.

Though the distribution Plan for retail trade is drawn up in considerable detail, it is by no means always strictly adhered to. There are various reasons for this ; it is apt to be assumed that the notorious executive inefficiency of the Russian is to blame for many imperfections, but this is only partly true, at least as concerns domestic trade. Capitalist modern trade is a most complex thing ; its organisation is so intricate and involved that those engaged in one branch know practically nothing of the customs and methods obtaining in other branches. And every branch of commerce and every class of merchandise has its own traditions and rules. In pre-War Russia, no doubt, trade was not so specialised as in the more advanced mercantile countries. Nevertheless different

The Organisation of Distribution

branches were governed by different customs and rules. When the simplified methods of distribution under the Soviet rationing system proved quite inadequate for the new system of open retailing, new rules and methods had to be devised applicable indifferently to all sorts of merchandise; for in a planned economy trade as well as everything else should, so far as possible, be standardised. But with all their genius the Soviet economists and administrators have so far been unable to devise a single comprehensive set of rules equally applicable to every aspect of internal trade. Therefore a certain amount of official, and a good deal more unofficial, latitude has to be allowed to trading organisations in conducting their business. It is not easy in Soviet Russia to discover how anything is done when what is done is in conflict with official theory. In theory Government laws and decrees and the circulars and resolutions of organisations competent to legislate for their own subordinate units cover every imaginable contingency, but it goes without saying that problems arise for which there is no appropriate official ruling, and to apply to the competent authority for an *ad hoc* decision would be useless because (a) it would arrive too late, and (b) when it was delivered it would in all probability be so vague and indecisive as to be useless.

The degree of freedom enjoyed by retail enterprises and the extent to which they can ignore the red tape in which all Plans are wrapped depends largely on their importance and the size of their turnover; and, it may be supposed, on the social class from which their customers are drawn. The large Model Univermagy, which are independent

The Practice of Planning

enterprises responsible only to a Government department, have their planned turnover like all other trading enterprises; but their unplanned turnover is also very large, in some cases amounting to nearly as much as the planned turnover, and is steadily increasing in proportion to the planned turnover. Univermagy have wide powers to enter into negotiations with all sorts of industrial enterprise for the supply of fixed quantities and values of specified goods at stated intervals. Except that the prices and terms are fixed and not subject to mutual agreement, there appears to be no fundamental difference between such a contract and one between a big capitalist retail shop and a manufacturing enterprise for serial supplies of goods. The unplanned turnover consists mainly of luxury, semi-luxury and non-standard goods; a few examples are sports goods, musical instruments, ornamental porcelain and glass, fancy goods, the more expensive silks, muslins, etc., in the piece or made up, laces, scents and cosmetics, etc. The demand for such things is limited and they are sold mainly or only in the high-class city shops. Hence their distribution presents nothing like the problems inherent in supplying the population with the ordinary standard qualities of clothing and other necessities. These unplanned goods are procured usually direct from the manufacturing Trust, or even from the factory itself, under a serial contract or, quite frequently, as a single transaction. In fact the Model Univermagy buy most of their seasonal requirements such as Christmas-tree decorations, women's summer hats, etc., as well as special lines such as jewellery, children's toys, ornamental

The Organisation of Distribution

knick-knacks, in single consignments as and when necessary. Many of these things are manufactured by industrial co-operative societies either to specific orders or on speculation, in which case they will be offered to prospective purchasers by travellers or disposed of through the newly organised goods exchanges, to be described later.

The model Univermagy of course are not (at present) typical of Soviet retailing establishments. They enjoy much more freedom and have more privileges than the ordinary shops belonging to a Torg. An ordinary town Torg comprises a number of separate shops, one or two of the largest selling a wide range of goods, others specialising in certain classes of goods ; at the same time different shops cater for different classes of consumer from the highly paid officials to the rank-and-file workers. The central management of the Torg has to see that all the shops are supplied with the proper descriptions and quantities of goods, and to this end makes contracts with a wide range of manufacturing enterprises. A certain proportion of the goods obtained will be "Planned" goods. But the total value of any description of "Planned" goods that the Torg can obtain is strictly limited and may not, in fact usually does not, cover the Torg's full requirements. Leather footwear is one of the "Planned" classes of goods, but only the output of All-Union boot factories is planned in the full sense. Under its turnover Plan the Torg, we will say, may spend R.100,000 on leather footwear, but the value of "Planned" footwear allotted to it may amount to, say, R.60,000. It therefore wants another R.40,000 worth of footwear, which it must

The Practice of Planning

obtain from enterprises under the Republican or Provincial Commissariat of Local Industries. In practice the Torg approaches local enterprises with a view to concluding contracts, and the latter decide, after reviewing their other commitments, how much they will be able to supply. In all probability the Torg will conclude contracts with several local enterprises before its full requirements are covered, and among its suppliers will probably be one or two co-operative enterprises, which have a monopoly of the high-class women's hand-sewn shoe production. The larger shops in the Torg are to a material extent independent and, within the limits of their own turnover Plans, may make their own contracts with supplying enterprises. These contracts are, of course, supervised and authorised by the Torg and form an integral part of the Torg's Plan. They relieve the central office of the Torg of a considerable amount of detail work, and it is naturally more satisfactory for shops with a large and complex turnover to have direct contact with their suppliers. Shops concluding their own contracts are themselves responsible for making due payment and are granted credit facilities by the Bank. Most Torgi have their own petty wholesale depôts stocking supplies of secondary goods such as haberdashery, toys, perfumery, etc., for supplying the casual requirements of their shops. According to the strict rule the individual shops are allowed to spend 15 per cent of their turnover on buying unplanned and casual supplies.

In main outlines the rural co-operative system is similar to the Torg, substituting the Raysoyuz for the central office of the Torg and the Selpo for

The Organisation of Distribution

the individual Torg shops. The large Selpo, however, are in many ways more independent than the big Torg shops. While their contracts with industrial suppliers must be approved by the Raysoyuz to ensure that they are not in conflict with their Plan, they appear to be able to fix terms and conditions very much at their discretion. The small Selpo with a monthly turnover of less than R.20,000 are much more under the control of the Raysoyuz. Such a Selpo, not being financially autonomous, cannot conclude contracts, and is almost entirely dependent for its stocks of goods on the wholesale warehouse of its Raysoyuz.

In spite of the deference paid to the theory of planning it would be easy to exaggerate its real moment as a controlling and guiding factor in the distribution of consumers' goods. The turnover plan of a retail enterprise like a Univermag or a more complex organisation such as a Torg is much the same thing as the budget which any fairly large and well-conducted capitalist undertaking draws up. No private enterprise of any importance can carry on from hand to mouth and no more can a Soviet undertaking. And just as big capitalist shops have standing agreements with their industrial suppliers so do Soviet retail shops. Another point that must be noted is that neither trading nor production Plans fix a maximum figure. Overfulfilment of the Plan is encouraged, and if a retail organisation exceeds its planned turnover it is entitled to additional bank credit to enable it to obtain supplementary supplies. Thus manufacturing enterprises find no difficulty in disposing of any production in excess of their Plans. In fact, judging

The Practice of Planning.

by the fairly frequent shortages of various sorts of goods, the excess industrial output is often insufficient to cover the excess demands of the retail organisations, in spite of the fact that some 15 per cent of planned production is retained in a special reserve fund to meet excess demand.

CHAPTER XIV

THE FINANCE OF TRADE

IN the year 1931 standard rules for short-term credit to trading organisations were drawn up. Trading enterprises supplied a fixed clientele with fixed quantities of goods. Demand had no influence on supply, thus every retail shop indented on its wholesale suppliers for quantities and assortments of goods just sufficient to provide its customers with the goods they were entitled to buy. When precise quantities and prices of goods are fixed, the amount of credit required to finance trading turnover can also be exactly determined. That, at least, was the principle underlying planned credit during the ration period. And while retail distribution was rigidly planned, the system worked after a fashion. The chief fault was that the overhead and working expenses of trading organisations often exceeded the planned estimates, with the result that short-term credit received for the purpose of buying turnover merchandise was used for other purposes and became more or less frozen. In 1933 the system was remodelled. It was decreed that trading enterprises should accumulate sufficient own-turnover capital to cover their normal stocks of merchandise, receiving bank credit only to finance seasonal peaks in their turnover. Since few enterprises possessed anything like the required amount of liquid capital, special transitional credits, repayable in twelve

The Finance of Trade

months, were granted to give them time to acquire the necessary resources. Parenthetically it may be noted that at the end of the twelve months very few enterprises were in a position to repay their transitional credits, partly, it seemed, because expanding goods turnover and rising prices increased the required turnover capital to a much higher figure than had been allowed for. The consequence was that the unrepaid credits had to be indefinitely continued.

After rationing ceased altogether on 1st January 1936, the system of rigidly planned credit quotas soon proved unsuitable to the new circumstances. In the first place, when all advances were repayable at a term decided by the average turnover period of all goods sold by the borrower, the latter naturally tended to concentrate on goods having a ready sale and quick turnover and to neglect others. In the second place, if a trading enterprise succeeded in realising its turnover plan before the period of the plan had expired, it was unable, except with difficulty and delay, to obtain supplementary credit to enable it to procure additional stock. To remedy these defects it was decreed in June 1936 that—

- (1) Short-term credit to trading enterprises should not be subject to maximum limits, but should be determined by the actual turnover of the borrowing enterprise.
- (2) Instead of a lump sum advanced for a term corresponding to the average turnover period of all descriptions of goods, credit should be given separately for each class of goods and be repayable in a period corresponding to

The Organisation of Distribution

- the planned turnover period of those goods.
- (3) Enterprises overfulfilling their planned goods turnover should receive extra favourable credit terms, the whole of their excess turnover being financed by bank credit.
 - (4) Specially favourable terms were also to be given to any enterprise that succeeded in shortening its planned goods turnover period.
 - (5) Finally, retailing enterprises were given extended rights to refuse acceptance of goods not ordered, to enforce penalties from the wholesale suppliers for late delivery, etc.

All trading enterprises obtain their original turnover capital directly or indirectly from the State. Prior to the credit reform in 1933, mentioned above, probably most independent shops and co-operatives were financed by the Gosbank to practically the full extent of their turnover. The greater part of any profits made were paid over to the central organisation, *e.g.* Tsentrosoyuz or G.O.R.T. which thus accumulated funds for financing new enterprises. When it was decided that every independent trading enterprise should possess a minimum amount of turnover capital of its own, the State had to find a considerable sum of money to endow those enterprises having no other resources. Thus, when the rural consumers' co-operative system was reorganised in the autumn of 1935, Tsentrosoyuz was granted a special credit of R.30 million to enable it to finance 5000 new village shops. Most existing shops and enterprises, however, obtained at least a nucleus turnover capital from their central organisations. On account

The Finance of Trade

of the movement towards decentralisation and the shifting of financial control lower down these had no further need of such large sums, as formerly, to finance their subordinate enterprises, and so a very large proportion of their accumulated funds were available for distribution as working capital among the individual shops and enterprises under them.

According to the decree, all Torgi were to possess sufficient turnover capital of their own to finance at least 30 per cent of their goods turnover, Raysoyuz and Raypo at least 20 per cent, and wholesale depôts of consumers' co-operative Unions and Raymagy at least 10 per cent. In practice these minima are not strictly observed, the percentage of own capital being fixed by the Bank after reviewing the merits of each case. The grant at a later date of credit facilities to individual Selpo and individual Torg shops, which at the time when the decree was issued were not financially independent, made it impossible to keep to absolutely hard-and-fast rules, though few, if any, enterprises actually receive credit unless they can cover at least 10 per cent of their turnover. Many trading enterprises, on the other hand, can cover much more than this and require credit to the extent of 50 per cent or even less of their normal turnover. In theory the Bank must satisfy itself that its clients are at least not trading at a loss and that they are "good" borrowers. That is to say, that credit granted is unlikely to become lost or even frozen. Naturally the Bank is more exigent in respect of clients possessing relatively small own turnover resources, because in such cases there is less margin of security. Nevertheless it is probable that a considerable

The Organisation of Distribution

amount of bank credit does become frozen for, although legally the Bank has the right to distrain or sell up a defaulting debtor, in practice this is seldom, if ever, done. The Gosbank never publishes a balance-sheet showing bad and doubtful debts, but in paragraphs in the press it is from time to time admitted that certain trading organisations have made losses.

The chief interest in the credit system is the manner in which it is employed to control trading enterprises, mainly by enforcing their turnover plans. A capitalist merchant as a rule wants to sell his merchandise without unnecessary delay, but it can happen that he will hold certain goods off the market for a time in expectation of an improvement in price, or, if the opportunity arises, buy a large quantity on exceptionally favourable terms which he expects to re-sell only gradually. This sort of thing arouses the anger and contempt of the Bolsheviks, who hold that in a socialist State consumption should keep in step with production. To ensure that no consumption goods are unnecessarily held off the market, fixed turnover periods for retail trade are decreed. All standard goods are divided into six classes according to their statutory turnover period. The following are the average turnover periods, which, however, may be amended by the Gosbank, in agreement with the All-Union Commissariat of Internal Trade and Tsentrosoyuz, to accord with conditions prevailing in different regions. Thus in a comparatively densely populated and prosperous district the periods may be shortened—

The Finance of Trade

	In Days		
	Urban Trade	Rural Retail Trade	Rural Wholesale Trade
1. Meat products, milk, kerosene, cotton fabrics	15	15	7
2. Animal and vegetable fats, fish, potatoes, and fruit, vodka, boots and goloshes	24	20	13
3. Flour and meal, sugar, clothing, textiles other than cotton	38	24	17
4. Confectionery, tea, preserves, margarine, tobacco and cigarettes, knitted goods, furniture, other foods not elsewhere included	55	35	25
5. Alcoholic beverages excluding vodka, domestic hardware, cultural goods, other industrial goods not elsewhere included	70	55	35
6. Salt, matches, soap, haberdashery, glass and earthenware	85	80	42

(Decree of the Council of Labour and Defence, 11th July 1936)

The practical importance of these turnover periods is that no trading organisation should at any time hold larger stocks of any goods than can be sold during the turnover period. This does not, of course, mean that trading enterprises must always have in stock so many days' supply of each description of goods; that is only the maximum which should not be exceeded. Certain commodities

The Organisation of Distribution

such as bread, fresh meat, etc., have no official turnover period because they are, in the ordinary course, sold almost at once and therefore are not goods for which credit is required, but all credits granted in respect of other goods are repayable at the expiry of the official turnover period. If, for example, a shop on any given day receives parcels of, say, boots, cotton fabrics, ready-made clothing and haberdashery, the amount of credit granted by the Bank to make the purchases will be repayable at different periods, from 24 days in the case of the boots to 85 days in the case of the haberdashery. Obviously it is impracticable to keep a separate account for each class of commodity and, in fact, no serious attempt is made to ensure each individual credit being repaid exactly at maturity. The actual accounting is carried out as follows : every financially autonomous trading enterprise, wholesale and retail, has two accounts at its branch of the Gosbank, a Special Advance Account and a Giro Account, more or less equivalent to a Current Account. When a purchasing enterprise receives a consignment of goods it signs a demand note presented by the consignor, which serves as authority to its bank to pay the amount of the invoice. This is debited to the client's Advances Account in full. If the client is a retail shop, its cash takings, except for a small amount of till money, are paid into the Bank and credited to its Advances Account every day or at very frequent intervals ; if the client is a wholesale enterprise, the amounts of its demand notes when collected are similarly credited to its Advance Account. In the case of clients possessing a small ratio of own turnover

The Finance of Trade

capital a return is compiled by the Bank every 6 days, in the case of wealthier clients every 15 days, showing the aggregate amount of Advances maturing during the period, the amounts and maturity dates of new Advances given, and the amount of receipts credited to the account. If everything is in order, the receipts have sufficed to repay the maturing advances and the total indebtedness of the client will not exceed the amount it is entitled to borrow on the value of its current stocks of goods. If both these conditions are fulfilled, the surplus standing to the client's credit on the Advances Account is transferred to the Giro Account, from which are paid wages, rates, taxes, etc. If, however, the Advances Account shows that the client has taken more credit than it is entitled to, the debt is reduced by transferring the difference from the Giro Account. It is frequently complained that the 6-day period is too short; it can, for instance, happen that owing to irregularities in despatch an enterprise has received several consignments of goods simultaneously instead of at proper intervals, and therefore its Advances Account will show a sudden increase in the debit balance, causing a temporary embarrassment through withdrawal of funds from the Giro Account. Such chance fluctuations would be evened out if a longer period were allowed.

This method of accounting cannot ensure that the turnover period for each description of goods is strictly maintained. If certain goods are disposed of on the average more rapidly than their official turnover rate, it compensates for other goods remaining too long on hand. But it does show

The Organisation of Distribution

whether an enterprise is on the average fulfilling its turnover plan. In order to keep a check on each class of goods, a sort of stocktaking is carried out every three months to see that the stocks in hand do not exceed the maximum determined by the turnover period. If any goods are found in excessive quantity, the Bank may refuse credit for further purchases of those goods until the stock has been reduced, it may authorise the enterprise to reduce prices if the goods in question are inferior in quality or have deteriorated, or it may assist in finding another enterprise to buy the goods if failure to sell them is due to their being unsuitable for the locality.

If an enterprise's accounts show that it is making losses, the Bank must investigate the seat of the trouble, whether for instance it is due to avoidable overhead and running costs, and suggest measures of alleviation. The Bank is also supposed to see, by checking invoices passing through its hands, that its clients are paying the proper authorised prices, no more and no less, for the goods they buy. If a trading enterprise's bank accounts are unsatisfactory, there is *prima facie* inference that it is not satisfying its customers ; this may be the result of having been victimised by manufacturing or wholesaling enterprises and forced to accept inferior or unsuitable goods, or may be due to negligence in ordering goods. Theoretically a buyer can refuse to accept delivery of goods he has not ordered. And doubtless a retail enterprise will as a rule refuse to accept, say, a consignment of lipstick in lieu of toothbrushes. But formerly, when the supply of consumption goods was extremely short, it would

The Finance of Trade

have created untold confusion if every retail shop had insisted on receiving precisely the pattern and quality of goods ordered and refused all near substitutes. In fact the custom seems to have been to accept almost anything in order to maintain the planned goods turnover. As a result both manufacturing and wholesale enterprises became careless and indifferent to the requirements of the retail organisations. The Bank too, which was responsible for seeing that payment was promptly made, objected to goods being returned because it upset the accounting system, which was based on the assumption that payment followed delivery automatically.

Under the present system it is hoped that trading enterprise and Bank will co-operate to insist on manufacturing enterprises and wholesale dépôts supplying goods according to contract specifications and at regular intervals. But it is still a matter of complaint that suppliers are too often slack about deliveries during the earlier part of the quarter, and rush deliveries through in the last week or two in order to complete their quarterly plan.

The Bank also has a means of disciplining suppliers. Since the despatch of goods precedes receipt of payment by at least ten days, when consignor and consignee are not in the same town or district, transit credits are granted to consignors to tide them over the interim period. If, however, a manufacturing enterprise has a bad record for protests and claims by its customers, the Bank may refuse to grant transit credit and keep the enterprise waiting for its money till the goods have been

The Organisation of Distribution

accepted and paid for by the consignee. It is difficult to determine to what extent the various sanctions at the disposal of the Bank are effective in enforcing "trade discipline". Theoretically any economic enterprise can be made bankrupt, but in practice no enterprise is ever actually closed down. The creditors of a State enterprise are other State enterprises, so that to close down and sell up a debtor would merely be transferring its assets from one pocket to another. The consequences of insolvency may be unpleasant for the employees, whose wages will probably get into arrears, an event which is not infrequent since raiding the wages fund is practically the only way of securing funds when the Bank refuses further credit. But the employees, in spite of their workers' committees, have no real voice in the management of their employing enterprise. The President of an enterprise which consistently fails to realise its plan and makes losses may be removed and given an inferior post, but the supply of capable managers is so inadequate that unemployment need not be feared. In fact, there are several cases on record of a man being dismissed for inefficiency by one enterprise promptly getting a post at a better salary with another. When credit is refused, what normally happens is that the defaulting enterprise appeals to its head organisation, the Torg, Glavtorg or Raysoyuz as the case may be, for assistance. The enterprise may then lose its financial autonomy and be taken under the direct control of the organisation, or it may be provided with a new president and directors and its debts paid off. On the whole, Soviet experience seems to show that the penalties

The Finance of Trade

attaching to failure are a less powerful incentive to efficiency and good management than the system of premiums and bonuses earned by the managers of enterprises which over-fulfil their plans.

The situation of a Selpo which becomes insolvent is somewhat different to that of a State shop. The Selpo, being a co-operative enterprise, has for shareholders all its members, and these may legally be made contributaries on the ground that if they appoint an inefficient president and manager it is their own fault. But in practice it seems that Selpo members are only in very rare instances called upon to settle the Selpo's debts, and then only if gross mismanagement or embezzlement can be proved which the supervisory committee showed extraordinary negligence in not preventing. Normally if a Selpo cannot meet its liabilities it receives a loan from the Raysoyuz, to be repaid when it has recovered financial stability.

The following are some figures relating to the total value of retail trade, total credit issued to trading organisations, rates of profit, etc.

On 1st January 1937 the total turnover capital of State trading organisations (excluding public feeding) was R.1783 million compared with R.962 million a year before. In 1935 budgetary grants to trading enterprises amounted to R.226.5 million, or about 75 per cent of the aggregate sum by which their turnover capital was increased. In 1936 grants accounted for 67 per cent of the increase. Out of total profits of R.625 million only R.268 million was used to increase turnover capital, the remainder was devoted to increasing fixed capital and various statutory funds, such as the fund for improving

The Organisation of Distribution

employees' living conditions, into which a fixed percentage of profits must be paid annually.

The net profits of State trade during the years 1934-36 were—

1934 . . .	R.118.3 million
1935 . . .	196.2 „
1936 . . .	625.0 „

The turnover during the same period was—

1934 . . .	R.54,000 million
1935 . . .	74,200 „
1936 . . .	97,200 „

Profits were only a small percentage of the turnover, viz. :

1934 . . .	0.22 per cent
1935 . . .	0.26 „
1936 . . .	0.64 „

In 1935 overhead and running costs were reduced by 6 per cent in comparison with 1934, and in 1936 by a further 9 per cent compared with 1935.

On 1st January 1937 the value of stocks of merchandise in possession of State trading organisations was R.4679.4 million, while, as already stated, the turnover capital amounted to R.1783 million; of this R.761.3 million consisted of till money, bank balances and other liquid assets, leaving only R.1021.7 million invested in merchandise. Thus about 78 per cent of trading stocks were held with bank credit.

In 1936, on the whole, the wholesale and retail organisations dealing in industrial and mixed goods showed profits, while a large proportion of the organisations dealing exclusively in foodstuffs showed losses.

CHAPTER XV

THE FREE MARKET. I

PEASANT TRADE

THE State and Consumers' Co-operative trading systems are subject to planning and State control. Though the greater part of the available flow of consumption goods is distributed through these two channels, an appreciable proportion of popular demand is supplied by other organisations which are less bound by Government decrees and more sensitive to market conditions. These are the Collective Farm Peasant Market and the Producers' Co-operatives, which in respect of the quantities and qualities of goods brought to market and the prices at which they are offered, enjoy a large measure of freedom.

In pre-War Russia the peasant bazaars were a very important source of supply to the urban consumer. The organised collection of farm produce by merchants and dealers for retailing in the towns developed slowly ; grain, eggs, butter, tallow, etc., for export were bought up from the peasants by local dealers who re-sold to the big shippers, and latterly peasant co-operative societies were formed for the joint marketing of, mainly, grain, flax and other staple crops. But a large part of the vegetables, fruit, milk, butter, poultry, etc., consumed by the townfolk were bought direct from the

The Organisation of Distribution

peasant grower. Owing to the great distances and lack of rapid transport facilities only the peasant population within a fairly restricted radius of the towns produced a marketable surplus of perishable produce. The large markets provided by St. Petersburg, Moscow and the important industrial centres in North Russia stimulated more varied and intensive farming in those regions, with the result that, despite the comparatively poor soil and unfavourable climate, the average money yield per acre of land in the Northern Provinces was higher than in the rich black-soil regions in the Centre and South. During the period of War Communism the Bolshevik Government attempted to stamp out direct exchange between the urban population and the peasants and to canalise the exchange of manufactured goods for foodstuffs through State organisations. The reversion to private trade during the N.E.P. period caused a prompt revival of the peasant market. Farm produce was again brought openly to the towns, but, according to later Soviet accounts of this period, a very large part of the food offered for sale to the townspeople was acquired by middlemen, mainly peasants, who bought up supplies from their neighbours. Whether in fact such middlemen really accounted for a larger part of the market than peasants selling their own produce, is impossible to say. Obviously the peasants could bring their produce only to their nearest town and some kind of a middleman had to organise the collection, transport and selling in distant markets. It is said that middlemen from Leningrad travelled even as far as Siberia and back with goods. If so they were doubtless performing a useful function,

The Free Market. I

but the Bolsheviki, in spite of the inefficiency of their own distributive organisation, were determined to stamp out all vestiges of private trade in merchandise; that is, buying with the object of reselling at a profit. The allegation that the peasant market trade was in the hands of so-called speculators gave the Government the excuse to close the town markets and persecute peasant pedlars at the beginning of the first Five-Year Plan.

During the first Five-Year Plan a certain amount of peasant selling was permitted on sufferance. Peasants stood on the street kerbs with baskets of fruit, eggs, etc., which they sold under constant threat of being "moved on" by the police, and even of having their stock-in-trade confiscated. At railway stations and at the calling-place of river steamers the peasants were allowed to sell milk, bread, fruit and cooked foods to travellers. This was a necessary concession because railway buffets were quite inadequate to satisfy the needs of the travelling public, and restaurant cars, which were attached only to a few principal trains, were in any case available only to the higher class passengers. In many provincial towns, especially in Siberia and the relatively thinly populated South-East, peasants were allowed to drive their farm carts into open spaces and sell foodstuffs to the townsfolk. Wherever the State and co-operative trading systems were poorly developed and unable to supply anything like the full needs of the urban proletariat, peasant trading was tolerated, while in the large central towns where organised distribution was functioning more or less adequately the peasant market was suppressed. In 1930 the in-

The Organisation of Distribution

habitants of Moscow and Leningrad were able to procure practically the whole of their absolute necessities from the organised State and co-operative shops, while in Siberia and other outlying regions the ordinary industrial proletarian had to buy 30 per cent or more of his needs in the free market.

In 1932 the Government decided to legalise and reorganise the open peasant market, which then became known as the Collective Farm market. The change of policy was officially accounted for by the desire to benefit both the town consumer and the peasant producer, which could now be done without either party being exploited by the iniquitous middleman. The last named, being in most cases a Kulak, had been extirpated. The truth was that the supply of rationed food by the official distributive systems had always been unsatisfactory, while the policy of compelling the peasants to surrender to the State nearly the whole of their surplus produce at extremely low fixed prices had caused an alarming fall in the output of agricultural produce.* It was announced that, beginning in 1933, the compulsory deliveries of produce by the peasants would be a fixed amount of grain, potatoes, milk, meat, etc., per hectare of land cultivated or per head of livestock owned. These deliveries in kind, according to the crop harvested or the fecundity of the livestock, accounted for from about one-third to one-tenth of the gross yield, the average probably being around one-fifth. The rest was at the entire disposal

* Official Soviet statistics show that the gross value of agricultural produce fell from R.14,745 million in 1929 to R.13,072 million in 1932.

The Free Market. I

of the peasant producer, who, after setting aside sufficient for his own consumption, might sell the surplus at the best price obtainable. The opportunity of obtaining a remunerative price in the market naturally stimulated production in a way no compulsory measures could do. As is so often the case in Soviet Russia, there were many misunderstandings at the inauguration of a new policy. Local authorities accustomed to persecute peasant pedlars took some time to grasp the fact that they must now encourage them. In one case at least, while the President of a certain town Soviet (roughly equivalent to the mayor) was officially opening the new market in the middle of the town, the police at the outskirts arrested peasants bringing produce to sell therein.

Peasant markets in the provincial towns are generally large and ill-defined open spaces, muddy or dusty according to the weather, with one or two rows of rough weatherboard booths. These are let mainly to collective farms regularly sending produce to market, while those who send produce only occasionally sell from farm wagons or trestle tables in the open ; the individual peasants and Kolhoz-niki sell either from tables or baskets or mats on the ground. In the capital and a few of the largest cities there are covered markets containing rows of small shops, some permanent open stalls and bare tables. Most of the shops are let to collective farms selling meat, dairy produce, vegetables and fruit, but some are occupied by industrial artels selling their own products such as baskets, wooden utensils, ready-made clothing, etc., while the Kolhoz-niki and independent peasants hire for a few kopeks

The Organisation of Distribution

a small space on a table on which to set out their milk cans, baskets of eggs, fruit and vegetables. But in addition to the collective farms, etc., a few shops are occupied by State trading enterprises, usually for the sale of industrial goods such as textiles, hollow ware, crockery, etc., and manufactured foodstuffs, such as sugar and canned foods, which the peasants require. It is, of course, very convenient for the peasants to be able to buy on the spot and not to have to go some distance to the ordinary town shops. But what the peasants probably do not appreciate is the presence in a few shops of State enterprises selling exactly the same produce as they sell themselves. Why should State shops compete with the peasants in the sale of meat, milk, vegetables and fruit? The obvious answer is that the Government considers it advisable to maintain some indirect control of the market prices by means of selling competing goods alongside the peasant produce. The State enterprises sell their meat, etc., at the official retail prices, and so long as they are not sold out the customers naturally refuse to pay higher prices to the peasants. Incidentally the State shops are supposed to set an example of cleanliness and efficiency to the peasant sellers, and doubtless, other things being equal, the consumer tends to patronise the more attractive establishments.

In 1935 the net receipts from the sale of peasant produce on the open market was estimated at R.10,783 million,⁽⁴⁾ or 24.7 per cent of the peasants' total money income from all sources, the gross turnover being estimated at R.14,500 million. The gross turnover in money value of peasant trade was about 25 per cent of the total urban retail turnover

The Free Market. I

(R.58,441 million) and some 36 per cent of the urban retail turnover of foodstuffs alone (R.40,626 million). In 1935, however, a considerable volume of foodstuffs was still being distributed under the ration system at prices materially below the open market prices. Since the beginning of 1936 the peasant market has had to compete with unrestricted State trade, and consequently the prices in the peasant market have tended to approximate to the price level in State trade.

As is only natural, the bulk of the produce offered in the peasant markets is grown within a comparatively small radius of the town, depending on the nature of the roads and the transport available. Prosperous farms possessing their own motor lorries may send goods from distances up to 40 kilometres, but most of the supplies travel less than 25 kilometres. As a matter of fact, within a radius of 25 kilometres of the biggest cities the collective farms are encouraged or even compelled to grow vegetables and fruit at the expense of grain, etc., purposely for the market, and within this area purchases by State organisations, such as canning factories, are forbidden. In the immediate neighbourhood of big towns, therefore, probably a majority of the collective farms are specially organised for supplying fresh produce and even cut flowers and pot plants direct to the townspeople. Such farms detail certain of their members as whole-time salesmen, and some of these actually live in the town instead of returning to their farm every day. This particularly applies to distant farms, for in Moscow and Leningrad at least, and perhaps in one or two of the big provincial capital

The Organisation of Distribution

cities, collective farms in the Caucasus and Central Asia have stalls for the sale of their semi-tropical fruits, despatched in regular consignments by train. The hard-and-fast rule that the salesmen must be members of the farm and can in no circumstances be salaried employees explains the rather surprising presence in these markets of exotic-looking Georgians, Turkomans, etc.

Although in the highly organised central markets in the largest cities the greater part of the turnover is probably done by collective farms, on the whole the individual Kolhozniki and independent peasants supply the bulk of the produce. In 1935 it was calculated that of the total turnover of peasant produce sold in the collective farm markets, the Kolhozy supplied 15 per cent, the Kolhozniki supplied 75 per cent, of which about three-fifths consisted of produce distributed by the Kolhozy as payment in kind for labour days and two-fifths of the produce of their private gardens and livestock, and 10 per cent was supplied by independent peasants.⁽⁶⁾ It should perhaps be explained that the Collective Farm Charter of 1935 allowed the individual Kolhozniki to possess their own plot of land, one or two cows and an unlimited quantity of poultry.* The Kolhozniki thus have two sources from which they obtain their marketable surplus, the first and most important is their dividends in kind of the grain, milk, vegetables, fruit, etc., produced collectively, the second is that grown by themselves privately. In prosperous farms the dividend in kind may amount to several hundredweight of corn, most of which the recipient sells or uses to

* See Appendix No. 8.

The Free Market. I

feed his own livestock, and a considerable surplus over his own consumption of milk and vegetables. Whether the Kolhoznik disposes of this surplus in the market or in other ways depends on various factors ; unless his Collective Farm is also sending to market and is willing to include his private produce, he, or one of his family, must take a day off and probably lose a day's work, for at the season when produce is most plentiful there is a correspondingly intense demand for labour on the farm. There is also the question of transport, for the individual Kolhoznik may not own a horse and cart and it is by no means always possible to obtain the loan of a farm cart. To get to town by train is possible only when the farm is situated near a station, and in practice bringing produce to market in this way is confined to Moscow and a few of the very biggest cities. A load up to 30 kilos may be taken as personal luggage in the passenger coach ; heavier parcels must be put in the luggage van and paid for at luggage rates. There arises then the problem of transporting the goods from the station to the market. This may be done by tram, but in Moscow at least the market authorities provide motor lorries which meet the early morning trains and convey the peasants and their baskets to the market, charging the same fare as the trams and buses.

Only private persons are allowed to buy in the peasant markets. At one time there was no restriction, and it was found that official enterprises such as hotels and restaurants bought up so much of the supplies that little was left for the private shopper. Prices are regulated by supply and demand and for seasonal goods such as fruit, eggs and vegetables

The Organisation of Distribution

vary enormously, but the general price level is governed by the prices of similar goods sold in the State shops, as already described. Before the abolition of rationing, when the consumer could buy only a limited quantity of rationed goods, the spread between the market and ration prices was very large. In 1934, for instance, the average prices of certain commodities were—

	Ration Price	Market Price
	R.	R.
Meat (per kg.) . . .	5·04	11·76
Milk (per litre) . . .	0·58	1·99
Butter (per kg.) . . .	12·70	27·95
Potatoes (per kg.) . . .	0·13	1·20
Eggs (per ten) . . .	3·42	7·03

The Collective Farm markets are, it will have been gathered, permanent institutions where trading is carried on throughout the year. In addition to these there are annual or bi-annual fairs in a number of towns, in most cases direct successors to the pre-War fairs, of which the most famous was that at Nijni Novgorod. The Soviet fair (or *Yarmarka*, the word being a corruption of the German *Jahrmarkt*), however, differs from the pre-War fair in being entirely retail. Local branches of State trading organisations occupy stalls or booths for the sale of all sorts of goods, but mainly clothing and household necessities, which appeal to the peasants, while the latter offer for sale various commodities, such as salted cucumbers, pickled cabbage, dried mushrooms, which they have been preparing for the occasion. In addition to the State trading organisations and peasants, producers' co-operatives offer for sale the furniture, toys, wicker-

The Free Market. I

work, clothing, etc., that they also have been preparing for the fair. As a rule the fairs are held just before the chief Soviet festivals in order to mark the occasions and allow the peasants an opportunity of purchasing goods that their village co-operatives do not supply. Neither is entertainment neglected, merry-go-rounds, switchback railways, swings, etc., helping to put the country visitors in good temper and remind them of all the blessings introduced by Comrade Stalin and the Communist Party.

A complete description of the free peasant market must include mention of the village market. Under the Soviet régime, the village population has become far more heterogeneous than before, when, apart from the village priest, the local shopkeeper and the local policeman, generally the sole representative of the Imperial Government, every inhabitant was a peasant more or less earning his living by farming. To-day, in addition to the indigenous peasant population there are school teachers, a doctor of sorts even if only semi-qualified, the Selpo employees, the President and staff of the Village Soviet, who as often as not are strangers with no connection with the land, and, when the village includes a machine-tractor station, several drivers and mechanics. All these people must buy their food and naturally obtain a good deal of it direct from their peasant neighbours. In a big village with, say, five to ten thousand inhabitants, including a considerable number of non-agricultural workers, there will probably be something in the nature of a regular market day once or twice a week.

CHAPTER XVI

THE FREE MARKET. II

CO-OPERATIVE AND PRIVATE ENTERPRISE

It is interesting, though not really surprising, to note that much of the higher class demand for luxury goods and services is supplied by co-operative or private enterprise. Mention has already been made in a previous chapter of co-operative boot factories which supply the demand for high-class footwear; in addition to footwear, co-operative enterprise manufactures the best furs and most of the made-to-measure clothing, a large quantity of furniture, toys, and all sorts of domestic fancy work and knick-knacks. The greater part of the co-operative manufactured goods are sold to the State and Consumers' Co-operative trading organisations, but many of the co-operative enterprises, generally organised as artels,* have their own retail shops. In Moscow and the larger Republic capitals the co-operative fur shops sell opulent-looking garments of mink, broadtail, Persian lamb, squirrel and even sable, at prices which, converted at the official rate of exchange, often run into hundreds of pounds. Such goods are within the reach only of popular authors, theatrical artists, presidents of important manufacturing concerns and other rich citizens. Nearly all the traditional

* See Appendix No. 10.

The Free Market. II

Russian and Ukrainian embroidery is nowadays done by artels, some of it, alas, by machinery and much inferior to the old genuine peasant work. Many of these artels have their own retail shops, besides supplying part of their output to State shops.

All Soviet citizens who aspire to be well-dressed get their clothes from the tailoring and dressmaking artels, some of which run fashion ateliers for women's frocks where they imitate Paris fashion plates. These have entirely cut out the "Robes et Modes" departments of the big Univermagy, which now cater at most only for the better class ready-made demand. So great is the demand for well-made suits and costumes that the artels are said to be booked up with orders two or three months ahead. The most fastidious customers, however, often prefer a private tailor or dressmaker, who to survive at all must give better workmanship and attention than the artel. The drawback to employing a private tailor is that he is unable to provide material nor to employ more than a single apprentice in addition to his own family, therefore, having to do most of the sewing himself, he obviously cannot undertake early delivery. The prices charged by the tailoring artels and private tailors for an ordinary lounge suit are from R.1000 upwards, that is £40 or more, and the quality of even the very best Soviet cloth is very poor.

The legal position of private enterprise is regulated by a law of 27th March 1936, of which the most important clauses provide that:—

Under licence private individuals may follow trades and occupations as under :

The Organisation of Distribution

Bookbinding	Hairdressing
Boot repairing	Laundering
Cabinet making	Locksmith
Carpentry	Optician
Chimney sweeping	Painting
Electric fitting	Photography
Dressmaking and sewing generally	Plumbing
General house repairing	Porter
Glazing	Tailoring
	Upholstering

Licences must also be obtained by persons who, being in official employment, make a regular practice of earning money by working in their spare time for private employers.

No private person is permitted to buy grain, flax, hemp or wool, or linen or woollen yarn for working up except in carpet weaving. But peasants who grow flax, wool, etc., may themselves spin and weave their own raw material.

Private enterprise is entirely forbidden in the manufacture or working-up of tobacco, cotton, silk, leather, acids, paints, varnishes, soap, cosmetics, etc., and in printing, engraving and other forms of reproduction.

No private person may manufacture for sale clothing of any sort, footwear, leather goods and articles of non-ferrous metals. But a private person may make such things to order. It is permitted to manufacture for sale furniture, products of the cooper's art, pottery, articles of straw and musical instruments. These things are traditional peasant handicrafts and it would be impossible to prevent peasants making such articles to sell to their

The Free Market. II

neighbours. A lot of peasant handicraft goods are sold by the makers in the town markets.

Members of industrial artels and workers in State enterprises may not manufacture anything in their spare time for open sale, though they may make articles to specific orders. The motive for forbidding private enterprise to manufacture goods for open sale is to avoid any danger of private enterprise becoming re-established. The demand for goods is so intense and the supply so inadequate, both in quantity and quality, that any relaxation of the laws against private enterprise would result in an astonishing revival of handicraft production. But there is not the same danger in allowing persons to fulfil specific orders for individual clients, for the relations between them are those of employer and employee rather than customer and supplier. It is expedient to allow this degree of private enterprise because the new Soviet bureaucratic élite demands luxury goods and services denied to the masses, and which State enterprise is quite incapable of supplying. It is interesting to note how, even in this connection, Soviet practice harks back to old Imperial Russia. Long before serfdom was abolished a class of free handicraftsmen existed who travelled round the countryside making or repairing all manner of things. They generally had their own particular clients whom they visited at stated intervals, and it was quite an event in the household of the provincial nobleman when the tailor made his annual call. Even at the beginning of this century the city householder had many things made or done by artisan craftsmen in preference to dealing with a regular shop.

The Organisation of Distribution

The manufacture of food and drink from bought materials is forbidden; this does not prevent peasants making raspberry vinegar, etc., sausages, bread, etc., out of their own produce for sale in the town market. The practice of taking boarders, in the rare event of anyone having a spare room, is not prohibited, and in holiday resorts in the Crimea and Caucasus Black Sea coastal towns, where the housing shortage is not so acute, it is fairly common.

All private trading (that is, buying for the purpose of re-selling) is rigorously suppressed; only bootblacks, who infest all the principal streets in every town, are allowed to sell bootlaces, etc. As a matter of fact the bootblacks are now mainly organised in artels. Private enterprise is also excluded from amusement catering such as shooting galleries, coconut shies, etc.

Professional practitioners, doctors, dentists and lawyers carry on private practice in addition to their official work. To-day there are few if any private doctors, etc., but the salaries paid by the State to the professional classes are very low;* therefore it is usual, for those who are able, to supplement their income privately. And in the case of doctors and dentists this is an easy matter, for everybody who can afford it consults a doctor privately in preference to attending a clinic, because (1) it avoids a long and dreary wait, and (2) the doctor takes more trouble over his private patients than over his, so to say, panel

* Under a decree of 12th November 1937 the salaries of University professors and lecturers range from R.500 to R.1500 a month. Such incomes compare but poorly with the salaries of qualified engineers and the higher administrative personnel in large-scale industrial enterprises.

The Free Market. II

patients. While private litigation in Soviet Russia, in the absence of private property, is comparatively infrequent there is still a certain demand for legal advice regarding matrimonial problems, etc., which enable some lawyers to earn private fees. School teachers are much worse off than most professions in regard to private earnings, but even they can sometimes earn an addition to their salary by coaching students for examinations. The mass of students, being drawn from the worker and peasant classes, cannot pay any private fees, but there is a small and growing body of students with comparatively wealthy parents.

Typists in State enterprises often spend part of their free time doing secretarial work for journalists and authors. Workroom hands in clothing shops will take private sewing, office cleaners will do charing in private flats, and others will look after children while the parents attend the theatre. Of course all the highly paid State officials, directors and managers of enterprises, etc., who possess comfortable and roomy flats (many of this class live in villas or *dachas* out of town) employ full-time domestic servants.

Another source of private employment is co-operative and private building.* A co-operative dwelling-house containing a number of flats may be built by an association of individuals, usually

* Under a decree of 17th October 1937 dwelling-house co-operatives were practically abolished by the withdrawal of all credit facilities. This means that private persons or corporations can only build if they can provide the entire finance necessary. Very few are in possession of the necessary capital, so that private and co-operative building seems doomed to vanish, for the time being at least.

The Organisation of Distribution

belonging to the same institution, such as the State Bank, or the same profession, such as authors or theatrical artistes, who subscribe, say, R.20,000 or R.30,000 apiece in instalments; when a certain minimum sum has been accumulated the balance required is granted as a long-term loan by the Communal or Municipal Bank. The actual building is entrusted to a private contractor, officially an employee engaged by the association for the purpose, who has to obtain the material and labour how and where he can. The site is of course allotted by the Town Soviet. Material, bricks, timber, glass, etc., may be bought from co-operative or State enterprises theoretically at the current fixed prices, but since the demand for building material is so intense and State requirements have preference, the co-operative's contractor usually has recourse to "*Blat*", which may be translated as wangling, involving the payment of secret commission. Labour must be obtained on the free market, and since unemployment in the building trade is almost non-existent the completion of the house may be long delayed. Fortunately for the original subscribers, if they are transferred to another post in another town, or for any other reason cease to desire a flat, they may sell their share or exchange it for a share in a house being built in the place to which they have been transferred. It often happens that when the house is finally built few of its inhabitants are the original subscribers, and since there is no rule that interim purchasers shall belong to the institute or profession of the original co-operative, it may be occupied by persons of all sorts of trades and professions.

The Free Market. II

Houses built by private individuals are naturally much smaller than a co-operative house and are mainly wooden *dachas* in the more distant suburbs. The building of these is largely carried out by peasants, at any rate in the Northern Provinces, where this type of work is a traditional peasant handicraft. Nearly all of these *dacha* builders are independent peasants living in the nearby country nominally classed as farmers, who keep their small holdings merely to give them the right of residence and to own a horse and cart. There are also said to be a number of more or less honorary members of suburban collective farms, who thus secure an official residence near the scene of their urban employment. It should perhaps be explained that residence within a certain radius of Moscow and several other principal towns is restricted to those who by reason of State employment, official position, or as members of collective farms or established peasant small-holders legally have the right to live in the area. It may be assumed that domestic servants and duly licensed private workers, as enumerated above, are granted the necessary permission, but there are undoubtedly a certain number of residents who are content to hold quite inadequately paid jobs as watchmen, etc., merely to be able to live in the town and carry on their much more remunerative private business.⁽⁶⁾

Goods Exchanges.—In May 1936 State Offices for Intermediation in Trade or, briefly, Goods Exchanges were founded with a head office in Moscow. This, though a State organisation, is designed to supplement and correct planned distribution and so belongs more to the free market than to planning.

The Organisation of Distribution

The decree of the Council of People's Commissars provided for the establishment of 45 offices by the All-Union Commissariat of Internal Trade, Republican Commissariats and Provincial Departments of Internal Trade, which were to absorb the existing local Bureaus of Demand and Supply. Stripped of the redundant verbiage of the decree, the new organisation's functions are primarily to assist both State and Co-operative enterprises to find markets for their finished goods and to procure supplies of material and goods for further manufacture or for direct sale: secondarily, to advise producing enterprises concerning the descriptions and specifications of goods for which there is a demand and to assist enterprises in negotiating and drawing up contracts. In principle, sales must be concluded at the current authorised price, but the Goods Exchanges have certain limited powers to negotiate. The circumstances in which prices are subject to agreement are: (1) in the case of goods that have deteriorated by long storage or have become damaged and are obviously not worth their original price; (2) in the case of novelty goods for which no price has yet been officially fixed; but in every case the price agreed upon must be approved by the local organ of Internal Trade.

A fairly long list of standard goods is excluded from the operations of the Goods Exchanges. It includes meat, vegetable oils, fats, flour, rice and other cereal foods, certain fish, imported groceries, etc., all textiles, sewn goods, leather footwear, pottery, glass, sewing machines, agricultural machines and tools except simple articles like scythes and spades, sporting guns, paper, books,

The Free Market. II

photographic goods, iron, etc. ; in short, nearly all "planned" and "regulated" goods when manufactured by an enterprise under the All-Union Commissariat of Industry or the Republican Commissariats of Local Industry. But the prohibition does not apply to similar goods manufactured by co-operative enterprises and enterprises belonging to other Commissariats such as the Commissariat of Justice (prison-made goods) and the Commissariat of Social Maintenance (reformatories, etc.) so long as they are not made from "planned" raw material.

Each individual Exchange publishes every ten days a bulletin enumerating and describing the goods offered by enterprises in its area and giving specifications of goods sought. Each Exchange also maintains a sample room for exhibiting samples received from other Exchanges. In actual practice the chief clients of the Exchanges are industrial artels producing seasonal and fancy goods such as Christmas-tree decorations, hats, gloves and haberdashery. Such articles are produced by comparatively small enterprises who cannot afford to send travellers all over the country. Occasionally a trading enterprise, for instance the wholesale depôt of a local Torg, may find itself overstocked with goods which perhaps do not comply with local tastes, and in such a case the Goods Exchange offers facilities for finding trading enterprises in other districts to take over the goods. To a limited extent the Exchanges may be used by manufacturing enterprises, mainly artels, to obtain raw material. A co-operative boot and shoe manufacturing enterprise may seek supplies of subsidiary goods, boot-laces, nails, wax,

The Organisation of Distribution

buckles, etc., through its local Exchange, but in no case may it obtain its chief raw material, that is leather, in that way.

Under present conditions practically the whole output of "planned" and "regulated" goods is manufactured under the general industrial Plan to specific contracts and orders, and therefore the services of the Goods Exchanges are unnecessary. In fact it is probably considered that if such goods were allowed to be disposed of through this medium it would tend to interfere with the orderly operation of the Plan. But the range of consumers' goods produced by Soviet industry is rapidly increasing, while the number of goods of universal and prime necessity which it is still necessary to plan in detail is steadily being reduced. The Goods Exchanges are in consequence playing an increasingly useful part in the distributive system.

CHAPTER XVII

STATE GRAIN COLLECTIONS

THE abolition of the open market, in accordance with the principles of Communism, imposed on the Soviet Government the task of collecting from the peasants the foodstuffs and raw material required for the subsistence of the non-agricultural population and for export. In return the Government had to make available a supply of manufactured goods. The transactions had little of the element of trade, at least so far as concerns grain, which in Russia is a far more important constituent of the people's food than in Western countries. There is no doubt that under conditions of free exchange the peasant received more goods in return for his marketable produce than he has ever done under the system of Government collections. At the moment, however, we are dealing with the organisation of Government collections, and the question of the peasants' remuneration must be postponed to a later chapter.

Prior to 1933 Government collections were based on so-called contracts for future deliveries (see Chapter VI). The parties to these contracts were the collective farms and individual peasants as sellers and the State as buyer, represented by the local collecting organisations. The peasant, however, had no power to determine the price at which he would consent to sell nor the quantity of grain he was prepared to sell. The terms and conditions

The Organisation of Distribution

were dictated by the Government and were binding on the peasant ; while the Government retained the right in practice, if not in theory, arbitrarily to alter its demands. The quantity of grain to be delivered by each farm was not fixed at a stated figure : sometimes the contract provided for a certain minimum quantity per hectare with the further obligation on the farm to deliver all its marketable surplus to the State ; while another type of contract compelled the farm to deliver a fixed percentage of its gross crop.⁽⁷⁾ It not infrequently happened that when some farms in the Rayon failed to deliver their planned quota the local collecting organisation apportioned the deficit among the remaining farms, from which it demanded supplementary deliveries. Under this system the Government took from the peasants nearly the whole of their surplus production, paying less than twice the average pre-War price ; while (in 1932) the retail purchasing power of the rouble in the open market was certainly less than one-fifth pre-War value.* The peasants therefore evinced no marked enthusiasm for the system and grain production tended to fall. In 1932, although Government grain collections were considerably less than in the two previous years, in many districts the peasants were left with insufficient supplies for home consumption with the result that in the winter of 1932-33 famine conditions prevailed.

* According to the Bulletin of the Slavonic Institute in Prague, edited by Professor S. N. Prokopovich, the price of one quintal of wheat in 1913 purchased 25.03 metres of cotton print, 15.40 kg. of sugar or 17.03 kg. of household soap ; while the price received by the peasant in 1932 for the same quantity purchased only 3.3 metres of cotton print, 2.53 kg. of sugar or 1.41 kg. of soap.

State Grain Collections

A thorough reform of the whole grain-collecting system was decreed on 19th January 1933. This decree established fixed quantities of grain to be delivered by collective farms and independent peasants per hectare of land actually sown to winter crops and planned to be sown to spring grain. For every Province an average norm was laid down, while the Republican and Provincial Governments, working to these norms, fixed the actual norms for each Rayon. The independent peasants were called upon to deliver some 5 to 10 per cent more than the collective farms, while those collective farms served by M.T.S. (machine-tractor stations) had to deliver a smaller norm than the others because payment to the M.T.S. took the form of a fixed proportion of the harvest. The highest norms were naturally demanded from those regions which traditionally produced an export surplus; thus the State took 3·3 quintals per hectare in the Crimea, but less than one quintal in the Northern Provinces. The average norms are revised every year and the general tendency has been towards a reduction. The norms for collective farms served by M.T.S. in a few typical regions have varied as follows :

	1933	1934	1935	1936
<i>Grain Surplus Regions</i>				
Crimea	2·7	..	..	2·2
Ukraine	2·5	..	2·3	2·0
Central Black Earth Region .	2·6	2·2	..	1·8
<i>Grain Deficit Regions</i>				
Moscow Province . . .	1·1	..	..	1·2
Gorki Province . . .	..	1·6	0·9	0·8
Western Province . . .	0·65	..	..	0·6

The Organisation of Distribution

The majority of Kolhozy are served by M.T.S. in whole or in part. In 1935 throughout the whole country 72·4 per cent of the arable land belonging to Kolhozy was worked by the M.T.S., and in the chief grain-growing regions, such as the Azov-Black Sea Province, the Crimea, several of the Ukrainian Provinces and the Middle and Lower Volga Provinces, practically the whole land was cultivated with the aid of M.T.S. Theoretically the Kolhozy conclude contracts with their M.T.S. for the whole cycle of field work from autumn ploughing to harvesting or for certain processes only, say ploughing and harvesting, the Kolhoz itself perhaps undertaking sowing and harrowing. A Kolhoz, however, has no power to refuse the services of the M.T.S. ; the local agricultural authority, probably in consultation with the local Party leaders, decides what farms shall be served and the processes to be carried out by M.T.S. machinery. All this is of course embodied in the inevitable " Plan " drawn up by each M.T.S. for the coming year. Every farm served by a M.T.S. hands over to the latter a part of the gross harvest as payment. The official scale of payment in kind for 1937 in respect to grain crops is given on page 165.

In practice the grain due to the M.T.S. is delivered to the elevators belonging to Zagotzerno (the State grain-collecting department) together with the compulsory deliveries from the farms, and the M.T.S. are credited with the money value at the Government's price for compulsory deliveries. In 1935 the quantity of grain obtained by the Government from this source was approximately 20 per cent of the total volume secured.

State Grain Collections

	Harvest in Quintals per Hectare (Payment to M.T.S. in Kilograms per Hectare)						
	3-	3-5	5-7	7-9	9-11	11-13	13+
1. Spring ploughing .	9	22	50	70	90	110	130
2. Ploughing up fallow	8	20	42	60	80	100	120
3. Sowing	2	4	8	12	16	20	25
4. Threshing	7 % of quantity of grain threshed						
5. Harvesting with combines	9 % " " " "						
6. Whole cycle of field work when harvesting is done by combines	9	20	37	54	71	88	128
	Plus 9 % of grain threshed by combines						
7. Whole cycle of field work when threshing is done separately from reaping	13	30	55	80	105	130	170
	Plus 7 % of grain threshed by the M.T.S.						

A third form of compulsory delivery of grain is the milling tax. Formerly, in most villages there was some sort of flour-mill, often extremely primitive, owned by a rich peasant or the local shop-keeper, at which for a consideration the peasants could have their grain ground into flour for their own use. The Soviet Government abolished this form of private enterprise and nationalised all flour-mills, which directly or indirectly come under Zagotzerno. Individual peasants and Kolhozy who wish to convert grain into flour must have it ground at a mill which exacts as payment 10 per cent of the grain delivered to it. The quantity of grain accruing to the Government from the milling tax seems to be gradually falling, the reason being that the peasants are giving up baking their own bread, partly because obligatory work on the farms demands a very large part of the time of women as

The Organisation of Distribution

well as of men and partly because the Selpo are rapidly increasing their provision of bread for sale. Unfortunately there is a lack of statistical information on this point, but there is reason to suppose that a considerable proportion of members of grain Kolhozy now sell the grain they receive as dividend in kind and buy ready-baked bread at their village shop.

In addition to grain which, besides what we generally understand by the word corn, includes crops such as sunflower seed, buckwheat, millet and maize, compulsory deliveries are required of potatoes, meat, milk and wool. Every Kolhoz, Kolhoznik and independent peasant is required to deliver to the appropriate Government collecting organisations a certain quantity of meat, varying according to district and whether the Kolhoz is mainly agricultural or includes animal husbandry, but irrespective of the head of livestock possessed,⁽⁸⁾ a certain quantity of milk per cow, varying according to district, and a certain quantity of wool per sheep, varying according to the breed. Deliveries of potatoes are calculated according to the area of land under this crop. The prices paid for these compulsory deliveries are, as in the case of grain, far below the prices ruling on the open market.

Supplies of vegetables, flax, cotton, hemp, sugar beet, tobacco and some other products of minor importance are obtained under the system of contracts. This differs not greatly from the system of compulsory deliveries. The prices paid are fixed by the Government ; the quantities to be delivered are usually fixed for the farm as a whole and not at so much per hectare. In the case of so-called technical

State Grain Collections

crops such as cotton, flax and tobacco, the contractual obligation of the Kolhoz covers very nearly the entire crop or at least the crop that can normally be expected, given average weather conditions. If the Kolhoz, through a failure of the crop, is utterly unable to meet its obligation it may be fined, but probably if the failure is obviously due to circumstances beyond control no penalty is imposed. It is typical of Soviet planning that no allowance is made for the vagaries of nature; thus, in the case of grain, the statutory deliveries are demanded even though drought has reduced the total crop below the compulsory quota.*

In order to encourage the growers to additional efforts all deliveries over the contractual quantities are paid for at much increased prices. Thus, in the 1935 Plan for contracts for cotton deliveries in irrigated districts it was laid down that all quantities delivered in excess of 15 quintals per hectare were to be paid for at double rates.

So far it has been explained that the Government obtains supplies of agricultural produce by—

- (1) Compulsory deliveries of grain, potatoes, sunflower seed, meat, milk and wool.
- (2) Payments in kind to the M.T.S. of a proportion of the crop realised; this applies mainly to grain, potatoes and sugar beet.
- (3) Contracts for delivery of technical crops and vegetables, the latter mainly for preserving and canning.

* Some grain regions in 1936 suffered from a severe drought and yields were reduced to negligible proportions. But it was not till March 1937 that the Kolhozy in those parts were officially excused from completing their quotas.

The Organisation of Distribution

The compulsory deliveries of grain, etc., however, do not absorb the whole of the marketable surplus. Whatever balance remains of potatoes, meat and milk may be disposed of by the growers as they like. Apart from selling direct to the consuming public on the open peasant market, the producers may sell to State and co-operative enterprises under the system of "decentralised" collections, which will be described in the next chapter. The Government, however, maintains a strict monopoly of the grain trade and permits no organisation other than Zagotzerno to purchase supplies direct from the growers. Theoretically the Kolhozy, after fulfilling their statutory deliveries and setting aside a reserve fund and seed for next year and paying out a dividend in kind to their members, may dispose of the balance either on the peasant market or to the State. But there is very little demand for grain by urban consumers, firstly because they can buy all the bread they require at State shops, and secondly because they have no use for unground grain and would be unable to get it converted into flour or meal. Therefore the bulk of the surplus grain is sold to Zagotzerno at the Government's fixed purchasing price, which is some 20 to 25 per cent above the price fixed for compulsory deliveries. Legally sales are voluntary, but in practice a Plan of State purchases is drawn up and measures are taken to constrain the Kolhozy to fulfil the Plan. Individual Kolhozniki are also drawn into the scheme and persuaded to sell as much as possible of the quantity they receive as dividend in kind.

The actual purchases of grain are made by the

State Grain Collections

Selpo as agents of Zagotzerno. In practice Zagotzerno, through its Rayon representative, makes a contract with each Selpo in the Rayon to purchase a given quantity of grain. Although the word "contract" is used the Selpo has little voice in the matter, though presumably it may object if the quantity it is told to purchase exceeds what it knows to be the maximum it can hope to procure. As indemnity or commission the Selpo is granted a sum varying from R.0.50 to R.1.00 per quintal collected. The Selpo then canvasses the Kolhozy and Kolhozniki in its neighbourhood and persuades them to make contracts or undertake to sell a certain quantity of grain after the next harvest.

The basic fixed price for Government purchases of grain, though higher than the prices paid for compulsory deliveries, are still very low, and it would often be difficult to realise the planned purchases unless an additional incentive were provided. The Government has, therefore, devised two ways of encouraging the peasants to part with as much as they can spare: first by paying premiums over and above the basic price in accordance with the quantity delivered and, second, by providing a "goods stimulation fund".

The rule for premiums on wheat is as follows :⁽⁹⁾

Every Kolhoz voluntarily selling to the Government not less than 10 quintals and not more than 50 quintals receives for every quintal 10 per cent over the basic Government purchase price. If the quantity exceeds 50 quintals the premium is 15 per cent, over 100 quintals it is 20 per cent, over 150 quintals 30 per cent and so on until a Kolhoz selling over 1000 quintals receives double the basic price.

The Organisation of Distribution

Kolhozniki selling over 15 kilos and less than 25 kilos receive a 10 per cent premium; between 25 kilos and 50 kilos, 15 per cent; between 50 kilos and 75 kilos, 20 per cent, and thereafter an additional 10 per cent for every 25 kilos until a Kolhoznik who manages to sell 500 kilos receives double the basic price.

Kolhozy and Kolhozniki selling enough wheat to entitle them to the 100 per cent premium would get R.26 to R.27 per quintal of wheat, whereas the open market price would be about R.90 or R.100.⁽¹⁰⁾ Obviously the seller gets from the Government only between 25 and 30 per cent of the price he might get if he could get his grain to market. But the free market in grain is, as already stated, very narrow, and no doubt prices would fall very rapidly if a great deal of grain were offered; also the expense of transporting bulky stuff like wheat to a distant market would be considerable. It must be remembered that, in the chief grain regions, distances between towns are wide, and it is pretty certain that the Government would not allow the railways to be used for transporting grain to the open market.

Before 1936 the system of providing manufactured goods to sellers of grain was called "Otovarivanie" and since 1936 "Stimulation"; the difference is more in method than in principle. "Otovarivanie" is one of those untranslatable Russian words which contain a whole sentence. "Barter" is the nearest one can get to it in a single word, but is inadequate. Under "Otovarivanie" Zagotzerno undertook to sell to all peasants voluntarily selling grain manufactured goods to a value equal to three times the price paid for the

State Grain Collections

grain, the price of the goods being the "so-called" normal price, that is, the amount charged in closed shops, not in commercial trade. Incidentally it may be explained that "Otovarivanie" was not confined to Government purchases of grain. Peasant growers of cotton, etc., were supplied with grain or flour and some other essential commodities at normal prices in proportion to the quantity of cotton, etc., delivered to the Government, while independent enterprises and organisations purchasing foodstuffs from the peasants under the system of "decentralised collections" undertook to supply manufactured goods.

"Otovarivanie" went out with the abolition of rationing, because, when all restrictions on the retail sale of consumption goods were removed, there was not much object in offering the peasant goods he could readily purchase anywhere. It was much more to the point to give him the opportunity to earn more money. Broadly speaking, the system of stimulation funds means that Kolhozy or Kolhozniki and even independent peasants, as a reward for selling a certain quantity of grain voluntarily, earn the right to buy certain goods that are not otherwise obtainable or obtainable only after long delay. Every Selpo acting as agent for Zagotzerno is supplied with a certain quantity of goods for its stimulation fund. The visitor to a Selmag may notice a few bolts of cloth or rather superior cotton prints in a shelf by themselves, a bicycle, an accordion or two and possibly a shotgun, and will be told that these belong to the stimulation fund. How much grain a man must sell to entitle him to buy, say, a gun is not stated in any official summary

The Organisation of Distribution

of the relative decrees and laws, but it may be taken pretty well for granted that there is a good deal of latitude practised, if not officially recognised, in linking up sales and purchases. It must not be imagined that articles in the stimulation fund are quite unobtainable by the ordinary buyer. Goods for which the demand is particularly intense, as it is at the moment for bicycles, are allotted to the stimulation fund in preference to, but not to the complete denudation of, the general fund. There is, of course, nothing to prevent the non-privileged would-be buyer going to the nearest town, where the chances of getting deficit goods are much better than in his local Selmag. But a journey to the nearest town may take a couple of days and cost an appreciable sum of money. It seems highly probable that the efficacy of stimulation funds increases with the distance from the nearest metropolis. Though there may happen to be a small difference between the price of stimulation goods and similar articles in the general fund, there is no deliberate cheapening of the former. This would offend against the present policy of single universal prices and be a step backwards towards the conditions when the rouble had a varying retail purchasing power.

In actual practice a large proportion of stimulation goods are specially obtained for members, who make an agreement with their Selpo to sell a certain quantity of grain, the Selpo for its part undertaking to procure a bicycle, gun or whatever it is the member wants. This suits both sides, because the Selpo, having made a contract with Zagotzerno to buy up a certain amount of grain, wants to ensure

State Grain Collections

purchasing the required quantity, while the member can with more or less confidence hope to get his bicycle or gun when he has completed his grain delivery. A double-barrelled shotgun costs about R.700, and a Kolhoznik who manages to sell 5 quintals of wheat receives about R.135; and very few Kolhozniki actually receive much more than half a ton of wheat as their dividend from the Kolhoz, let alone have half a ton to sell to the Selpo. As stated above, there is no information available regarding the ratio between sales of grain and purchases of stimulation goods but, on what evidence there is, it seems that the peasant seller may buy to a considerably higher value than the actual sum he receives for his grain.

“Stimulation” also applies to the Kolhozy, in fact the voluntary sales of grain by Kolhozy are far greater in total volume than the sales by Kolhozniki. The Kolhoz is stimulated to sell grain by the offer of a motor lorry, a piano or a wireless set for the club room, a cream separator or anything else that may be decided upon. As in the case of the Kolhoznik an agreement is made with the Selpo early in the year and fulfilled after harvest. Theoretically the Kolhozniki themselves have the right of deciding whether the bulk of the farm's marketable grain surplus shall be sold for the benefit of the farm as a whole, or distributed as dividend among the members, and how the money received for the grain shall be used. It may be taken for granted, however, that as a rule these decisions are more or less controlled by the local Party representatives, whose instructions the President and officials of the Kolhoz cannot ignore.

The Organisation of Distribution

The following table ⁽¹¹⁾ shows the total grain harvests, the marketable surplus and Government collections since 1932 :

	(In Million Tons)				
	1932	1933	1934	1935	1936 (Plan)
Total harvest . . .	69.6	89.8	89.4	92.0	104.8
Marketable surplus . . .	19.9	25.6	27.2	30.5	36.3
Compulsory deliveries . . .	18.9	22.7	22.7	25.4	27.8
Balance remaining . . .	1.0	2.9	4.5	5.1	8.5
Government purchases . . .	0.3	0.4	3.6	3.6	..

From this it is apparent that compulsory deliveries account for the bulk of the surplus grain over and above the consumption of the peasants themselves, and that Government purchases absorb a very large part of the balance remaining at the disposal of the peasants. Judging by the results, the system of premiums and stimulation funds seems to have been more successful in persuading the peasants to produce a surplus than the system of "Otovarivanie".

CHAPTER XVIII

“DECENTRALISED” COLLECTIONS

THE present system of decentralised collections dates back to the year 1932 in which many changes and reforms affecting the peasants' economy were made. Prior to that year agricultural produce was purchased mainly by the consumers' co-operative system, as agents for the Government, by Hlebocentr (the Government grain-collecting department) and by certain State trading organisations. A good deal of overlapping was unavoidable, and competition between rival buying enterprises tended to an increase in prices although prices were theoretically fixed within limits by the Government. By decree of the Council of People's Commissars, 13th February 1932, the Committee of Collections was founded to co-ordinate and regulate the whole system of procuring agricultural produce. Among the terms of reference contained in the decree was "the wide development of decentralised collections of fruit and vegetables, milk and small livestock through Factory Workers' Co-operatives, Transport Co-operatives, and Fishermen's and other autonomous sections of the Consumers' Co-operative system". At the same time some reductions were made in the quantity of produce centrally collected, that is, compulsorily taken from the peasants. Centralised collections of grain, for instance, from the harvest of 1932 were about 18.9 million tons

The Organisation of Distribution

compared with 22.8 million tons from the 1931 harvest. The reasons for this more liberal policy, apart from a rather poor harvest, were: (1) to improve the supply of food to the urban population by giving their supply organisations, mainly the co-operatives, the opportunity of buying foodstuffs direct from the peasants, and (2) to encourage the peasants to produce a greater marketable surplus by allowing them within limits to bargain with the buyers. Although the prices paid for produce bought under the decentralised system were very much below the open market prices they were appreciably better than those paid for compulsory deliveries. At the same time decentralised purchases were generally linked up with an undertaking on the part of the buying organisation to supply manufactured goods or to render services to the sellers. In order to make the situation quite plain, it must be explained that under conditions of Soviet Communism the inducement to the peasant to produce in excess of his own consumption is proportionate to the quantity of manufactured goods obtainable in exchange. Thus, during the rationing period, it was more profitable to sell at a low price to State organisations, which undertook to supply manufactured goods at comparatively reasonable prices, than to sell at a high price on the open market when the money obtained could at best be used for buying goods on the commercial market at exorbitant prices.

The decree of 13th February 1932 defined decentralised collecting and gave it a legal status apart from the Government collection of agricultural produce, from which it had previously not

"Decentralised" Collections

been strictly differentiated. Since there was, of course, no intention of allowing the system to degenerate into an open market with prices governed by supply and demand, some method of fixing and controlling prices was necessary. In July, therefore, the Government issued instructions for the formation of Conventions of purchasing organisations and the creation of Conventional Bureaus. Like nearly all Soviet institutions, the Conventional Bureaus were controlled by a central organisation in Moscow, whose instructions were passed on to the Republican, Provincial and Rayon Bureaus. Each Bureau included among its members representatives of the various organisations operating in the region and a local representative of the Committee of Collections. Every Bureau fixed the prices to be paid for produce within its own jurisdiction, the Central Bureau fixing maximum prices, the Republican and Provincial Bureaus in turn fixing maximum prices within their own territories, and the Rayon Bureaus fixing the actual prices in their Rayons. Another function of the Bureaus was to allot areas to the various purchasing organisations, generally allowing not more than two or three to operate in one Rayon, in order to avoid competition and price increases. For, in spite of the fixed maximum prices, it was not unknown for some organisations to offer higher prices than other organisations in order to make certain of getting what they wanted.

Collecting organisations, that is those licensed to conduct decentralised collections, may be divided into two classes, large-scale enterprises such as the departments and offices of the Commissariat of Internal Trade dealing with food supplies, depart-

The Organisation of Distribution

ments of the Commissariat of Food Industries obtaining raw material for canning, etc., and Tsentrosoyuz, which, supplying all parts of the Union with a large variety of goods, have to procure supplies from many different regions; and local organisations and enterprises such as restaurants, hospitals and local Torgi who procure supplies of local produce for local consumption only. These last-named obtain their supplies of exotic foodstuffs through central organisations in the same way as a country-town greengrocer may buy locally supplies of vegetables and fruit, but must obtain oranges, lemons, etc., directly or indirectly through Covent Garden.

The large organisations have their own buyers or collectors in all parts of the Union, for instance in Central Asia to procure the sub-tropical fruits of Tadzikstan or in Siberia to buy up dairy produce and game. In principle they are supposed to make contracts, covering at least a year, with the Kolhozy to supply stated quantities of produce at stated prices, which may vary according to season but must not exceed the maximum laid down by the Conventional Bureau. The smaller organisations, naturally, follow a more hand-to-mouth policy and are permitted to purchase supplies in the country markets held in large villages or townships where the local Kolhozy and Kolhozniki bring their produce for sale in comparatively large quantities, including beef, mutton, etc., on the hoof.

For various reasons decentralised collecting was only moderately successful. In the first place there were too many separate organisations and enterprises engaged in buying produce from the peasants,

"Decentralised" Collections

in 1934 about 550 large-scale organisations making purchases all over the country and about 4000 buying locally. There must inevitably have been a great deal of overlapping and competition, and in very many cases 50 per cent or less of the annual planned purchases were actually made. Also, it may be guessed, though this naturally was never officially admitted, the peasants themselves were not especially enthusiastic. Up to the end of 1934 the bulk of manufactured goods was still rationed, and of the total value of retail turnover only some 28 per cent was allotted to the country, although the rural population formed over 70 per cent of the total population. The prices of goods in the commercial shops, in comparison with the prices received for decentralised collections, were far too high for the average peasant, even when he lived within reach of a town. A very large proportion of the money earned by the Kolhozy was devoted to capital improvements and stock and machinery and did not directly benefit the individual. In 1935, when rationing was progressively abolished and the Collective Farm Charter laid down the maximum limit to which Kolhoz revenue might be reinvested, the value of decentralised collections increased.

In August 1935 the Government issued a decree* revising the rules for decentralised collections and amending the constitution of the Conventional Bureaus. Among the reforms was a sharp reduction in the number of collecting organisations, which from about 4550 in 1934 was cut down to 2792. It was also decided to employ the Selpo to a much greater extent than formerly as intermediate organ-

* See Appendix No. 4.

The Organisation of Distribution

isations between the Kolhozy and the collecting organisations. In view of this decision, in a decree of 29th September 1935 relating to the work of the Rural Consumers' Co-operatives, the Committee of Collections was instructed, in conjunction with Tsentrosoyuz, to increase the commission receivable by Selpo as collecting agents ; and to improve the technical facilities for collecting by providing the Selpo with warehouses for storing, grading and sorting.

Apparently the policy of entrusting collecting operations to the co-operative societies was successful. It might naturally be supposed that the Selpo, whose members are mainly Kolhozniki and which is therefore in close and constant touch with the Kolhozy, would be better qualified to negotiate with them than the State organisations, whose representatives can visit the Kolhozy only at intervals. In any case in April 1936 another decree * was issued by the Government, dissolving State collecting agencies in more than 700 Rayony and transferring their activities, staff, premises and equipment to the Selpo. At the same time the number of State organisations and enterprises authorised to engage in decentralised collections was further reduced from 2385 to 1475, and of these 589 were allowed to purchase agricultural produce only through the Selpo, the remainder buying direct from the Kolhozy or through the Selpo at their option.

In August 1936 ⁽¹²⁾ the Conventional Bureaus were dissolved and replaced by a special department of the Committee of Collections formed to

* See Appendix No. 5.

“ Decentralised ” Collections

supervise Government purchases and decentralised collections of non-grain agricultural produce. Corresponding organisations were formed by the Republican and Provincial Committees of Collections ; while in every Rayon in which Government purchases and decentralised collections have an appreciable turnover one or two inspectors were appointed to work under the Rayon Committee. The staffs of these organisations and the inspectors were to be appointed by the Committee of Collections and approved by the Staff Commission of the Commissariat of Finance. The total personnel was not to exceed that of the dissolved organisations. Finally, the term “ Conventional Prices ” was discontinued and replaced by “ Defined Purchasing Prices ”, in other words, fixed maximum prices.

The present organisation for controlling agricultural purchases is briefly as follows :

At the head is the Committee of Collections attached to the Council of People’s Commissars. The Committee is thus equivalent to a Cabinet department and is independent of any People’s Commissariat.* Its functions are (1) to organise and administer the Government compulsory collections of all agricultural produce subject to compulsory delivery ; (2) to plan and organise Government purchases of grain, wool, cotton and other agricultural products (mainly industrial raw material) and to fix the prices payable to the growers ; (3) to supervise and fix control prices for decentralised collections.

* Among the amendments to the Constitution, adopted during the first session of the Supreme Council (the new Soviet Parliament) in January 1938, was the transformation of the Committee of Agricultural Collections into the People’s Commissariat of Agricultural Collections.

The Organisation of Distribution

Each Republic and Province has a similar Committee acting as authorised agents of the All-Union Committee. In general these Committees carry out the instructions of the All-Union Committee, but have a certain latitude in order to enable them to make adjustments in detail as necessitated by local conditions.

Each Rayon also has a Committee commissioned by the All-Union Committee to supervise the local execution of centralised collections, *i.e.* compulsory deliveries and Government purchases; to prepare a plan of decentralised collections, and to see that these are properly carried out and that rival organisations are not permitted to compete for the same commodities in the Rayon. The Rayon Committees also have the supervision of all milling enterprises in their districts, and particularly have to see that the milling tax in kind (normally 10 per cent of all grain and oil-seeds ground for Kolhozy and other local enterprises) is duly collected and handed over to the Government.

With the abolition of the Conventional Bureaus, price-fixing for decentralised collections became more centralised and, apparently, the Republican, Provincial and Rayon Committees have little, if any, power to alter the maximum prices as fixed by the All-Union Committee. But since prices for seasonal commodities such as eggs, milk and vegetables naturally vary greatly according to the time of year, and in different regions according to supply and demand, it is obviously impossible for the central body in Moscow to keep in touch with the changes in supply and demand in every region and issue new price limits at frequent intervals as

"Decentralised" Collections

required. The Rayon Committees in practice are permitted a certain degree of discretion in fixing local prices for such commodities; and to assist them in arriving at a decision there are small committees, somewhat on the lines of the old Conventional Bureaus, consisting of the local bank manager and two or three others in touch with the market, but, seemingly, more or less unofficial. These committees advise every week on changes in local market prices and the decentralised collection price is adjusted when necessary. Probably all decisions to alter prices have to be reported to headquarters. Although theoretically all economic questions are decided by the Central Government, it is obviously quite out of the question for Moscow to deal promptly and efficiently with every insignificant and local problem, and therefore a good deal more discretion is exercised by local officials than is legally provided for. The fact that local authorities do, in practice, exercise a considerably greater degree of independent action than is strictly within their legal prerogative, is shown by frequent paragraphs and articles in the press complaining of illegal and arbitrary actions, such as violations of price and trading regulations, wage rates, etc., by Rayon Executive Committees, Village Soviets, Selpo Managers, etc. It may therefore be assumed that local prices of perishable goods are determined with far less reference to the higher authorities than might be supposed.

Although, as stated above, a certain number of organisations are allowed to make direct contracts with Kolhozy, the bulk of decentralised collections is to-day procured through the Selpo. The Selpo

The Organisation of Distribution

in fact take the place of the capitalist middleman; and through them the Kolhozy and Kolhozniki dispose of the remainder of their marketable surplus after fulfilling their compulsory deliveries and selling on the open market. Neither the Kolhozy nor the Kolhozniki are legally compelled to sell produce in excess of their compulsory deliveries, but the Selpo in practice are bound to make contracts with their customer organisations to supply a given quantity of produce and goods, for Selpo activities include the collection of industrial waste such as scrap iron, rubber, rags, etc. To fulfil these contracts they must persuade the peasants to sell, and as an added inducement to the peasants to sell, the Selpo may come to an agreement with the manufacturing enterprises that buy up the raw material to supply a certain quantity of finished goods. Thus a tannery might undertake to supply a quantity of leather to the Selpo for re-sale among the Kolhozy supplying skins and hides, and in return for scrap metal an iron foundry might supply iron bars suitable for making horse-shoes, etc.

Decentralised collections of foodstuffs account for the smallest part of the marketable produce. The following table gives some idea of the relative importance of decentralised collections compared with compulsory deliveries, Government purchases and the open market. The figures, taken from different sources, refer partly to 1934 and partly to 1935 and cannot be taken as entirely accurate. In any case there are material differences between figures issued by the Central Statistical Bureau and the Committee of Collections.

"Decentralised" Collections

Commodity	(In Thousands of Tons)				Total Marketable Surplus
	Government Centralised Collections	Government Purchases	Sold on Open Market	Decentralised Collections	
Grain. . .	25,360	3590	820	..	30,490
Meat . . .	1,008 (live weight)	4	250	161	1,221
Milk . . .	No information available	33	2328	79	7,428
Potatoes . . .	"	330	2900	495	13,620
Vegetables . . .	"	..	1070	492	6,469
Fruit . . .	460	..	..	386	..
Butter . . .	95	..	..	5	..
Eggs (000 boxes)	292	..	920	46	..

A very good reason for the peasants' preferring to sell on the open market is provided by the difference in prices.

	1934 Average (13)	
	Open Market Price	Decentralised or Conventional Price
	R.	R.
Meat (kilo) . . .	11.76	5.04
Milk (litre) . . .	1.99	0.58
Butter (kilo) . . .	27.95	12.70
Potatoes (kilo) . . .	1.20	0.13
Eggs (per 10) . . .	7.03	3.42

Conventional prices vary considerably in different regions, but although they are supposed to be influenced by the open market prices they do not by any means always bear a constant relation to them, as the following shows: ⁽¹⁴⁾

Place	December 1935			
	Butter (Kopeks per Kilo)		Eggs (Kopeks per 10)	
	Conventional Price	Market Price	Conventional Price	Market Price
Riazan . . .	1300	1500	300	600
Ustyuzhna . . .	1300	1800	300	350
Uryupinsk . . .	1100	1100	250	450
Tambov . . .	1100	1260	200	520
Tobolsk . . .	1000	1300	250	400

The Organisation of Distribution

In the years 1933 to 1935 decentralised collections increased in value at retail prices as follows :⁽¹⁵⁾

(Millions of Roubles)		
1933	1934	1935
1800	2200	2900

But the proportion of decentralised collections of foodstuffs in the total retail turnover of the country remained the same at the low figure of 3.6 per cent. In the urban supply of foodstuffs the relative importance of decentralised collections actually declined :

	1933	1934	1935
Total value, in 000 million roubles, of urban retail trade	21.8	22.2	40.0
Decentralised collections, in percentage of total	8.2	7.5	7.1

Further evidence of the comparatively small importance of decentralised collections is afforded by the following figures :

MONEY INCOME OF THE AGRICULTURAL POPULATION FROM THE SALE OF FARM PRODUCE IN 1935 ⁽¹⁶⁾ *

	R. million
Centralised deliveries .	7,370
Decentralised collections .	1,344
Open market . . .	10,783

Up to 1936 the chief purchasers under the system were the industrial O.R.S., which bought up food-

* The income of the peasant population is certainly not known to within one million roubles, and these official figures must be regarded as mere estimates.

“Decentralised” Collections

stuffs for re-sale to the industrial workers, and Tsentrosoyuz, which bought supplies for the town consumers' co-operatives. But all urban consumers' co-operative shops were transferred to the Commissariat of Internal Trade at the beginning of 1936 and practically all the O.R.S. establishments suffered the same fate at the beginning of 1937. In future the chief and only important purchaser of foodstuffs direct from the peasants, apart from the Government and the private consumer, must be the Commissariat of Internal Trade. To a certain extent the Commissariat of Food Industries may make decentralised purchases of raw material for the canning and preserving factories, though these rely for the bulk of their supplies on the Government collecting organisations.

PART V

**SOME ECONOMIC ASPECTS
OF SOVIET TRADE**

CHAPTER XIX

THE PRICE SYSTEM

GIVEN the circumstances of a planned economy in which all the means of production are collectively owned, there can obviously be no free market and therefore no market price for capital goods. But for accounting purposes some sort of convenient unit is needed in which values can be expressed. In the Soviet Union the rouble monetary unit still remains the wage unit and therefore fulfils the functions of a unit of account in which wholesale values are expressed. In practice, wholesale prices, that is the accounting price at which goods are exchanged between State enterprises, are based on production costs plus a certain surplus, or "profit", to provide the means for further investment. Formerly, during the first Five-Year Plan and the first year or two of the second Plan, wholesale prices were based on planned production costs. But these were very frequently below actual costs, largely because labour productivity failed to improve to the extent anticipated. Hence instead of a surplus very many enterprises showed paper losses on their output, which had to be covered by special budgetary grants from the Government. Latterly wholesale prices have been fixed with more regard to actual experience of production costs, but since planned prices must necessarily be fixed in advance before the actual produc-

Some Economic Aspects of Soviet Trade

tion cost of the goods have transpired, discrepancies between actual cost and selling price still occur.

Though the wholesale prices of consumers' goods are planned on the above principle the retail prices at which they are sold to the consumer must approximate to a market price. In the process of retail trade goods pass from collective ownership into the possession of the individual consumer, who has the free disposal of his income. That is to say, he will use his purchasing power to obtain the maximum satisfaction of his desires as estimated by himself. The aggregate purchasing power of the community in terms of money is much larger than the total production and distribution costs of the available supply of consumers' goods because all production entails the payment of wages, but a part only of total production is in an immediately consumable form. Taxation may, of course, be employed to reduce the money in the pockets of the consumers, but the volume of direct taxation is not large enough to equate the aggregate money income of the population to the total production and distribution cost of the available supply of consumers' goods and the cost of social services provided by the State. Indirect taxation is therefore imposed in the form of a turnover or sales tax, by which the retail prices of consumers' goods are raised very considerably above their production costs. The Soviet Government's retail price policy aims at regulating the effective demand for consumers' goods so that consumption shall keep in step with production. In other words, the price of any sort of article or commodity should be fixed at a level at which the collective estimate of its

The Price System

desirability at that price coincides with the available supply.

In capitalist systems, where goods are produced and distributed by private enterprise, if the price the public is prepared to pay for any article includes more or less than the normal profit, production of that article will ordinarily be increased or decreased until the price paid by the public yields only a normal profit. In the Soviet Union the mere fact that a certain article can be sold at a price that is much higher than its production cost does not directly react upon production, because this is planned; though it may suggest a planned increase of production in the following period. The Soviet Government reserves the right to decide what is good for the community, and this does not necessarily coincide with the public's own collective opinion. It follows from this that, if the public evinces an increasing desire for a commodity that the Government is unwilling to produce in larger quantities, the effective demand must be restrained by increasing the price.

But the Soviet authorities do not admit that their price policy is directly determined by the necessity of equalising consumption and production. Officially retail prices are based on political and economic considerations, among which is the necessity to prevent speculation, that is, buying to re-sell at a profit. In the interests of the consumer prices should be as low as possible, but if prices are fixed too low some people will succeed in buying more than they need in order to re-sell at an increased price to the less fortunate or less persevering consumers who arrive after stocks have been

Some Economic Aspects of Soviet Trade

sold out. Political considerations also play a part in determining the difference in price level in different parts of the country, because it may be expedient to conciliate or stimulate the population of certain regions by an extra supply of goods.

When rationing was abolished, the Government declared that in future consumption goods would be sold at "Single State retail prices". By this it did not mean that a single price should apply throughout the U.S.S.R. but that a single price should replace the various prices at which hitherto goods had been sold against ration cards, in "closed" shops, village co-operative shops and the commercial shops. In the case of bread and cereal foods the country was divided into eight price zones. These zones, beginning with the cheapest, included the following territories :

- No. 1.*—Most of the Central Asian Republics.
- No. 2.*—The Ukraine, South Russia, the Volga regions, Western Siberia and some Provinces in Central Asia.
- No. 3.*—Moscow and several industrial districts, a large part of the Central and North-Western area of European Russia, Transcaucasia and Central Siberia.
- No. 4.*—Leningrad, the Urals, parts of Eastern Siberia.
- No. 5.*—Karelia and the Northern Provinces.
- No. 6.*—The Buriat Mongolian autonomous Republic.
- No. 7.*—A large part of the Far Eastern area and Eastern and Northern Siberia.
- No. 8.*—Kamchatka, Sakhalin, the lower Amur.

The Price System

The difference in price between the cheapest and most expensive zones is about 100 per cent of the lowest price for ordinary wheat and rye bread, rather more than 100 per cent for flour, and from about 25 to 40 per cent for the various sorts of groats and meal.

The Government seems never to have given explicit reasons for placing any region in any particular zone. It is, however, plain that an important consideration was the cost of transport and distribution. But this does not explain why Central Asia should be treated more favourably than the Southern Provinces of European Russia and the Ukraine, Russia's traditional grain-growing areas. Probably it was decided to afford the inhabitants of Central Asia cheap bread because the average purchasing power of the population is smaller than in most other parts of the Union, and because a large part of the cultivated land that formerly used to grow foodstuffs had been transferred to cotton. Prior to derationing, the Government supplied cheap grain and cereals to the peasants in proportion to the quantity of cotton delivered. After derationing this privilege was withdrawn, and in order to recompense the peasants for the higher cost of food the price paid for raw cotton was increased. But in order to avoid an undue increase which would have been reflected in a rise in the production cost and wholesale prices of finished cotton textiles, the cotton growers were supplied with their principal foodstuffs at the lowest zone prices.

For the sale of meat and fish five price zones were fixed, the spread between cheapest and dearest

Some Economic Aspects of Soviet Trade

ranging from about 30 to 70 per cent of the lowest zone prices. In the case of both commodities the chief consideration in fixing the price was obviously the extent to which demand is met by local supply. Thus the cheapest meat zones included the pastoral areas of Central Asia, the Urals, etc., and the most expensive, the densely populated industrial districts, while the cheapest fish zones comprised the coastal districts around the White Sea, the Black Sea and Far East, etc., the most expensive being, naturally, the Steppe country of Central Asia.

For the sale of sugar and confectionery the country was divided into four zones, for the sale of butter into five zones and for the sale of vegetable oils into four zones.

A somewhat different procedure was adopted in the case of manufactured goods. Instead of fixing zone prices, the country was divided into zones according to the retail percentage to be added to the wholesale price by the retail organisation or the amount of discount allowed in the case of fixed-price branded goods. This system was presumably found more convenient, because ex-factory prices are the same wherever the goods are consigned, but the freight and distributive costs vary widely in different regions.

Although the chief considerations in fixing price zones are apparently largely commercial, other factors of a more or less political character also play a part. The differences between the prices of most foodstuffs in European Russia and Eastern and North-Eastern Siberia are on the whole greater than should be accounted for entirely by the cost

The Price System

of transport and distribution. This may have been deliberately arranged in order to encourage agricultural production in those regions by giving the local peasants something in the nature of protection. It is, of course, the policy of the Soviet Government to render each part of the Union as self-supporting as possible, partly with a view to economising in railway transport. This assumption is supported by the fact that the turnover tax on most staple articles of food varies in the different zones, as a rule being highest where the retail price is highest. If the difference between zone prices merely covered the additional distributive costs, the amount of the turnover tax would not be affected. But if the turnover tax in a high-price zone is larger than in a low-price zone it seems obvious that the difference between the zone prices is greater than would be necessary to cover the higher distribution costs. In the case of industrial goods there seems to be no graduated scale of turnover tax, which leads to the conclusion that regional price differences correspond more or less accurately to differences in distribution costs. But the circumstances differ inasmuch as the extension of industrial enterprises in distant parts of the Union is entirely controlled by and determined by the Central Government, and there can be no question of encouraging local enterprise. While the peasants, especially in the Far Eastern parts of the country, still retain a certain independence of action, and since the Government desires to colonise those regions, a relatively prosperous and contented peasantry is a good advertisement.

It may be accepted as more or less in accordance

Some Economic Aspects of Soviet Trade

with the facts to say that the retail prices of staple consumption goods in each price zone are fixed at a level which will regulate consumption to the planned flow of goods to that zone. If disequilibrium arises, as shown by goods remaining in the shops over their planned turnover period or by shops running out of goods, the necessary adjustments may be made by increasing or restricting the flow of goods ; for which purpose a certain portion of the output of staple commodities is retained in a special manœuvre fund for levelling out local inequalities in supply and demand or, in extreme cases, a region may be transferred to a cheaper or dearer zone. In no circumstances may any local trading organisation alter prices without authority. The temptation to put up prices when stocks run short, however, is not always resisted, as is shown by complaints voiced in the press against retail organisations, chiefly village co-operatives, for violations of the price regulations. The village shop, being more isolated and serving customers who are naturally less well-informed regarding the proper prices of goods than the townsfolk, has greater opportunities than the town shop for juggling with prices and in all probability has a greater incentive to do so, because its profit ratio is smaller. For the same principle holds good in Soviet trade as in capitalist trade, that the large retailer, buying large quantities of goods direct from manufacturing enterprises, obtains better terms than the small enterprise which buys at second-hand from a wholesale distributor.

In the Soviet Union capital investment is controlled by the Government and mainly financed

The Price System

from a pooled fund held and administered by the Prombank (the bank for financing long-term capital investment in industry). If industrial enterprises financed their own capital development out of their own profits, they might escape or evade to a greater or less extent the control of the State Planning Commission. Part of the planned profit of industrial enterprises goes to the National Budget, another part is paid into the industrial investment pool held by the Prombank, and the balance is retained by the enterprise itself, mainly for improving the working and living conditions of the workers. In order to stimulate economy in consumption of material and efficiency in administration and technical processes, half of all profits in excess of the planned profit is credited to the enterprise under the head of "Director's Fund". This remains at the disposal of the management for making further improvements in the conditions of the workers and for paying premiums to the staff and workers. In practice, it is said, a large part of the Director's Fund is devoted to paying premiums or bonuses to the heads of the enterprise. It may be noted that the policy of stimulating efficiency by offering rewards to those enterprises that, by reducing costs below the average, manage to exceed their planned profits, sometimes results in saving at the expense of the quality of the output. Partly owing to the intense demand for consumers' goods and partly to the bureaucrat mentality of most administrative officials, trading enterprises hesitate to refuse goods that are not flagrantly defective. There is, therefore, far less pressure on industrial enterprises to improve quality and assortment than in capitalist countries.

Some Economic Aspects of Soviet Trade

In effect, their market being assured, there is a positive incentive for manufacturing enterprises to reduce production costs to the point where the quality of their-output just passes muster and no more.

CHAPTER XX

TRADING COSTS AND PROFITS

THE wholesale prices paid by distributing organisations for their stocks-in-trade and the retail prices at which the goods are sold to the consumer are fixed by the Government; and the difference between these is the trading enterprise's gross profit, out of which all costs and outgoings have to be paid. The planned turnover and planned costs of trading enterprises normally permit a moderate rate of net profit, which will be increased if costs be lowered or turnover increased in comparison with the Plan. Since, under a planned economy, there should theoretically be a market for all goods produced, the only limit set to a retail enterprise's turnover is the possibility of obtaining goods and the quantity of goods it is possible to sell in a given space and with a given equipment. But goods are by no means always obtainable, and it is by no means a rare event for some particular commodity or article temporarily to disappear locally or even throughout the whole country; while, even were it possible to obtain an unlimited supply of goods, the physical possibilities of serving customers is limited by the counter space, the number of weighing machines available, etc. The sale of branded, fixed-price packets as against weighing and wrapping each individual purchase increases the selling capacity of a given number of salesmen and a given

Some Economic Aspects of Soviet Trade

shop area, and therefore the sale of flour, sugar, tea, etc., in branded packets is rapidly increasing. Another way in which the capacity of a shop is increased is by "preliminary orders". These may be left in writing at the shop or telephoned with an indication when the goods will be required. When the customer calls for his parcel it is ready and waiting for him. Though queues have now been practically abolished, all shops selling foodstuffs and the ordinary commodities of everyday use are normally fully occupied during most of their working hours, which for food shops is from 9 A.M. to midnight.

Soviet economists, as a proof that planned distribution is more efficient than capitalist, point out that total distribution and overhead costs in Soviet trade add some 11 or 12 per cent to the wholesale price of goods against 25 to 30 per cent in capitalist trade.

But this does not prove the intrinsic superiority of the Soviet system. The capitalist private shop-keeper has a higher ratio of costs, partly because he provides more services and amenities for his customers and partly because he pays such overhead charges as taxes and rent directly and not indirectly, as the Soviet shop does when it includes some 50 per cent of turnover tax in its retail prices. The following are among the chief reasons for the low ratio of costs in Soviet trade :

- (1) The Soviet enterprise pays no interest on borrowed capital, only on short-term bank credit.
- (2) The rent, if any, for the premises occupied

Trading Costs and Profits

by Soviet shops is proportionately much less than in capitalist countries. In 1935 the cost of rent and maintenance of premises of provision shops in Moscow belonging to the Soyuzprodmag system amounted to about 1.46 per cent of the total turnover.⁽¹⁷⁾

- (3) Expenditure on advertising is negligible: *e.g.* the Central Model Univermag in Moscow spends on advertising about 1 per cent of its total costs. This includes internal advertising, such as show windows and loud-speaker broadcasts throughout the various departments, posters and electric signs. Newspaper advertising is used to a very small extent.
- (4) Compared with capitalist shops, Soviet shops render few gratuitous services to their customers. For instance, shop "Gastronom No. 1", one of the largest, if not the largest, and the most select provision shop in Moscow, during the first four months of 1936 delivered to customers' addresses only 1.65 per cent of its total turnover. And most shops that undertake delivery charge for the service. The regular automatic daily delivery of bread, milk, etc., to private dwellings is unknown.
- (5) The selection of goods in Soviet shops is much inferior to corresponding capitalist shops. In the Central Moscow Univermag, for example, the range of men's ready-made suits is (or was in the spring of 1937) limited to seven sizes each with three different fittings. Any large London department store stocks well over 100 sizes and fittings. And

Some Economic Aspects of Soviet Trade

whereas a large London shop may stock some 10,000 different sorts of stockings, the choice in the largest Soviet shop is probably limited to a few dozen.

- (6) Soviet shops do not give credit. Payment by instalments, when practised, differs from the capitalist system in that the purchaser obtains delivery of his purchase after paying the last instalment and not the first.

Thus, if Soviet retail distribution costs are comparatively low, the consumer has to do without many services and conveniences, the cost of which is included in the retail price paid for goods in capitalist countries. Whether the Soviet consumer would prefer paying higher prices in order to be saved part of the trouble of shopping, to be able to buy on credit and to have a greater choice of goods to choose from, is a matter that has not yet been put to a reliable test, but the increasing use of delivery service indicates that the consumer is quite ready to take advantage of new shopping conveniences.*

The overhead and operating costs of retail trade vary greatly between different classes of shop and

* The number and value of deliveries to customers' residences or places of employment by the Bakaleya and Gastronom shops in Moscow during the first four months of 1936 increased as follows:

	January	February	March	April
No. of deliveries	1272	3376	5663	10,983
Value of deliveries (000's roubles)	61.6	151.4	..	752.6

Problems of the Reconstruction of State Trade in Groceries and Provisions (Gostorgisdat, 1936), p. 43.

Trading Costs and Profits

even between different shops of the same sort. In the Central Moscow Univermag they are said to be $6\frac{1}{2}$ per cent of the total turnover, while the gross profit is 11 per cent. The net profit is therefore $3\frac{1}{2}$ per cent of the turnover. The shop adds from 7 to 26 per cent to the wholesale price of its goods, the percentage of gross profit on various classes of goods being fixed by the Commissariat. According to figures for 1934, given in a statistical summary of trade, distribution costs in 1934 varied from 3.60 to 16.51 per cent of turnover in different categories of urban trading organisations, and from 4.23 to 22.45 per cent in rural organisations. The various headings under which costs are shown and the average percentage of costs under each for urban trade were (in percentage of turnover) :

Wages	Premises and Plant, including Rent, Maintenance and Renewals	Sundries, including Travelling, Postage, Office Requisites, etc.	Losses on Stock	Material (Packing, etc.)	Transport, Railway and Local	Credit (Interest on Bank Overdraft)	Payments on Account of Staff (presumably Insurances, etc.)	Total
3.23*	1.24	0.80	0.38	0.19	1.49	0.13	0.10	7.56

Particulars of the costs of Bakaleya and Gastro-nom shops in Moscow in 1935 show that the average amounted to 4.58 per cent of turnover in the former compared with 4.03 per cent in 1934, and 5.21 per cent in the latter compared with 3.73 per cent in 1934. These, however, were only shop costs, the costs of the whole systems, including the central

* "Personal" expenses under all headings in London department stores are roughly about 13 per cent of net sales. The Bolsheviks claim that money wages are about two-thirds only of the total wage, including all the services and amenities the worker receives gratis.

Some Economic Aspects of Soviet Trade

organisations, warehousing, transport, etc., were—

	1934	1935
	Per cent	Per cent
Bakaleya .	6.23	7.03
Gastronom .	5.66	7.73

These figures certainly appear very low when compared with capitalist costs of distribution, even after taking into consideration the factors enumerated above. But there is another thing which affects the ratio of costs to turnover to a material degree. The wholesale prices paid by trading organisations include the turnover or sales tax. In the budget estimates for 1937 the revenue from this tax was put at R.76,700 million. Of this R.9000 million was to be collected from heavy industry, leaving R.67,700 million to be collected from the State agricultural produce collecting organisations, food and other industries. The greater part of this sum would thus be paid directly by the consumers in the form of an addition to retail prices. The planned value of retail trade turnover in 1937, including public and communal feeding, was R.131,000 million, so it may be assumed that the turnover tax accounted for something in the neighbourhood of 50 per cent of the retail value of all goods bought by the consumers. Obviously if the monetary turnover of shops is artificially swollen by the inclusion of this tax, the percentage of costs to turnover will be correspondingly low, and to bring it into better agreement with capitalist trading costs it should be about doubled.

Probably Soviet trade as a whole makes no profits in the accepted capitalist sense. In 1936 the

Trading Costs and Profits

Plan provided for a total "accumulation", that is, net profits plus additions to reserves and amortisation funds, of R.618 million, or approximately 0.06 per cent of the total turnover. At the same time budget assignments or grants to the turnover capital of trading organisations amounted to R.668 million.* A very large proportion of this sum was no doubt required to replace trading losses. Balance-sheets neither of individual organisations, nor of retail distribution as a whole, are published, but from occasional newspaper references to individual trading enterprises it is clear that many make losses which must eventually be covered out of public funds. In 1934, for instance, the O.R.S. system as a whole made a loss of nearly R.300 million. But losses are not necessarily evidence of mismanagement, for the reason that the Distribution Plan is much too inelastic to make allowances for different circumstances. For example, the smaller Selpo and urban Torg shops, who obtain their goods mainly through their Raybaz or their Torg wholesale base, have to pay higher prices than the large city shops which buy direct from the manufacturing enterprise. Thus, supposing the fixed retail price of a particular commodity to be 20 per cent above the ex-factory price, the wholesale base will take 3 per cent, leaving only 17 per cent to the retail shop. At the beginning of 1935 about half the total number of village shops had a monthly turnover of R.3000 or less. Such diminutive enterprises were uncon-

* The budget estimates for 1937 included a sum of R.3000 million for the development of trade, agricultural collections and supply. The greater part of this was intended for capital construction, such as building and extending shops, erecting grain elevators, etc.

Some Economic Aspects of Soviet Trade

omic and, in 1935, 23,500 of the smallest Selpo, or about 20 per cent of the total number, were liquidated or amalgamated, while some thousands of large village Univermagy were established in the larger villages and small market towns. As a result the average Selpo overhead and working costs fell from 7.86 per cent of turnover in 1934 to 6.5 per cent in 1936. Nevertheless there were still complaints in 1936 that many village shops failed to maintain adequate stocks, and during the last quarter of the year an inspection of 260 shops in the Province of Voronezh disclosed that 69 shops were bare of sugar, in 49 there was no confectionery, in 36 no salt, in 26 no cigarettes.⁽¹⁸⁾

In theory a planned system of distribution should enable the supply of consumption goods to be distributed with the minimum expense, because it eliminates overlapping and uneconomic competition. Planned production and distribution should also tend to eliminate unnecessary transport costs, because distributive organisations should be supplied as far as practicable by manufacturing enterprises situated in the same region and organised and equipped for producing the type and quality of goods required in that region. Under the Soviet system the majority of industrial enterprises manufacturing consumers' goods are allotted their particular market in which they have a monopoly. The cost of advertising campaigns which capitalist manufacturers must undertake, not only in attempts to break into a new market, but to hold their position in the market they already have, is an item which does not enter into Soviet trading costs. The object of Soviet advertisement is not to attract

Trading Costs and Profits

custom from a competitor, but to introduce new lines of goods and increase turnover generally. It is thus purely informative. A planned economy also does away with unnecessary cost of producing a number of competitive goods which are to all intents and purposes the same thing. This also simplifies the task of the shops, which, for example, have to hold in stock just a few sorts of toilet soap, tooth paste, etc., manufactured by the one perfumery Trust, instead of dozens of different brands manufactured by a lot of independent private enterprises.

Though planning may eliminate a lot of the wasteful expenditure inseparable from the competition of private enterprise, it seems to lead inevitably to bureaucratism and red-tape, which in trade, as well as in other branches of the economic structure, must add materially to the cost of distribution. During the first nine months of 1936 the People's Commissar of Internal Trade and his Deputy signed some 4200 separate decrees, orders and instructions. These did not include correspondence with individual organisations and enterprises, but consisted entirely of circulars affecting sometimes the whole distributive system, sometimes only a particular section or class of shop. A large number of these circulars would seem to be mere bureaucratic exuberance. For example, Order No. 2343 by the Commissar of Internal Trade read as follows :

“ I make it the duty of the Republican Commissars of Trade and the heads of the Provincial trading organisations to institute a control of the routine efforts of their

Some Economic Aspects of Soviet Trade

trading organisations for the improvement of the quality of their goods and for excluding goods of inferior quality” ;

and Order No. 1232 read :

“ The Republican Commissars of Trade, the Provincial Torgi and the urban and regional Torgi must institute a systematic routine supervision over the preparations by their trading organisations for the winter season.”

As they stand such orders seem to be nothing more than reminders to responsible officials to do their duty. They are, as a matter of fact, excellent illustrations of the art of “ Passing the Buck ”. The Commissar of Internal Trade, who is ultimately responsible for the efficiency of the State distributive system, thus provides himself with an alibi if things go wrong and complaints are made. But, when shifting responsibility to the Republican Commissars, he takes good care not to commit himself to any concrete proposals which might prove unworkable.

CHAPTER XXI

DEMAND AND SUPPLY

DURING the time when the bulk of essential consumption goods were rationed the retail organisations were in a sense only the distributive agents for industry. Technically, they may have bought their stocks from the producers instead of selling on commission, but they had very little voice in the assortments and varieties of the goods they sold. Both production and consumption being planned, trading enterprises were little more than mechanical links between producer and consumer. The return to a free retail market afforded the consumer infinitely greater opportunities of deciding for himself what to buy and where to buy. He could go from one shop to another if the first was unsatisfactory, and he could adjust his purchases to suit his taste. When he received rations he could not substitute, say, meat for bread; if he did not require his full bread ration the money saved could be used only on the commercial market. The new order made many more claims on retail trading organisations; shop managers had to begin to study the public's desires and preferences and to calculate their probable turnover, which naturally became much more elastic than under rationing. Trading enterprises therefore had to assume increased responsibilities and simultaneously gained a considerable increase of independence in formu-

Some Economic Aspects of Soviet Trade

lating their own plans, for it was realised that the retail organisations alone were competent to keep in touch with changes in demand.

Mention has already been made in a previous chapter of planned and regulated goods. So far as the quantitative distribution of these is concerned, the proportion of the total available supply destined for each territorial division is still largely determined by the estimate of effective demand as worked out in the central statistical bureau; but the qualitative distribution is very largely under the control of the retailing organisations, which through the system of "preliminary" orders can specify the designs, patterns, qualities, etc., of the goods they require. Retailing organisations may suggest to manufacturing enterprises the production of new lines of goods, while the latter may circularise their customers or despatch travellers with samples of new patterns, etc., in order to get the opinion of the retailers before commencing production on a large scale. So far as their mutual relations are concerned, industrial and trading organisations are separate entities whose dealings with one another are founded on commercial principles as adapted to Soviet conditions. But this does not alter the fact that, as the administrator and controller of all economic enterprises, the State is simultaneously the employer and the supplier of the labouring population, or, if the State be identified with the community, it is the executive organ which carries out the collective will of the community. As such it decides what part of the natural and labour resources of the country shall be employed in producing fixed and consumable wealth and how the consumable wealth shall

Demand and Supply

be distributed among the consumers. But it makes very little difference to the behaviour of the individual whether he is working for an employer or in the interests of the community of which he is an integral part. In both cases his income takes the form of a money wage, and it is very unlikely that he stops to consider whether, economically, it represents the price of the labour he sells to his employer or his share of the social fund as one of the collective owners of all production. But whether Soviet wages are technically wages or something else the fact remains that when a Soviet enterprise pays out "wages" it creates demands which the State must satisfy if wages are to exert their full influence on labour. (Under rationing the demand resulting from money wages was not fully satisfied and it was necessary to stimulate the workers' efforts not by increasing wages, but by permitting the more industrious and efficient to buy additional quantities of goods.)

The Soviet Government as trustee for the national resources must see to it that, after providing for the planned replacement and increase of fixed capital, these resources are employed in a way to give the greatest satisfaction to the greatest number. It is not a question merely of producing increasing quantities of food and manufactured goods. Because of the very material differences between the money incomes of different sections of the population the demand is anything but homogeneous. From the point of view of encouraging personal industry and efficiency it is just as important to cater for the high-class demand of the well-paid manager and expert as the demand of the

Some Economic Aspects of Soviet Trade

working masses for the absolute necessities of life. But to prevent the wealthier section of the community from prejudicing the supply of everyday necessities it is expedient to restrict their demand for high quality goods and luxuries by the imposition of a high rate of turnover tax. As examples, the rate on cigarettes varies from 75.5 per cent on the cheapest qualities to 88.4 per cent on the most expensive; on labourers' heavy boots the rate is 17 per cent, while on chrome leather city shoes it is 35 per cent. To what extent the production of cheap goods for the masses could be increased if quality production was further curtailed cannot be estimated, probably not very much, because in proportion to the total population the high income groups are very small. But on the whole it would appear that the high-class demand is better supplied than the ordinary mass demand, for whenever there is a shortage of goods it is usually of some common everyday necessity such as sewing thread, lamp chimneys, goloshes, etc. In country districts it is not unknown for the village co-operatives to run out of matches, salt, nails, etc. It must be remembered that a shortage of such common necessities is likely to be more widely talked about and mentioned in the press than a shortage of caviar, wine or expensive dress materials, but to judge by appearances the high-class shops ministering to the needs of the higher-income urban groups are relatively better stocked than the shops catering for the rank and file industrial workers and the rural peasant population. In part this is probably due to the fact that, in order to make necessities as cheap as possible, prices are often fixed at a level that does not

Demand and Supply

quite restrict demand to supply, whereas for high-class goods prices are relatively higher and stock turnover slower. Also the ratio of profit allowed to the trading organisation is less on common necessities than on other goods.

In capitalist trade the retailer who cannot obtain what he wants from one manufacturer can go to another or buy foreign goods from an importer. It would be a rare occurrence indeed for any moderately large retail enterprise to be totally unable to get supplies of some article. The Soviet retail organisation is, however, largely tied down to certain specified producing enterprises and is not free to buy anywhere. Under the planning system, as already described, the trading organisation gives orders and makes contracts with its suppliers for deliveries over the ensuing period. But the production plans of industry must be finally approved by the relevant People's Commissariat, and it seems that it may happen that the Plan does not cover the total requirements of the industry's customers. Thus, according to *Pravda* of 17th May 1937, though Tsentrosoyuz had estimated its requirements of stockings and socks for 1937 at 430 million pairs, the People's Commissariat of Light Industry approved a production Plan of 393 million pairs only. The same sort of thing occurred in respect to other articles of clothing and glass-ware. It was also mentioned that the Commissariat arbitrarily altered Tsentrosoyuz' order for felt boots in the proportions of 35 per cent men's, 30 per cent women's and 35 per cent children's to 16, 18 and 66 per cent respectively. While there may have been more or less valid reasons in these specific instances for

Some Economic Aspects of Soviet Trade

refusing to comply with the retail organisation's requirements (*e.g.* if they exceeded the industry's capacity), it certainly leads to the conclusion that industry is sometimes inclined to trust to its own judgment instead of accepting trading organisations' estimates of the quantities and specifications of goods required to meet demand.

It would only show a lack of appreciation of the circumstances baldly to assert that the defects in Soviet trade are due to the lack of competition and the profit motive. It cannot be positively assumed that the profit motive is a less powerful stimulant to personal efficiency in Soviet industry and trade than in large-scale capitalist enterprises. In fact it is quite possible that the profits earned by a Soviet enterprise react more directly on the income and other benefits accruing to the employees than in capitalist enterprises. The root of the trouble seems to lie mainly in the fact that the planning of production and consumption is too academic and takes too little cognisance of ascertainable facts. In the first place the fixed prices which manufacturing enterprises receive for their output do not by any means always cover production costs. At one time probably at least half the factories engaged in manufacturing consumers' goods were operating at a loss and were in regular receipt of State grants. Though wholesale prices are now fixed more in accordance with facts and losses are no longer the rule, it is practically inevitable that among the wholesale prices fixed for a range of goods produced by a single enterprise some will be more remunerative than others. Thus a factory manufacturing aluminium ware may find it much

Demand and Supply

more profitable to turn out spoons and forks than saucepans, while a cotton-mill may find that the price received for printed muslins yields a greater surplus than the price of cretonnes ; although the actual consumer demand at the fixed retail prices might easily be more intense for saucepans and cretonnes than for the other things. Thus demand is hindered from influencing production through price, and though trading organisations may be urging industry to increase production of this or the other commodity, their arguments will lose a great deal of force if the wholesale price of these commodities is less favourable to the manufacturer than the prices of other goods. On the other hand, if the manufacturing enterprise is compelled to produce goods for which it receives a relatively poor price, it will be greatly tempted to cut production costs and lower quality.

Another cause of certain inequalities in supply and demand may be the rapid changes that have taken place in the nature of demand in recent years, especially among the rural population. During the early years of War Communism and N.E.P. the peasants receded a long way to the natural economy from which they were beginning to emerge before the War. During the last ten years or so before the War there had been a very rapid increase in the quantity of produce marketed by the peasants and the quantity of manufactured goods bought by them. But the War and the Revolution caused the flow of goods almost to cease, and the peasants, since there was practically nothing to buy with the money they might get by selling produce, reduced their sowings of industrial crops very greatly, and

Some Economic Aspects of Soviet Trade

curtailed their food production to their own needs. Thus the area sown to sugar beet, flax, hemp, cotton and tobacco fell from 3.4 million desyatins in 1913 to a bare million in 1922. As industry revived the peasants began again to grow crops for market, and by the opening of the first Five-Year Plan the exchange of goods between town and country was approaching the pre-War standard. There was, of course, little in the way of luxury; even persons holding important political or economic posts lived very simply and nobody aspired to anything more than the chief essentials of food, clothing and shelter. The first Five-Year Plan saw no improvement; on the contrary, there was probably a deterioration in the supply of consumption goods owing to the Government's insistence on capital development.

The second Five-Year Plan opened in 1933 with a promise by the Government that, by the end of the period, the supply of staple foodstuffs and manufactured consumption goods would be increased to 250 per cent of 1932; that real wages would be doubled and that retail prices would be reduced by 35 per cent. These promises were not fully realised, but there was an improvement in the general standard of consumption, particularly of manufactured goods not of primary importance. The planned output of cotton textiles, woollens and footwear in 1937 was to be 49, 26 and 140 per cent, respectively, greater than in 1933, though it is very doubtful whether these increases were actually realised.* At the same time the realised output of

* According to a newspaper article by the People's Commissar of Light Industry, published in February 1933, the output of these

Demand and Supply

non-essentials, according to official returns, increased remarkably. Thus—

	1932	1936
	Thousands	
Watches . . .	65	558
Gramophones . . .	58	337
Cameras . . .	30	557
Bicycles . . .	128	268
	Million metres	
Silk	21.5	51.2

These articles, besides gloves, fancy goods, confectionery, etc., of which production also expanded very considerably, are in demand only by persons whose essential needs for clothing and food are more or less adequately satisfied. They were practically unknown to the rank and file of workers and peasants prior to the second Five-Year Plan, and although the quantities produced in 1936 were insignificant when compared with the total population, demand is growing among the younger generation of factory workers, Kolhozniki, tractor drivers, etc. An increasing demand for goods of a luxury and semi-luxury nature does not necessarily connote a rise in the general standard of living; it must, however, be due to a rise in the purchasing power of a section of the population. And while it is impossible to estimate with any accuracy to what extent, if at all, the average standard of living of the ordinary industrial unskilled worker and the bulk of the peasantry improved during the period

commodities in 1937 showed the following increases over 1933: cotton fabric, 15 per cent; woollens, 10 per cent; footwear, 64 per cent.

Some Economic Aspects of Soviet Trade

between 1932 and 1937, the rise of a relatively high-income class is undeniable. Large personal incomes are, naturally, much more frequent among the urban population than in the country but, in agriculture also, there are fairly wide differences in income between the mass of collectivised peasantry and the privileged few. In the first place, certain favoured farms possessing high-grade soil and a comparatively large area in proportion to the number of members are able to distribute large divisible surpluses both in money and kind among their members; with the result that personal incomes running into some thousands of roubles a year are not unknown compared with an average money income per collective farm member of probably some R.250 to R.300 for the whole country. In the second place, agricultural mechanics, that is tractor drivers, etc., who are paid progressive piece-work rates, are able in favourable circumstances (absence of breakdowns, compact area of work, land in good condition, level standing crops without weeds, etc.) to plough or reap a far larger area than the norm, and thus earn high bonuses.

In pre-War days even the most prosperous peasant farmer never dreamed of apeing urban manners and appearance. The village aristocracy, the country merchant, the town artisan and small contractor—as a rule only one or at most two generations removed from the agricultural peasant—wore a sort of voluntary uniform consisting of long boots, black coat and trousers, a white or coloured cotton shirt worn outside the trousers and a black cloth leather-peaked cap. Their women dressed as peasants, their wealth being shown in the quality

Demand and Supply

and quantity of their clothes rather than in cut and style. To-day the young tractor drivers, both men and girls, demand city clothes to wear on holidays, however rough their working garb. Many large village shops now display small stocks of lip-stick, face powder, collars, ties, felt hats, city boots and shoes, etc., generally of inferior quality compared with the town shops. Incidentally the traditional national costumes, which were such an attractive feature of village life on Sundays and festivals, are now scarcely seen except on the stage or worn by city typists and shop girls on their summer holidays. The younger Kolhozniki and rural workers to-day frequently repudiate the appellation of "peasant" and prefer to call themselves agricultural engineers or specialists of some kind or other. In winter thousands of them attend technical courses in the towns, where they rub shoulders with the industrial workers. Thus universal education and the great increase in travelling have abolished many of the differences between the styles of living of the rural and urban populations.

The Soviet Government deliberately encourages the consumption of non-essential, not to say luxury, goods. Newspaper advertisements of perfumery and toilet articles manufactured by the Teje Trust appear more or less regularly, and some other newspaper advertisements taken at random in the autumn of 1937 referred to billiard tables, a brand of cocoa, railway restaurant cars, musical instruments, sporting guns, wines, sweets and confectionery. Ostensibly the use or consumption of these and similar adjuncts of civilisation are considered as evidence of a rising cultural level of the popula-

Some Economic Aspects of Soviet Trade

tion. On the other hand, it is highly probable that the Government is not oblivious of the fact that, if the population be persuaded to spend money on luxuries, the intensity of the demand for other things will be somewhat diminished. But whatever be the real motives behind the official policy of popularising the consumption of luxury goods, the desire to enjoy them and envy of those who are able to afford them must tend to stimulate the wage earners to increase their earning capacity. And such emulation is judiciously stimulated by news items in the press telling how some stakhanovite worker has increased his earning power so that he has been able to buy a gramophone, a piano or even a motor cycle.

Another change in the consumption of the workers has been brought about by the increased employment of women, who form about 34 per cent of all wage and salary earners. The withdrawal of so many women from household duties has inevitably resulted in a vastly increased demand for ready-to-eat food preparations, and to comply with this demand the quantity of canned food of all descriptions has been increased from some 130 million 14-oz. tins in 1929 to 1425 millions in the plan for 1937. During the same period the output of bakers' bread produced in State and co-operative bakeries increased at least fourfold ; due partly to the collective-farm population preferring ready-baked bread to the trouble of baking their own. This is typical of the rapid change from the largely natural economy of the peasant population before collectivisation to a predominantly money economy at the end of the second Five-Year Plan. For this

Demand and Supply

reason—quite apart from the depreciation of the rouble—the great increase in the annual turnover of retail trade from R.15,144 million in 1929 to R.131,000 million in 1937 (planned), and the increase in the value of the output of consumers' goods from R.8794 million to R.43,000 million (planned), does not mean so great an increase in actual consumption as the bare figures would indicate.

CHAPTER XXII

DISTRIBUTION OF SHOPS IN RELATION TO POPULATION

DURING the N.E.P. period private trading enterprises, so far as numbers were concerned, exceeded State and co-operative selling points. Statistical figures were published purporting to give the number of shops and the turnover in each class of trading organisation, but they were probably based on very insufficient data and cannot be accepted as reliable. In any case it was not till about 1930, after private trade had been almost abolished, that the distribution of retail selling points was really determined by the Plan. Even the statistics relating to 1930 and subsequent years are of doubtful accuracy, but they serve to indicate main trends. Nearly all the figures that will be quoted in this chapter are taken from a statistical summary of retail trade published by the Trade Section of the Statistical Department of Gosplan in 1936 and the Annual Statistical Summary issued under the title "Socialist Construction of the U.S.S.R." by the Central Statistical Bureau of Gosplan. In view of the distinction drawn between urban and rural trade some definition of a town seems called for. Technically the difference consists in the form of local Government, a town possessing a Municipal council or Gorodskoy Soviet, while a village is administered by a village council or Selski Soviet. But this is

Distribution of Shops in Relation to Population

very little help in deciding what constitutes a town or a village. In the U.S.S.R. there are about 740 towns and 600,000 villages. Some 70 towns only have a population of 100,000 or over, so that many towns are small centres with populations not much larger than those of large villages. So far as the distinction between urban and rural trade is concerned, it may be taken that urban trade applies to all shops in large concentrations of industrial population, whether technically classed as towns or not. In fact the term urban is applied generally to trading enterprises supplying the needs of industrial labour and other classes of the population obtaining their living from employment in State enterprises and institutions of an industrial or urban character, while rural trade supplies the agricultural peasants and all those more or less connected with the land, including rural industries and the officials and employees of village Soviets, State farms, machine-tractor stations, etc.

Apart from some 47,000 private enterprises, which accounted for less than 6 per cent of the total retail turnover, there were on 1st January 1930, 163,021 State and co-operative retail outlets, of which 71,088 were in the towns and 91,933 in the country. In 1935 the total was 295,273, of which 121,104 were in the towns and 174,169 in the country. Confining our investigations to selling-points dignified by the title "shop", we find that the changes in the number of shops and the population per shop between 1930 and 1935 were as shown in Table I overleaf.

Some Economic Aspects of Soviet Trade

(TABLE I)

Total No. of Shops	Population per Shop	Urban		Rural	
		Shops	Population	Shops	Population
1930					
133,851	1154	48,341	571	85,510	1470
1935					
229,407	724	72,078	555	157,329	806

The figures quoted above indicate that among some 600,000 villages there are only about 160,000 shops, or not much more than one shop to every four villages. But since many villages boast of two or more shops the proportion of villages devoid of shopping facilities must be considerably larger. In fact, it would probably be found that not more than one village in six or seven possesses a shop. The density of retail outlets varies very greatly in different parts of the country. In the poorer and more sparsely populated regions large numbers of the peasant population must be without any sort of accessible State or co-operative shop, and must wait to purchase their requirements of manufactured goods till they have an opportunity of travelling to the nearest township, and the double journey might easily take three or four days. In these circumstances it would not be surprising to find that there still exists a considerable amount of private trade carried on surreptitiously.

Between 1930 and 1935 the value, in current roubles, of retail trade per head of population increased as follows (Table II):

Distribution of Shops in Relation to Population

(TABLE II)

Total Value (Million Roubles)	Value per Head	Urban		Rural		
		Total Value (Million Roubles)	Value per Head	Total Value (Million Roubles)	Value per Head	
		1930				
18,625	121	11,996	434	6,629	52	
		1935				
73,723	443	52,240	1306	21,483	170	

The average value of turnover per selling point, including stalls and booths, in 1930 and 1935 was—

	Urban	Rural
	R.	R.
1930	156,700	70,000
1935	431,000	123,400

These figures, so far as they can be trusted, indicate that during the period the number of village shops increased in proportion to the rural population much more than the town shops in proportion to the urban population, but that the average size, as indicated by turnover, of urban shops increased much more than that of rural shops. It should, however, be noted that during the last three years of the period the purchases by peasants in town shops increased very materially. The reasons were the increase of commercial shops at which peasants could buy and the establishment of the Kolhoz markets, which both attracted peasants to the towns and enabled them to earn money with which to buy in the town shops. It has been estimated ⁽¹⁹⁾ that in 1935 the rural population spent some R.15,700 million in town shops. If cor-

Some Economic Aspects of Soviet Trade

rect, this would mean that the rural population on the average spent about 42 per cent of its income, available for buying consumption goods, in the towns. The net purchasing power of the rural population in 1935 was estimated at R.37,770 million,⁽²⁰⁾ while the Soviet Statistical Annual gives the value of rural retail turnover as R.21,500 million. The difference of R.16,270 million would presumably have been largely spent in the towns. To what extent the peasants bought in the towns in 1930 does not appear to have been estimated, but it was much less than in 1935, for at that time practically the total supply of goods of primary necessity were rationed and the peasants had no right to buy in the "closed" town shops. The apparently much larger increase in the purchasing power of the urban population compared with the rural population may therefore be attributed partly to an inflation of urban trade by peasant purchases.

A recent feature of Soviet retail trade is the increasing specialisation of shops. For the sale of foodstuffs in 1935 there were seven main classes of specialised shops, and for the sale of non-food goods about nine. The development of specialisation between 1934, when about 75 per cent of consumers' goods in value were sold under the ration system, and 1936, when rationing had been entirely abolished, was remarkably irregular. Table III on page 229 shows the number of food shops of each specialised category in urban trade.

The total number of retail outlets increased each year, but the number of shops and booths selling bread, after being greatly increased in 1935, was reduced again in 1936 to little more than in 1934.

Distribution of Shops in Relation to Population

From the beginning of 1935 bread was derationed ; and in order to cope with the expected increase in demand and, even more, in order to do away with the old bread queues the number of selling points was suddenly increased by nearly 50 per cent. However, there proved to be considerable difficulty in the regular distribution of supplies to a large number of small selling points, and it was found better to

(TABLE III)

	1/1/1934			1/1/1935			1936		
	State Trade	Co-op. System	Total	State Trade	Co-op. System	Total	State Trade 1/1/36	Co-op. System 1/7/35	Total
Bread .	4637	2587	7224	8313	2330	10,643	4181	3390	7571
Groceries and provisions	211	936	1147	567	703	1,270	1557	557	2114
Meat and fish	23	222	245	25	110	135	244	108	352
Fruit and vegetables	377	320	697	272	330	602	431	316	747
Others .	689	519	1208	1208	550	1,758	4541	711	5252

increase the space and facilities for selling bread in the larger shops and close down many of the small and uneconomic units.

The number of shops for the sale of meat, fish, fruit and vegetables actually declined in 1935, but in 1936 rose again and exceeded the 1934 figures. Unfortunately there is a lack of information on the turnover of specialised shops, but it is probable that the decrease in 1935 was at least partly due to amalgamation or closing-down of the smallest and most uneconomic units.

The development of specialisation in non-food goods is shown in Table IV on page 230.

During the period in question (1st January 1934 to 1st January 1936) the total number of specialised

Some Economic Aspects of Soviet Trade

urban food shops increased from 10,603 to 16,246, and the number of non-food shops from 4267 to 6341. Out of a total of some 44,000 urban retail outlets roughly half (22,500) were specialised shops at

(TABLE IV)

	1/1/1934			1/1/1935			1/1/1936		
	State Trade	Co-op. System	Total	State Trade	Co-op. System	Total	State Trade	Co-op. System (1/7/35)	Total
Textiles .	9	303	312	15	308	323	47	334	381
Ready-to-wear clothing .	45	123	168	80	132	212	86	116	202
Footwear .	27	76	103	48	88	136	39	76	115
Fancy and knitted goods .	105	..	105	146	..	146	176	..	176
Furniture .	44	148	192	66	132	198	90	138	228
Cultural goods .	98	616	714	108	747	855	250	365	615
Hardware .	74	345	419	150	264	414	165	271	436
Kerosene .	47	715	762	57	571	628	..	567	567
Ironmongery .	..	..	..	..	..	..	..	135	135
Others .	1148	246	1394	1469	396	1865	3095	391	3486
Model department stores	2	..	2	8	..	8	14	..	14
Other department stores	3292	1478	4770	2700	924	3624	2689	815	3504

the close of 1935. In village shops there is no specialisation in the same way as in the towns ; wherever the population served by a Selpo is large enough to support two shops, the sale of foodstuffs and manufactured goods is conducted separately, but many thousands of small village shops are general shops in the full sense of the word.

The territory of the U.S.S.R. is so vast and conditions are so varied (for instance the density of population varies from 70.6 per sq. kilometre in the Ukraine to 2.6 in Turkmenistan) that statistics based on the average population per retail shop would obviously be practically worthless. The following table (Table V), referring to the Moscow Province,

Distribution of Shops in Relation to Population

has been chosen as giving a better idea of conditions in the heart of European Russia. The Moscow Province has some 12 million inhabitants more or less equally divided between town and country. Moscow being the capital of the U.S.S.R. and the Province containing many important industries, the average purchasing power of the people is probably the highest in the country. For the sake of comparison some figures have been included showing the population per shop in England and Wales in 1931 (taken from *Retail Distribution*, by Henry Smith, 1937, p. 37).

(TABLE V)

	Town Retail Trade		
	No. of Shops, April 1935	Population per Shop	England and Wales (Population per Shop)
<i>Foodstuffs</i>			
Groceries and provisions	173	70,000	} 24,400
Groceries and provisions, including wines and spirits	360	33,000	
Confectionery	22	545,000	} 1270 Meat 820 Fish and poultry 2300 1540 1000
Meat and fish	52	222,000	
Milk	63	190,000	
Fruit and vegetables	70	170,000	
Bread	696	17,200	..
Other specialised food shops	102	117,000	..
<i>Non-food Goods</i>			
Textiles, knitted and fancy goods	54	222,000	} 91,000
Ready-to-wear clothing	77	156,000	
Boots and shoes	45	266,000	3080
Furniture	45	266,000	3130

Some Economic Aspects of Soviet Trade

(TABLE V—*continued*)

	Town Retail Trade		
	No. of Shops, April 1935	Population per Shop	England and Wales (Population per Shop)
<i>Non-food Goods (contd.)</i>			
Perfumery	23	522,000	35,300 4000
Chemists	317	37,000	
Hardware	117	102,000	
Cultural goods	164	73,000	38,000 { Paper, stationery, books and periodicals, 1390
Books and literature	155	77,000	
Harness and leather goods	10	1,200,000	..
Children's goods	11	1,090,000	..
Timber and firewood	143	84,000	..
Commission shops (pawnbrokers)	25	480,000	..
Tobacco	11	1,090,000	..
Kerosene	221	54,000	..
Others	134	90,000	540
General mixed shops	796	15,000	510
Department shops (maximum five departments)	841	13,000	..
Exceeding five departments	16	750,000	..
Total number of town shops			6,823
" " booths, stalls, kiosks			6,710
Total town retail outlets			13,533
<i>Country Retail Trade</i>			
Food shops			1,130
Non-food shops			440
Mixed shops			4,435
Not defined			5
Booths, stalls and kiosks			615
Total all outlets			20,158
Population per outlet			595
Population per outlet in England and Wales is about			70

Distribution of Shops in Relation to Population

The total value of trade in the Moscow Province in the first quarter of 1935 was R.1048.5 million, of which R.121.6 million, or 11.6 per cent, was accounted for by rural selling points. Since there is certainly not so large a discrepancy between the purchasing powers of the two sections, it may be assumed that the rural population buy extensively in town shops.

No detailed information is available regarding the turnover of various consumers' goods in proportion to the whole retail turnover. According to the official figures for the whole country, the value of foodstuffs sold in 1935 was about 96 per cent more than the value of non-food goods, in urban trade about 128 per cent and in rural trade about 36 per cent. Thus, in spite of the fact that somewhere about 70 per cent of the population is classed as agricultural peasantry and probably between 50 and 60 per cent of the total population is engaged in producing primary foodstuffs, by far the larger part of the average individual's money income goes on food.

An analysis of sales from specialised urban shops in the Moscow and Azov-Black Sea Provinces in the first quarter of 1935 gave the results shown in Table VI, page 234.

Since in Moscow Province less than half the total foodstuffs turnover was due to specialised shops and in Azov-Black Sea Province about 57 per cent these figures have only a limited significance, but the higher purchasing power of the Moscow citizens seems to be reflected in the higher proportion of meat, groceries, etc., bought. The Azov-Black Sea Province is nevertheless among the more prosperous regions; the agricultural population is not so dense

Some Economic Aspects of Soviet Trade

as in Central Russia, the soil is among the best grain land and there are several large industries, such as the agricultural machine factory at Rostoff, where wages are relatively good. In the poorer Provinces the percentage of bread in the people's food purchases would be considerably higher. In non-food goods the largest aggregate purchases consist of textiles, clothing and footwear and cultural goods, including books, periodicals and newspapers. But department shops, for which only total figures

(TABLE VI)

	Moscow	Azov-Black Sea
	Per cent	Per cent
Bread and related goods . . .	41	58
Groceries, including wine and spirits	40	24
Dairy produce	5	3
Meat and fish	5	4
Fruit and vegetables	4	2
Confectionery and sundries	5	9
	100	100

are available, are so predominant in the non-food turnover that figures based only on the specialised shops cannot be taken as even roughly indicating any special trend.

The difference between the number of retail outlets and amount of turnover in relation to the population in the different parts of the country is shown by Table VII on page 235.

The first conclusion to be drawn is that industrial regions are much better served than agricultural. Moscow, Leningrad and Ivanovo are centres of industry in the northern part of European Russia

Distribution of Shops in Relation to Population

where, owing to indifferent soil and unfavourable climate, agriculture has never really flourished. In fact industries were originally founded in these Provinces partly because a large proportion of the peasant population had to supplement their farming by taking industrial employment.

At the bottom of the list come Voronezh and Kuibyshev, two typical agricultural regions, the

(TABLE VII)

Province	Population (1/1/33) in 000's	No. of State and Co-operative Retail Outlets on 1/1/35	Popula- tion per Retail Outlet	Turnover 1934		
				Per Head of Popula- tion (in Roubles)	Per Retail Outlet (in 000's Roubles)	
Moscow . . .	11,016	21,990	500	822	412	
Leningrad . . .	6,642	13,346	497	733	366	
E. Siberia . . .	2,183	6,258	349	604	209	
Ivanovo . . .	2,428	7,111	341	598	207	
Sverdlovsk . . .	4,201	8,144	515	441	228	
W. Siberia . . .	6,141	12,606	487	339	165	
Transcaucasia . . .	7,111	12,721	559	346	194	
Azov-Black Sea . . .	5,956	10,438	571	291	166	
Ukraine . . .	31,901	53,971	591	288	170	
<i>Central Asia—</i>						
Uzbek	} Republics	7,646	10,894	701	248	174
Tadjik						
Turkmen						
Kuibyshev . . .	6,064	10,907	556	232	130	
Voronezh . . .	6,918	8,083	856	163	140	

first in Central Russia and the second on the Middle Volga. In both the rural population is nearly 90 per cent of the whole, the density in Voronezh being about 60 to the square kilometre and in Kuibyshev about 40. And in both the area of cultivated land is only about 2½ acres per head of rural population.

Even the population of the very fertile agricultural lands of the Ukraine and the Azov-Black Sea Province appears to have less purchasing power than the industrial population in the north. Though

Some Economic Aspects of Soviet Trade

an agricultural population naturally spends less on food than an industrial population, the difference is comparatively moderate, for while foodstuffs account for 70 per cent of the total purchases of the urban population, they amount to some 57·5 per cent of rural purchases.

In Siberia and the Urals the standard of popular consumption is evidently higher than the average for European Russia. In Eastern Siberia the standard of living has been deliberately raised by the Government to encourage immigration from European Russia. But Siberia and the Urals are comparatively new lands, in the sense that they have been exploited only within comparatively recent times and are still very sparsely populated. Even under the planned economy of the Soviet Government there would seem to be greater opportunities for the individual citizen in the new lands than in the densely populated and fully developed European provinces.

The ratios of population for urban and rural shops vary greatly in different regions ; thus :

(TABLE VIII)

	Population per Shop		Sq. Kilometres per Town or Urban Settlement	Average Population per Town
	Rural	Urban		
Moscow	614	424	1,230	50,000
E. Siberia	354	335	81,400	25,000
Ivanovo	453	232	1,380	18,000
Sverdlovsk	589	442	8,600	45,000
Azov-Black Sea	659	430	4,140	39,000
Ukraine	802	309	1,200	20,000
Central Asia	811	473	9,500	21,000
Kuibyshev	638	289	5,540	27,000
Voronezh	993	417	4,200	29,000

Distribution of Shops in Relation to Population

In regions with a close network of small towns such as the Ukraine and Ivanovo the ratio of population per urban shop is small, as might be expected, but where there are a large number of small towns it may be supposed that the peasant population would buy a larger proportion of their requirements from urban shops than in regions where towns are few, even though large, and far between. In Moscow the comparatively high ratio per urban shop is accounted for by the four million population of the city of Moscow, where shops are individually much larger than in the small country towns.

As a general rule the ratio of population per shop seems smaller in small towns than in large. The smaller concentrations of population dignified by the name of town or township are usually very straggling and cover a very much greater area in proportion to population than the much more compact towns with populations of 50,000 and upwards. This circumstance gives rise to a comparatively large number of very small scattered shops, rather than a smaller number of largish shops in the centre of the town. Also a small town would not possess a tram or bus service, whereas practically every town with a population of 100,000 possesses a tram system, and most with over 50,000 have some sort of bus service. Where public means of transport exist, the people will be more inclined to make their purchases in the shopping centre where the shops are larger and better stocked. Another factor that influences the ratios of population to shops is the transport facilities between town and country. Thus of the Provinces of

Some Economic Aspects of Soviet Trade

Kuibyshev and Voronezh, which in respect of density of population, number of towns, etc., are much alike, we find that the former has a far smaller ratio of population per shop, both town and country, than the latter. A glance at the map will show that Kuibyshev is crossed by two railway lines from East to West with two branch lines connecting them, while Voronezh is on the direct routes from Moscow to the Caucasus, East Ukraine and Lower Volga and is crossed by a network of lines. Obviously in Voronezh the country population have greater opportunities of travelling to town than in Kuibyshev.

CHAPTER XXIII

THE RISE OF CLASS SHOPS

IN Soviet Russia during the first Five-Year Plan retail shops were very largely on the same dead level. There were differences, mainly in size and types of goods sold, between the village co-operative shops and the town shops, but within these two divisions there was very little differentiation according to classes of customer served. The reason for this was partly the comparatively small differences between the incomes of different classes and partly the system of rationing. The first instance of definite class differentiation was the formation of closed shops for State officials and employees. The first category, or G.O.R.T. "A", shops supplied the higher ranks with a better selection and rather more generous quantities of goods than the second category or "B" shops provided for the junior and subordinate ranks. At the same time "Insnab" shops were established to supply foreign employees of the Soviet Government with considerably better rations than were obtainable by the native engineers, technicians, etc.; and "Torgsin" shops were opened by the Commissariat of External Trade to sell unlimited quantities of the best goods available, and certain things that were unobtainable in any other description of shop, against precious metals, jewellery or foreign currency. Torgsin customers

Some Economic Aspects of Soviet Trade

were mainly Soviet citizens who had successfully hoarded pre-War gold or silver coins or jewellery or who received remittances from friends and relations abroad. The possibility of obtaining such "luxuries" as medicines, condensed milk, or even clothing of more or less respectable quality, created a clandestine demand for foreign currency and a "black bourse" on which the foreigner could, at some risk, sell his own bank-notes for many times the number of roubles given by the State Bank.

"Commercial" trade, which began in a small way in 1931, had expanded by 1934 to about 25 per cent of the total retail turnover. The "commercial" shops sold goods without any ration restrictions, but at prices several times higher than the ration prices; at the same time they stocked a better selection of goods than the closed shops. The "commercial" shops naturally catered for the higher-income groups and better-class demand.

The increase in the supply of non-essentials, which no doubt more or less reflected the increase in the amount of money the population had left after purchasing the necessities of life, is shown by the following :

PLANNED MARKET RESOURCES, 1937, AS PERCENTAGE
OF 1932 ⁽³¹⁾

(In Wholesale Industrial Prices of 1932)

	Per cent
Average for all industrial goods .	256·5
" " soap and perfumery .	278·6
" " household articles .	328·4
" " fancy goods .	401·2
" " culture and sport .	672·1

The Rise of Class Shops

When rationing was entirely abandoned at the beginning of 1936 all shops became "commercial" shops; that is, they sold their wares to all comers without restriction or limit except that imposed by price. Most of the former "commercial" shops, which catered mainly for the higher-class demand and were therefore situated in the best localities and in the best premises, continued as "model" shops. At the present time there are rather more than 20 large "model" Univermagy in the largest cities of the Soviet Union. Most if not all occupy the pre-War premises of large shops; for instance, the central Univermag in Moscow occupies the building erected about 1908 by the English firm of Muir & Merrilees, the Whiteleys of pre-War Moscow; its employees number 4000, who serve some 200,000 customers a day, and its annual turnover is about R.650 million.* Thus the average customer buys about R.10 worth of goods on each visit. The shop has 19 departments, including jewellery, furniture, perfumery, musical instruments, sporting equipment, household necessities, etc., but the bulk of its turnover is in wearing apparel and clothing materials. The methods and technique of selling are similar to those in most large capitalist department shops, payment as a rule being made to cashiers, the selling personnel only taking money at a few counters and kiosks selling small and cheap articles. Purchases are wrapped in paper and, exceeding a moderate sum, will be delivered if desired to the customer's address. Some of the largest "model"

* This is equal to £25 million at the official rate of exchange, but the corresponding goods turnover would be more nearly represented by a figure of some £5 to £6 million.

Some Economic Aspects of Soviet Trade

Univermagy have tea-rooms and restaurants and even lounges for their customers ; and even more common are crèches, equipped with toys and even live pets, where small children may be parked while their mothers shop. Considerable attention is paid to the display of goods and the decoration of the various departments. In the Central Moscow Univermag the departments for children's clothing are decorated with friezes depicting Kriloff's fables, while the crèche is enlivened by a full-sized wall painting of Comrade Stalin in the midst of a school treat. There would be little reason to mention these matters were it not that they illustrate a profound change in the Government's attitude towards retail trade. Under the rationing system shopping was an ordeal universally dreaded. Almost without exception shops were dirty, the number of assistants quite inadequate and individually usually indifferent and offhand to their customers. Payment had to be made before choosing one's goods, the purchaser having to find out as best he could the value of the article he wanted to buy, pay the money and obtain a receipt before the salesman would take any notice of him, and then the purchase was handed over unwrapped. Shoppers buying sugar, flour, etc., or any liquid had to bring their own receptacles. Eventually the volume of complaint and criticism from the whole nation compelled the Government to declare that the entire distributive system must be reformed and brought to a cultural level worthy of the Soviet régime.

Certain branches of industry run their own shops, some of which are also dignified by the adjective " model ", since they serve partly to introduce

The Rise of Class Shops

new products to the market and partly as sources of information to the industry on popular taste and demand. These shops are all specialised, in the sense that they deal in one class of commodity only and, like the model shops of the Commissariat of Internal Trade, are found in the best and, if the term is permissible, more fashionable shopping streets. Apart from the Commissariat of Food Industries, which in 1935 had over 4000 shops, the shops run by industries to sell their own products play a comparatively small part in the total volume of trade. Heavy industry maintains about 400 shops for the sale mainly of tools, spare parts for motor cars, tractors, etc., building material and so on. But though nominally retail outlets, the sale of these goods is mainly to other organisations such as collective farms, industrial co-operatives, etc., and not to individual consumers. The timber industry had (in 1935) 91 retail depôts for the sale mainly of building and joinery timber to co-operatives and similar organisations, while light industry had 82 shops, largely for the sale of textiles, to the public.

The shops belonging to the Commissariat of Food Industries include a large number of tobacconists' shops and kiosks for the sale of cigarettes. Other shops belonging to the Commissariat include special shops for the sale of sweets and confectionery; fish in all forms: raw, smoked, canned and cooked fish ready to eat; and so-called dietetic shops selling special cereal foods, fruit and meat preserves, sauces, etc., suitable for persons suffering from various complaints. Customers who imagine that they require special diet may consult the shop's

Some Economic Aspects of Soviet Trade

own dietetic specialist, who gives advice gratis. These specialised shops are found in the biggest cities only and can obviously serve but a tiny fraction of the population. In the main, they seem to be advertising stunts, not only for the industries whose products they sell, but for the whole Soviet system, which thus shows, to its own satisfaction at least, that it is thoroughly up to date in the care of its citizens.

Specialised shops for the sale of fabrics and clothing, perfumery and fancy goods, furs, jewellery and watches, office and restaurant furniture and equipment, school books and stationery, ironmongery, building material, etc., are found in all large towns, run more or less on the chain-store principle by departments of the Commissariat for Internal Trade. Most of these goods are also sold in the general shops belonging to local Torgi, but in smaller assortment and generally of inferior quality. The sale of furs, jewellery, high-class textiles and clothing demands more specialised knowledge and salesmanship than is usually possessed by the ordinary Torg shop assistant, and to cater for the higher-class demand it was, presumably, found advisable to establish special shops with specially qualified personnel.

So far we have been dealing with the various systems of retail shops under central administration. A common feature of all these systems is that they cater for the better-class demand; the shops are situated in the chief shopping streets of the big towns, very often the direct successors of pre-revolutionary private shops dealing in the same class of goods in the same premises. A former

The Rise of Class Shops

resident of, say, Moscow or Kiev, returning after twenty-five years, would see many changes but would, perhaps with mild surprise, recall that this Soviet jeweller's shop used to belong to a well-known private firm, and that at this provision shop one used to buy caviar and smoked salmon before the War. The customers, *mutatis mutandis*, correspond to their pre-War prototypes, army officers and important State officials and their wives, heads of industrial and commercial enterprises, etc. But unlike the pre-War privately-owned shops, Soviet shops give no credit.

The ordinary urban population, consisting largely of industrial workers, shop at the Torg shops, which in theory should be located at the most convenient points for the greatest number of consumers. This is a counsel of perfection that is not always realised. According to an article, "Soviet Trade in the Last Year of the Second Five-Year Plan", in *Planned Economy*, No. 2, 1937, there are a number of wards in the city of Leningrad without a single shop, while in the Kirov ward there are 48 provision shops and 28 industrial goods shops in three streets alone, and in the whole ward no less than 248 shops of all sorts. Similar instances relating to other towns indicate that there is still a very strong tendency for shops to be concentrated in particular streets. This is no doubt largely due to the influence of old tradition, and the fact that in the residential and industrial outskirts of towns there is a lack of premises suitable for shops. In the past two or three years, however, all the large new blocks of workers' tenements in the industrial suburbs include large

Some Economic Aspects of Soviet Trade

and well-arranged shops on the street level. Most of these shops originally belonged to the O.R.S. system of factory shops or to the factory consumers' co-operatives, but since the transference of these organisations to the Commissariat for Internal Trade the shops have been transferred to municipal Torgs. Frequently both food and industrial goods shops, though under separate managements, occupy adjoining premises without any definite division between them. The majority of Torg shops are technically Univermagy, that is to say, the food shops sell bread, meat, groceries, vegetables, etc., from separate departments, or, in the smaller shops, from different parts of the same counter; and the same applies to the industrial goods shops which stock textiles, clothing, boots, etc. But specialised Torg shops for clothing, footwear, furniture, etc., exist in places where there is a large concentration of industrial workers, because in such circumstances there will be a sufficient number of the higher-income groups to warrant the provision of better shopping facilities and better quality goods than the ordinary factory operative can afford. Another type of Torg Univermag is often located in the immediate neighbourhood of the peasant market for the convenience of the peasants bringing produce to sell. These shops naturally tend to specialise in peasant requirements such as women's kerchiefs, heavy boots, leather gloves, etc.

Although the distribution of consumers' goods through the various trading organisations is a social service rather than a profit-making enterprise, the Government nevertheless finds it necessary to protect the public from exploitation by

The Rise of Class Shops

individual shops and dishonest shop managers. Shop inspectors are employed not only to check weights and other "invisible" ways of victimisation, but to see that shops do not charge more than the official price for goods, and particularly that they do not charge first-quality prices for second-quality articles. That such inspection is highly necessary is indicated by the fact that the State-Trade Shop Inspectorate reported in September 1936 ⁽²²⁾ that 31.3 per cent of shops inspected were offering goods for sale below standard quality: probably due more to carelessness on the part of trading enterprises in examining goods when received from the manufacturing enterprise, than to deliberate attempts to victimise their customers. In country districts, where the local population has few and infrequent opportunities of comparing the prices charged by their own co-operative shops with those charged in other places, the opportunities for overcharging and the need for inspection are obvious, but in town shops the consumer, it might be thought, could be safely left to look after himself.

Possibly, as a consequence of rationing and the inability to exercise personal choice, the average consumer seems surprisingly indifferent to style or design so long as the article bought serves its purpose. This is sometimes visibly and strikingly illustrated, for example, when the female population of a town suddenly blossoms out in yellow berets as a result of a large consignment of these articles having been delivered by the manufacturers. It must be supposed either that the purchaser is unmoved by the certainty that every third girl she

Some Economic Aspects of Soviet Trade

meets will be wearing a similar hat, or that head-gear of any sort is so scarce that instincts of individuality are temporarily in suspense. It must not, however, be supposed that the entire population is addicted to dowdy uniformity. Those who can afford it spend comparatively large amounts on dress. The so-called "Ateliers des Modes" and the made-to-measure tailors, both State and cooperative, are always full up with orders, and the demand for private dressmakers and tailors to make up the client's own material is greater than the supply, which is all the more remarkable when it is realised that the price of a made-to-measure lounge suit is about a month's salary of a fully qualified factory engineer. The interest attaching to this is the evidence afforded that in the Soviet Union, despite theoretical equality, the demand of the small, but affluent, class of officials and experts has proportionately more influence on the supply both of goods and services than the demand of the lower-income masses.

CHAPTER XXIV

SHOP PERSONNEL

THE establishments of Soviet retail shops vary between the 4000 employees of the Central Moscow Univermag and the small village shop with a single salesman. Remuneration varies from R.2000 or R.3000 a month, or even more, including premiums, received by the general manager of one of the large model Univermags, to the Selpo salesman's wage of little more than R.100. The average monthly earnings for all employees in retail distribution is somewhere about R.195 a month, which makes retail trade one of the lower-paid occupations. The only urban workers who are worse paid as a class are those engaged in catering (waiters, waitresses, etc.). Agricultural labour is, it is true, paid lower rates than shop personnel, but the two are not strictly comparable.

As may be imagined, the qualifications of the average shop employee are not very high. An analysis of the educational standard of all workers and employees in trade in 1935⁽²³⁾ revealed the fact that 5·7 per cent were illiterate, 21 per cent could merely read and write, and 45 per cent had received only an elementary education in a primary school. Only 8·2 per cent had had a complete secondary education. Of all employees in urban trade in April 1935 approximately 31 per

Some Economic Aspects of Soviet Trade

cent, and in country trade over 40 per cent, had less than one year's experience in their calling. This was partly due to the rapid increase in the number of persons employed in distribution, which from less than 1.4 millions in 1933 rose to nearly 2 millions in 1937, but even more to the liquidity of labour, especially in rural trade. Exceptional instances are on record of Selpos having as many as six different presidents in the course of twelve months, and two or three changes in the same period are nothing out of the common. It is not surprising that in such circumstances the management of retail enterprises, particularly the smaller units, is even now inefficient and that considerable losses are caused through misappropriation of funds, pilfering, depreciation of stock and the like.

It seems likely that in trade pre-War capitalist tradition was more completely lost than in industry and most other branches of economic life. In industry there is still an appreciable proportion of pre-War skilled workers who, if they do not quite form the backbone of the foreman class, supply valuable stiffening to the post-revolutionary trained cadres. But because the early revolutionaries saw no merit at all in trade, no attempt was made to conserve even a modicum of pre-revolutionary trading experience. Thus while in industry, at least in those enterprises that already existed before the Revolution, there has been some continuity in the personnel, in distribution there was almost a complete break between the old capitalist system and the new Soviet system. In 1932 a mere 2.5 per cent of all those engaged in distribution had pre-War experience in private trade. Though the Soviet

Shop Personnel

system of planned distribution differs in important respects from capitalist trade based on profit-earning, much of the organisation and technique of capitalist shop-keeping has been adapted to Soviet needs.

In the course of the past few years a large number of institutions have been established for training personnel for service in distributive organisations, both wholesale and retail. During 1934 the People's Commissariat of Internal Trade founded 18 training establishments which had 3160 pupils at the beginning of 1935. In 1936 commercial high schools under the Commissariat had over 6000 students, commercial technical schools had an attendance of 10,500, commercial apprenticeship schools had 4200 pupils, and more than 3000 persons were attending evening or part-time classes in connection with their employing enterprise. In addition to these the Consumers' Co-operative system maintains a large number of training centres throughout the country which hold courses for Selpo employees. It is a rule that the head of every Selpo shall have taken at least a two-months course, and in 1936 nearly 100,000 persons took at least the elementary course, receiving instruction in simple book-keeping, shop organisation, elementary hygiene, etc. At the other end of the scale is the commercial "University" in Moscow founded and administered by Tsentrosoyuz, which can accommodate about 1000 students. The full course lasts for four years; candidates are required to have gained a secondary school certificate and the final selection of students for the annual entry is made as a result of competitive examina-

Some Economic Aspects of Soviet Trade

tion. During the first two years the curriculum includes history, natural sciences, economics, geography, modern languages, elementary military science, accountancy, etc. The third- and fourth-year students only may specialise in commercial accountancy, credit and finance, salesmanship, etc., and receive instruction in such technical subjects as cold storage, food preservatives, chemical analyses, mechanical testing of textile material, etc., with demonstrations in well-equipped laboratories. Soviet trade, being planned, does not require the same sort of knowledge of markets, financial methods, legal procedure, contracts, etc., which are among the principal items in a capitalist commercial training, and these subjects fill a comparatively subordinate place in the scheme of instruction, though they are by no means ignored. The aim of the training, however, is not to produce a merchant, but an official.

After graduating, the student is bound to work for not less than three years in the Consumers' Co-operative system, for which he is paid a salary. This period is more or less comparable to a post-graduate course in the practical application of theory. At the end of the three years the student has become an official qualified to fill an administrative or technical post in the State or Co-operative distributive system ; but he does not necessarily continue his career in trade. The training he has received fits him for administrative posts in almost any form of enterprise, and there is a strong demand by industry for young officials who have been trained in the Tsentrosoyuz University. Students in their first year receive an allowance of R.111 a month

Shop Personnel

and an increase of R.15 each year conditionally on passing the annual intermediate examinations. Residential quarters are provided free in the University buildings and food is provided at very moderate prices in a communal restaurant. About 60 per cent are men and 40 per cent girls, and some are married couples for whom special married quarters, including a crèche, are provided.

Shop assistants in the large city shops are taken on as apprentices or learners in much the same way as assistants are recruited in capitalist retail shops. A fairly good standard of education is required, for great stress is now laid on a high cultural level in urban retail distribution. This in practice means that shop assistants should be courteous, able and ready to advise customers on questions of taste, fashion, quality, etc.; they should be neatly dressed and look as attractive as possible, keep their counters and shelves clean and tidy and, in fact, possess all the virtues expected of shop assistants in any country. All large shops provide hairdressing and manicure saloons and baths free, restaurants and snack bars selling food at very moderate prices, and rest rooms for their sales staff; while the very large individual enterprises such as the Moscow Central Univermag with its 4000 employees maintain their own holiday homes or sanatoriums, other shops share in rest homes run by their head institutions. Every employee is supposed to get a free holiday in a rest home, possibly in the Crimea or Caucasus, once in three to six years, but all are entitled to a minimum two-weeks holiday on full pay every year. Moscow as the cultural as well as the political capital of the country naturally sets

Some Economic Aspects of Soviet Trade

the standard for the whole country. And since Moscow is by far the largest concentration of population, and certainly possesses the greatest average purchasing power per head of any city, its shops can afford a luxury and aesthetic externals in advance of any others. But if Moscow is no more typical of the whole country now than it was in Imperial Russia, the charge of window-dressing or affectation is not altogether justified. The improvement in the methods and the increasing refinement of retail distribution has accompanied a rise in the cultural and educational standard of the higher official classes and the new intelligentsia and in their incomes. It is, in fact, a visible sign of the reappearance of an *élite*.

Shops selling non-food manufactured goods normally open from 9 A.M. to about 7 P.M. on five days out of the six-day week, but instead of closing on the official rest days (the 6th, 12th, 18th, 24th and last day of the month), they close on the following days to give the public the opportunity to do their weekly shopping on their free days. Since the employees usually work a seven-hour day they are divided into overlapping shifts, half coming on duty from 9 to 5 o'clock and the other half from 11 to 7 o'clock. Food shops are usually open from 9 A.M. to midnight and do not observe a rest day. The staff has consequently to consist of two full shifts, working $7\frac{1}{2}$ hours each, plus one-fifth in order that every member shall have one day off in five. In a thirty-day month, therefore, every employee works a total of 180 hours, which is roughly the equivalent of a 42-hour seven-day week. The payment of shop assistants in the large model shops is relatively

Shop Personnel

good. In the Central Moscow Univermag the sales staff earn from R.250 to R.400 a month, and in the Bakaleya and Gastronom shops at least as much if not more.* Wherever possible, and this applies to practically all sales personnel, payment is based on a semi-piece-rate system. For each assistant, or more frequently for a "brigade" of five to ten working at a single counter, a turnover norm is fixed in conjunction with a basic wage rate. When the norm is exceeded a percentage addition to the basic wage is earned, the ratio between excess turnover and supplementary earnings varying with different sorts of goods in accordance with the estimated difficulty in selling them. On the other hand, failure to realise the turnover norm means a certain deduction from the basic wage, though such deductions may not reduce the individual's earnings below a guaranteed minimum. Some shops have a trophy in the form of a flag or banner which is displayed behind the counter of the brigade showing the greatest proportional increase in turnover during the preceding month. In addition to the ordinary monthly earnings the employees of a shop receive an annual bonus depending on the net profits of the enterprise. As a general rule about 8 per cent of the net profits up to the planned amount and 50 per cent of all profits in excess of the plan accrue to the benefit of the staff in one way or another. In point

* Returns for the Moscow Province for the first quarter of 1935 gave the average wage for all workers in urban retail trade as R.163 a month and in rural retail trade as R.82 per month. Average rates of pay in Moscow Province are considerably above the average, but wages generally were materially raised in the latter part of 1935 and in 1936, partly as a compensation for the loss of rations, while in November 1937 the minimum wage for all workers in the Soviet Union was fixed at R.110.

Some Economic Aspects of Soviet Trade

of fact the greater part of this staff fund is expended on improving working and living conditions and a comparatively small proportion is distributed in the form of cash premiums.

. The Stakhanov movement, which in industry is more or less synonymous with rationalisation and has a good deal in common with Taylorism, has been introduced, so far as it is applicable, into retail trade. The Stakhanovite * shop assistant is not necessarily the assistant who achieves the highest turnover but one who, in addition to superior technical efficiency, cultivates a sales personality and is popular among the shop's regular customers.

* The term Stakhanovite, strictly speaking, is not applied to shop assistants, clerical workers, book-keepers, etc. Those who in their own occupation try to emulate the Stakhanovites in industry are known as "Peredovye Liudy", meaning leading or exemplary persons.

PART VI

THE SOCIAL DIVIDEND

CHAPTER XXV

THE WORKER'S REMUNERATION

THE Marxian School of Economics perceives a fundamental difference between the wages paid to a worker by his capitalist employer and the remuneration received by the worker in a socialist economy. For the purpose of illustrating their case the socialists liken the labour of the capitalist worker to a commodity which the worker sells to the capitalist owner of the inanimate means of production. While it is admitted that the worker may thus obtain the market value of his labour, it is pointed out that he cannot receive wages equal in value to his gross output, because that would leave nothing for the owner of the capital in return for the use of his capital. The capitalist worker as a class, therefore, is condemned always to produce more than he consumes, the difference being the "surplus value" appropriated, in the form of rent, dividends and interest, by the owners of capital as a class.

The socialist worker, as a member of the community, possesses a share in the collectively owned means of production. He does not apply his labour to the production of wealth that will belong to someone else, but the workers collectively apply their labour to the production of wealth for the collective good. In the final stage of Communism

The Social Dividend

the individual's share in the common fund will be independent of his contribution towards its production; every member of the community will receive from the common fund as much as he legitimately requires in the collective opinion of the community. The method of putting this into practice has so far not been satisfactorily worked out. Meanwhile the individual worker's share in the common fund or, to use socialist terminology, his "Social Dividend", depends on the value of his contribution to the common good as estimated by collective opinion. In practice in the Soviet Socialist State the worker's social dividend corresponds to the sum of money he can earn at rates of remuneration laid down by the Government. That, of course, does not mean that the worker consumes the full value of his own output, for though the total production of wealth belongs to the community collectively, a certain portion has to be set aside for the subsistence of those members who are not "productively" employed, such as members of the defence forces, the Government services, teachers, etc., and another portion must be "saved" for the creation of fresh capital.

The fact that members of the defence forces, Government services, etc., do not produce concrete and visible wealth does not invalidate their services to the community, which may be of great importance. The collective opinion as to the relative utility of these services decides the remuneration, that is the salaries and wages, that shall be paid for them. But in fixing differential rates of remuneration for different work, whether applied to the actual production of wealth or to the more

The Worker's Remuneration

abstract good of the community, deference must be paid to the disposition of the normal human being to bargain. The average man requires a certain measure of stimulation to put forth his full capacity or to improve his natural qualifications by study and training. Therefore in fixing rates of pay, consideration must be given not alone to the absolute utility to society of the services to be performed, but also to the degree of skill or mental equipment required to perform those services. At the beginning of the Bolshevik revolution partial attempts were made to introduce the principle of equality. Then, however, it was equality in enforced poverty, the supply of goods being so inadequate that rationed distribution was required to ensure that all those supporting the new régime should have at least the bare necessities of existence. The subsequent revival of rationing from 1929 to 1935 largely restored the principle of equality in fact if not in theory. Although the differences between the money incomes of the higher-paid officials and skilled workers and the rank and file wage-earning unskilled labourers were considerable, real wages were to a large extent equalised by the comparatively small differences between the various ration categories. On the whole, the ration privileges of the comparatively highly paid non-party technicians and experts in respect to clothing and industrial goods were inferior to those of the ordinary industrial workman, whose money income, therefore, had a relatively higher purchasing power. However, rationed distribution was adopted in 1929 not as part of the ethical principles of socialism, but for expediency. Again, the supply

The Social Dividend

of consumption goods had fallen much below demand, and it was necessary to restrict consumption for all in order that all should receive the bare necessities of life. And, no doubt influenced by necessity, the Party and Government preached and practised the virtues of an austere and ascetic mode of life. The enthusiasm, largely synthetic, with which the Five-Year Plan was inaugurated was accompanied by a sort of revival of communist Puritanism, holding that the true communist should find ample reward in working for the cause.

By 1934 the stringencies of the earlier years of the planning period had, to some extent, been overcome and the drab and joyless life enforced by necessity during the first Five-Year Plan could be mitigated; the Kremlin, therefore, decreed that henceforth life would be gay and joyous. But in order to participate in the "joyous" life the Soviet citizen required money to spend, the State provided very little in the way of entertainment gratis, and the more select the places of amusement the more expensive. At the same time the output of luxury—or at least better quality consumption—goods was rapidly increased. Things such as cameras, bicycles, scents, silk, both real and artificial, fancy cotton fabrics and relatively good-quality woollen cloth, which the average worker could not dream of buying, appeared in the high-class shops. The Soviet citizen who aspired to be better clothed than the rank and file and who wanted to enjoy the good things of life had to increase his earning power in order to compete with his fellow citizens for the better paid jobs. His

The Worker's Remuneration

skill was a commodity that he now disposed of to the best advantage.

Whether it can be said that a labour market exists in the Soviet Union may be a debatable point. The essentials for a market are the presence simultaneously of buyers, sellers and a commodity to be bought and sold. Theoretically the Soviet worker collectively owns all the enterprises in which he works collectively, and, arguing from this premise, he collectively consumes what he collectively produces. But individually he can, theoretically and to a certain extent in practice, exercise his choice as to what trade or profession to adopt and to what enterprise he will offer his services. When engaged he is in contractual relations with his enterprise to perform certain tasks in return for a certain fixed money payment. The rates of pay for different sorts of work are fixed by the Government or by the industry under authority from the Government, but it is obvious that the standard wage in every industry must be that which is high enough to attract sufficient labour. An industry or enterprise that offered lower remuneration—taking into account conditions of work as well as absolute money rates—than the average would find difficulty in obtaining the required quantity or quality of labour. As a matter of fact competition between industrial enterprises is not entirely absent, for instances can be quoted of factory managers offering more than the official rates in order both to obtain and retain skilled workers. The changes in the relative level of wages in different industries clearly show that wage rates are influenced by the intensity of the demand for

The Social Dividend

labour in different industries. The positions of industries according to the amount of the average wage in 1928 and 1935 varied as follows :

	1928	1936
Workers in metals and engineering . . .	1	3
Typography . . .	2	8
Electric power . . .	3	2
Footwear . . .	4	9
Leather and fur trade .	5	10
Chemicals . . .	6	7
Clothing . . .	7	15
Petroleum . . .	8	1
Iron and steel foundries	9	5
Food . . .	10	16
Paper . . .	11	13
Railways . . .	12	6
Woollens . . .	13	14
Coal mining . . .	14	4
Timber . . .	15	11
Cotton textiles . . .	16	12
Linen . . .	17	17

Nearly all industries producing capital goods and fuel improved their wage position *vis-à-vis* industries manufacturing consumption goods. This was the logical consequence of the intensive programme of capital development, which required that a larger share of the total available labour supply be drawn into heavy industry. For, while the number of workers employed in the production of consumers' goods rose by 63 per cent between 1928 and 1934, the number employed in heavy industry producing capital goods increased by 124 per cent. The socialist economist might argue that these changes in the relative wage rates were not due to changes in the demand for labour, but to

The Worker's Remuneration

changes in the collective opinion regarding the comparative utility of producing capital goods and consumers' goods. It might be said of capitalist society, that the collective opinion of the whole body of consumers, as expressed by their willingness to buy goods at a remunerative price, determines the demand for labour by different industries and the wages those industries are prepared to offer to secure the labour required to meet the popular demand for their goods. But in the Soviet Union public opinion and public desires have little influence on production. The Government alone decides what goods shall be produced without reference to the opinion of the population as expressed by price.

An analysis of the wage system in Soviet industry does not support the theory of the social dividend; there is no evidence that the ordinary citizen as a member of the community has any prescriptive right to a share in the community's wealth. The social insurance fund for old-age pensions and temporary benefits for incapacity or unemployment is administered on similar lines to capitalist insurance schemes; and the right to receive a pension or invalid benefit does not adhere to the worker in his capacity as a member of the community, but as a member of a trade union. It may be argued that the so-called "social wage", by which is meant free education, medical attention and various cultural amenities, forms the worker's share in the social dividend as a member of the community. But the same social dividend exists in capitalist States where such social services are to a material extent paid for out of the proceeds of taxation on classes which benefit not at

The Social Dividend

all or only to a small extent from the expenditure ; whereas in the Soviet Union there is no other class to tax and the necessary funds are derived entirely from taxation on the workers themselves. In spite of the progress made by the Bolshevik Government in social services, these still compare unfavourably with the more advanced capitalist countries, such as Great Britain and Germany, where the provision of free education, free hospital treatment, free libraries and free recreation fields is taken as a matter of course. Admittedly, prior to the revolution, the social services provided by the State and local authorities were very backward and the Bolsheviks had to start almost from scratch, but there seems small justification for citing as evidence of the success of socialism these things which are even better done in capitalist countries.

If the position of the industrial and urban population, both in respect of the relations of the workers to their employing enterprises and their relations to one another, shows few, if any, exclusively socialist characters, the peasantry in their collective farms apparently exist under much more socialistic conditions. In many ways the Kolhoz community is a microcosm of the socialist State. According to the letter of the Kolhoz charter, the decision as to who shall fulfil the various functions, from President of the farm to swineherd, is the result of the collective opinion as expressed by all members in conference. The members of the Kolhoz do not earn wages, but receive shares in the surplus produce and money income of the community after all other commitments have been met. Each member's income is dependent on his own exertions in

The Worker's Remuneration

so far as his share in the common fund depends on the number of labour days he has scored ; but the amount of the common fund depends on the combined labour of all the workers ; thus all members work for the community at the same time as they work for themselves. It may therefore be presumed that there is more real community of interest in a Kolhoz than among the workers in an industrial enterprise, who, at piece rates, are concerned solely to increase their own individual output.

There appears to be also a difference between the social wage of the industrial worker and the social amenities provided for the members of the Kolhozy. Factory club-rooms, recreation grounds, and in some cases factory housing, are provided for the workers out of the profits of the enterprise, which are independent of the workers' wages. Theoretically, at least, the same wage is paid for the same work whether the industry is making profits or losses. It is merely incidental that the methods of calculating piece earnings differ according to the personal idiosyncrasies of factory accountants. In the Kolhoz, however, club rooms, etc., are provided and financed out of the collective revenue, the members collectively deciding how much is to be spent on such things, aware that the higher the expenditure on such social objects the smaller will be the amount of the divisible surplus. Finally, the Kolhoznik has an inalienable stake in his Kolhoz and cannot be expelled except by a majority vote in which not less than two-thirds of all members take part, while an industrial worker may be dismissed from his employment by the management without reference to his fellow workers.

The Social Dividend

The democracy of the collective farm is, however, too often fictitious; in many cases the members are overridden by an imported President of proletarian origin and a member of the Party who permits no expression of opinion, much less any opposition to his own ideas. It was on account of this sort of abuse by non-peasant Presidents, anxious to curry favour with the Party authorities, that it was decreed that not more than 20 per cent of the net revenue of a farm might be applied to collective purposes. It should also be noted that the freedom of decision of the members in respect to the policy of their farm is overridden by the State, which arbitrarily decrees what crops are to be grown, how the land is to be cultivated and the price at which the bulk of the marketable surplus is to be sold. The revenue of the farm and the incomes of its members are therefore largely dependent on the decisions of the Government, which cannot be questioned. Finally, even if the ideals of the Kolhoz were realised they would still be far short of true Communism, because the interest of each Kolhoz is to obtain the maximum return for the produce it supplies to the rest of the community. That competition in the market is between socialised agricultural partnerships does not alter the fact that society is on a competitive basis.

CHAPTER XXVI

NOMINAL WAGES AND REAL WAGES

THE problem of calculating the movement of real wages, difficult in all countries, is almost insuperable in the Soviet Union. For, on the one hand, the purchasing power of the rouble has varied enormously at different times and in respect to the ration privileges of the holder ; on the other hand, since 1930 the Soviet Statistical Bureau has published no cost of living nor price indices. All that can be attempted is to collect such relevant data as is available, and, after indicating their limitations, suggest the conclusions to which they lead.

The rise in the average nominal wage of all workers and employees in socialised national economy is shown by the following figures (roubles a year) :

1924-5	1925-6	1926-7	1928	1929	1930	1931	1932	1933	1934	1935	1936
450	571	624	703	800	936	1127	1427	1566	1858	2269	2776

The average monthly wage for workers in large-scale industry in May 1937 was R.231. If a rouble bought as much in 1937 as in 1925, the revolution would have amply justified itself in the improvement in the material standard of living of the population. But retail prices before rationing was introduced in 1929 were much lower than in 1937 after rationing had terminated. No comprehensive and reliable price lists are available, but the

The Social Dividend

following affords a general idea of the difference between the pre- and post-ration prices of a few essential commodities :

(TABLE I)
(Kopeks per Kilo)

	November 1926 ⁽²⁴⁾	1932 ⁽²⁵⁾	April 1937 ⁽²⁶⁾
		Ration Prices	Official Prices in Moscow Province
Rye flour .	12·2	14	85 (Rye bread)
Wheat flour .	23·5	19	100 (Wheat bread)
Potatoes .	5·0	..	40
Meat .	71·0	212	760
Fish .	56·3	..	620
Milk .	23·1	..	160
Butter .	199·0	466	1,650
Vegetable oil .	59·8	..	1,450
Sugar .	70·7	95	500
Eggs (per 10)	..	100	750
Cotton cloth (per metre)	83·0	..	375
Woollen cloth (per metre)	952·0	..	25,000
Boots (pair) .	1800·0	..	16,000

These figures show that the average price of food in 1937 was roughly ten times the 1926 price, while the price of clothing materials increased on an average to at least the same extent. With regard to manufactured goods, however, an accurate comparison is obviously impossible in the absence of information regarding quality. Nevertheless the above indicates that the average wage in 1937 had a smaller purchasing power over the chief necessities of life than in 1926.

Though prices rose so remarkably during the rationing period the average consumption per

Nominal Wages and Real Wages

head of textiles and footwear did not necessarily decline if we are to judge from the following :

(TABLE II)

	1928	1936	Per Cent Increase
Population (in millions)	152.4	165.0	8.3
Cotton cloth output (millions of metres)	2798.0	3257.0	16.4
Woollen cloth output (millions of metres)	86.8	98.1	13.0
Leather boots output (millions of pairs)	29.6	105.0	254.7

But increased production was largely, and in some industries entirely, nullified by the deterioration in quality which was a feature of the Five-Year Plan; while in regard particularly to boots, the apparent great increase in production was probably counteracted to a considerable extent by a decline in the output of private enterprise.

In respect to foodstuffs only general inferences can be drawn. In 1928 the total grain harvest amounted to 73.3 million tons, which was a fair average harvest at the time. In 1935 the official returns gave a harvest of 90 million tons. No definite information is available regarding the 1936 harvest, but from indirect evidence it appears to have been no more than 70 million tons. An average between 1934, 1935 and 1936 gives an annual harvest of 77.5 million tons,* which would be an increase of 5.7 per cent over 1928.

* After making allowance for the Soviet method, introduced in 1933, of calculating the so-called "biological" yield and deducting 10 per cent for harvest losses to arrive at the garnered harvest. Harvesting losses, in fact, amount to over 20 per cent of grain in the ear.

The Social Dividend

The quantity of animal food products can be judged approximately by the number of livestock :

(TABLE III)

(In Millions)

	1928	1936
Large horned cattle,	70.5	56.5
of which cows . . .	30.7	22.1
Sheep and goats . . .	146.7	73.3
Pigs	26.0	30.4

It may be concluded that even if the supply of vegetable food per head of population was no worse in 1936 than in 1928 the supply of animal products was less. In 1937 the harvest was reported to be exceptionally abundant and preliminary estimates of well over 100 million tons of grain were mentioned in the Press ; yet towards the end of the year the cost of food had not shown any tendency to fall compared with the spring, as the following prices quoted at the beginning of December by the Moscow correspondent of the *Daily Telegraph* show, when compared with the prices given in Table I :

(TABLE IV)

(Kopeks per Kilo)

Rye bread	85
White bread	120
Butter	1500 to 2000
Potatoes	60
Sugar	380
Meat (beef)	700 to 1250

These prices are, it is true, much lower than the commercial and open market prices which obtained

Nominal Wages and Real Wages

during the ration period ; and it is on this that Soviet propagandists base their claims that retail prices were greatly reduced during the second Five-Year Plan. The reasoning is false because the ration prices, at which up to 1935 the bulk of consumers' goods were sold were far lower than the single post-ration prices. The following shows the so-called "normal" (*i.e.* ration) prices in 1932, the commercial prices in 1933 and the single prices ruling in 1937 of a few principal foodstuffs :

(TABLE V)
(Roubles per Kilo)

	Normal Price, 1932	Commercial Price, 1933 ^(a)	Single Price, 1937 ^(a)
Rye bread .	0·12½	2·50	0·85
Wheat bread .	0·17½	3·00	1·00
Wheat flour .	0·19	4·50	2·90
Buckwheat groats	0·25	5·50	2·50
Wheat (grain) .	2·12	12·00	7·60
Butter . . .	4·66	42·00	16·50
Sugar . . .	0·95	15·00	4·00

The proportion of rationed industrial goods (textiles generally, clothing, footwear, tobacco and soap) sold in 1933 at commercial prices was 20·3 per cent of the total market supply. Of the quantities sold in the towns 44 per cent was sold at commercial prices. Of foodstuffs (bread, cereals, meat, sugar, butter, vegetable oils and tea) in 1933 only 8·5 per cent was sold at commercial prices.⁽²⁸⁾ Food accounts for considerably more than half the expenditure on goods of the average wage-earner, so it is clear that the ordinary industrial workers bought the greater part of their necessities at cheap ration prices. Also, even if they bought a material

The Social Dividend

part of their clothing at commercial prices, the difference between ration and commercial prices was not nearly so great as it was in the case of food. The following shows the commercial prices in 1931 and 1934 of a few industrial consumers' goods as percentages of their rationed prices in the same years.⁽²⁹⁾

(TABLE VI)

(Index of Commercial Prices, ration prices = 100)

	1931	1934
Woman's overcoat	310	150
Man's suit	200	150
Cotton shirting	760	140
Woman's cotton stockings	380	250
Men's leather shoes	270	180
Men's high leather boots	430	220

Against these the commercial prices of foodstuffs in 1933 averaged some ten times the ration prices.

While the commercial sale of foodstuffs was not an important part of the total sales by State and co-operative trading organisations, the open peasant market supplied a considerable portion of the non-agricultural population's requirements. The following shows the quantity of different commodities sold on the peasant market in 1933 as a percentage of the total supply:⁽³⁰⁾

(TABLE VII)

Grain and cereals	3.8 per cent
Meat	13.7 "
Dairy products	30.4 "
Potatoes	15.8 "
Vegetables	11.7 "

Nominal Wages and Real Wages

In 1933 the money turnover in the open peasant markets in the towns amounted to 23.2 per cent of the total urban retail turnover,⁽⁸²⁾ this figure being, of course, inflated by the high market prices of foodstuffs. In volume the proportion would have been far smaller.

How the real income of the worker in 1936 compared with his real income in 1932 depended on how much of his needs he satisfied by purchases on the commercial and open market. In 1936 the average wage was 94 per cent more than in 1932. The cost of one kilo each of the seven foodstuffs included in Table V above at normal prices was R.8.47, at post-ration single prices R.35.35. Thus, if 100 represents both the average wage in 1932 and the cost of the seven commodities at normal prices, in 1936 the average wage would be represented by 194 and the cost of the seven commodities by 417. Clearly the worker whose rations satisfied his needs in 1932 needed to spend a smaller portion of his income on food than in 1936. But the average ration did not provide more than a bare minimum subsistence. Workers employed in large factories, in addition to their rations, were able to obtain cheap if not always appetising meals at their factory co-operative or O.R.S. restaurant and were under less need to buy food at the higher commercial or open market prices than the majority of other workers, including clerical employees, who had no special restaurants. Non-manual workers were entitled to second-class rations, which included far smaller quantities of such things as meat, butter and sugar, than were allowed to the first category manual workers. Consequently they were larger

The Social Dividend

purchasers on the commercial and peasant markets.

The number and quantities of commodities included in the official rations varied according to time and place. In Moscow, where the population's needs were naturally better supplied than the average for the whole country, the standard rations in 1930 were:

(TABLE VIII)

	For Manual Workers		For Non-manual Workers	
	lb.	oz.	lb.	oz.
Bread (per day)	1	12	0	14
Meat (per month)	9	11	4	13
Sugar (per month)	3	5	2	10
Tea (per month)	0	1	0	1
Butter (per month)	0	10½	0	10½
Herrings (per month)	2	10	1	12

According to an investigation into the actual budgets of workmen's families in 1928,⁽³²⁾ the average quantities of principal foodstuffs consumed per head in the month of November were:

(TABLE IX)

	lb.	oz.
Rye bread and flour in terms of flour	10	..
Wheat in terms of flour	19	14
Other cereals	2	3
Potatoes	21	3
Other vegetables	9	..
Meat and lard	10	12
Milk	6½	pints
Butter . . . . .	..	8
Eggs . . . . .	..	7½ (say 3 eggs)
Sugar	2	12
Vegetable oil . . . . .	..	9
Salt	1	1

Nominal Wages and Real Wages

The total cost of these quantities came to R.12.48. In 1933 (presuming the ration was about the same as in 1930) the manual worker consuming the same quantities would have had to pay out approximately :

(TABLE X)

	Rationed Purchases at Ration Prices	Non-rationed Purchases at Commercial Prices
	R.	R.
Bread (rye) . . .	0.57	..
Bread (wheat) . . .	1.57	..
Other cereals . . .	0.25	..
Potatoes . . .	..	3.80
Other vegetables . . .	..	4.00
Meat . . .	9.30	5.75
Milk . . .	..	19.00
Butter . . .	1.00	..
Eggs . . .	..	3.60
Sugar . . .	1.20	..
Vegetable oil . . .	..	4.00
	13.89	40.15
TOTAL . R.54.04		

The non-manual worker, having to buy more meat at commercial prices, would have had to pay out somewhere about R.20 more for the same quantities. It must not, of course, be assumed from the above that the average worker in 1933 spent about R.54 on his food compared with R.12.50 in 1928. In the first place, the bread and cereal ration for a manual labourer in 1933 was more abundant than the average consumption in 1928, and this to some extent made up for the smaller ration of meat and the absence of eggs and vegetables, while the worker in 1933 certainly did not

The Social Dividend

consume as much milk as he did in 1928. But the figures do indicate that whereas the average wage in 1933 was 223 per cent of the 1928 level, the cost of a reasonably balanced and adequate diet was about 400 per cent of the 1928 cost, even allowing for the cheap ration prices of a large part of the food bought. In other words, the worker's wages in 1933 had a smaller absolute purchasing power over food products than the wage of 1928.

In 1936 rations had been abolished and the cost of the quantities shown in Tables IX and X would have been:

(TABLE XI)

	R.
Rye bread	3.85
Wheat bread	15.28
Other cereals	1.30
Potatoes	3.84
Other vegetables	6.00
Meat and lard	48.80
Milk	4.00
Butter	4.60
Eggs	1.65
Sugar	4.75
Vegetable oil	3.60
	<hr/>
	97.67
	<hr/>

The purchasing power of the average wage over the above selection and quantities of foodstuffs in 1933 and 1936 compared with 1928 may be represented by the following index figures :

(TABLE XII)

	1928	1933	1936
Wages	100	223	395
Cost of food	100	432	781

Nominal Wages and Real Wages

There is very little information regarding the pre-ration and ration prices of clothing; and, in any case, were prices available they would be of comparatively small value without a clear indication of the quality of the goods. For example, the price of cotton textiles in the spring of 1937 ranged from about R.2.50 the metre for the very commonest quality of the cheapest calico, to about R.12 for good-quality shirting, while the prices of ready-made men's suits ranged from about R.200 for material composed mainly of cotton, to upwards of R.600 for woollen or mainly woollen cloth. The following are the quantities of textiles and footwear per head bought in twelve months by the average worker and worker's family in 1928-29⁽³³⁾ costing R.55.21, and the prices of the same goods in 1936 so far as can be judged :

(TABLE XIII)

	1936 Prices		
	Quantity	Average Price	Total Cost
Cotton fabric (metres) .	20.14	R. 7.25 per metre	R. 146.00
Woollen " " .	1.37	190.00 " "	260.00
Other " " .	0.75	50.00 " "	37.50
Footwear leather (pairs)	1.40	160.00 per pair	224.00
			667.50

In 1928, according to the investigations recorded above (Tables IX and XIII), the average wage-earner may be presumed to have spent in twelve months on his own consumption of the staple necessities of existence :

The Social Dividend

Food . . .	R.	150-00
Clothing . . .		55-21
		<u>205-21</u>

or about 30 per cent of his income. In 1936 (Tables XI and XIII) the same quantities would have cost:

Food . . .	R.	1172-04
Clothing . . .		667-50
		<u>1839-54</u>

or about 66 per cent of the average wage income.

From this it might be concluded that the average real wage income in 1936 was considerably less than in 1928,* but purchases of essential food and a minimum of clothing material do not by any means exhaust the consumer's budget, and for want of information on expenditure on other things it is impossible to arrive at any dogmatic conclusions regarding the comparative standards of living before and after the ration period.

According to an article, "The Rise in Real Wages in the U.S.S.R." in *Pravda* of 12th October 1937, the consumption of the non-agricultural population per head in 1936 of a number of foodstuffs and industrial goods compared with 1932 (=100) was: †

* In Bulletin No. 138, Nov.-Dec. 1937, issued from the Economic Cabinet of Professor S. N. Prokopovich in Prague, in an article "Concerning the Level of Real Wages" it was calculated that on the basis of the ration prices of seven foodstuffs in 1932 and the single prices ruling in 1936 the purchasing power of the average wage in 1936 was equivalent to R.665-70 in 1932, or about 46 per cent of the average real wage in 1932.

† There was no explicit declaration that the figures were based on investigations of the actual consumption of a number of repre-

Nominal Wages and Real Wages

(TABLE XIV)

Bread, flour, etc.	128.2
Potatoes	107.2
Fruit	194.9
Meat and fats	187.8
Dairy products	192.1
Butter only	266.6
Eggs	191.2
Sugar	142.8
Clothing	189.6
Furniture, etc.	350.5
Perfumery and cosmetics	369.8
Cultural goods	203.2

It would appear very unlikely that the average wage-earner's income could permit of such an increase in consumption. According to official returns the actual increase in production of certain consumers' goods between 1932 and 1936 is represented by the following index figures (1932 = 100):

(TABLE XV)

Textiles (cotton, woollens, linen and silk)	128.9
Sugar	234.6
Butter	260.8
Meat	171.0
Furniture (value)	394.2

Between 1932 and 1936 there undoubtedly was a certain increase in the supply of a number of consumption goods which would support the assertion that the standard of living improved. Paradoxically, however, though the supply of goods, according to

representative individuals or families. It is possible, if not probable, that they were based on the increase in supply available and the assumption that if supply expanded average consumption would expand roughly to the same degree. See Appendix, No. (9), "Soviet Statistics".

The Social Dividend

official statistics, on the whole increased between 1932 and 1936 and, for that matter, between 1928 and 1936, the absolute purchasing power of the average wage income declined. The explanation may be found partly in the increased consumption of the agricultural population, whose relative share in the output of industrial goods, *vis-à-vis* the industrial population, has by most tests increased in recent years. But there are also reasons to think that increased consumption by the higher income groups contributed to the rise in the average retail price level. During the rationing period, although the difference between the incomes of the higher paid employees and skilled workers and the incomes of the ordinary worker was comparatively wide, the quantity of rationed goods purchasable by the former, when not a member of the privileged Party, was no greater, and in respect to industrial goods often less than that available to the ordinary worker. The surplus income of the higher income groups could be spent only in the commercial shops and open market, and this accounted for the phenomenal difference between commercial and ration prices. When rationing was abolished the higher income groups were able to buy as much of any commodity as they could afford at the new universal prices. In other words, while rationing was in force, an income of, say, R.400 a month did not have double the purchasing power of R.200 ; but when rationing came to an end, a man earning R.400 a month could buy just twice as much as the man with R.200 a month. The average wage of the industrial worker was, at the end of 1937, somewhat less than R.250 a month, but the wages

Nominal Wages and Real Wages

of skilled workers, foremen and the new class of Stakhanovite workers were much higher, ranging up to R.1000 a month or even more, while the salaries of managers, engineers and other administrative and technical employees were still higher. Even if the production of manufactured goods, such as textiles, clothing, footwear and household requirements, and of foodstuffs such as sugar, butter, etc., materially expanded during the period from 1932 to 1936, the quantities of these things per head of population remained very small. For instance, the total output of footwear of all kinds from large-scale factories (*i.e.* excluding the production of small Kustarny Artels of local significance only) in 1936 was less than one pair per head a year; the factory output of butter amounted to between 7 and 8 lb. per head of urban population (the consumption of butter in Great Britain is about 25 lb. per head), and of sugar to about 40 lb. per head of total population. The production of cotton fabrics was about 20 metres per head, of woollen cloth about 0.6 metre and of linen 1.8 metres. Consequently, demand and supply were brought into equilibrium at a price which reduced the lower wage groups' consumption of these goods to a bare minimum.

According to official Soviet figures, the value of the total output of consumers' goods, in terms of the 1926-27 rouble, rose from 1932 to 1937 as shown in Table XVI, page 284.

This cannot be taken as a true index of the increase in volume of the common necessities of life, because the value of total production was disproportionately increased by the rapid expansion

The Social Dividend

of more or less luxury and expensive goods, such as bicycles, gramophones, watches and sporting appliances; also the value of food increased considerably more than the actual volume because of

(TABLE XVI)

	R. milliard	Index
1932 . . .	20.6	100
1933 . . .	21.7	105
1934 . . .	24.3	118
1935 . . .	28.0	136
1936 (preliminary)	35.6	172
1937 (Plan) . . .	43.0	209

the increasing production of canned, preserved and otherwise prepared foods at the expense of food-stuffs in a raw state.

The total amount of wage and salary incomes rose from R.32.7 milliard in 1932 to R.78.3 milliard (1937 Plan) in 1937. The index figures for each year, taking 1932 as 100, were :

(TABLE XVII)

1932 . . .	100
1933 . . .	107
1934 . . .	135
1935 . . .	172
1936 . . .	218
1937 . . .	239

Wages and salaries do not, of course, account for the total money incomes of the population. The aggregate personal money incomes of the agricultural population derived from participation in collective farm incomes and from the sale of produce on the collective farm markets, and the incomes of members of producing co-operative

Nominal Wages and Real Wages

societies from their shares in the enterprises' net profits must be included in the total purchasing power of the whole population available for buying consumption goods. There is no detailed information regarding this part of the consuming population's income, but it may amount to roughly 75 per cent of the total wage and salary incomes. It is probable that it has not increased so rapidly as the wage and salary income, but there is no doubt that the aggregate money income of the population expanded very considerably during the period of the second Five-Year Plan, during which the turnover of retail trade at current prices increased as follows :

(TABLE XVIII)

	Value of Retail Turnover at Current Prices	Index
	R. milliard	
1932 . . .	40.4	100
1933 . . .	49.8	123
1934 . . .	61.8	153
1935 . . .	80.6	200
1936 (preliminary)	106.4	263
1937 (Plan) . . .	131.0	324

Thus it would appear that the money turnover of retail trade expanded faster than the nominal income of the population, which points to the conclusion that the velocity of circulation of the currency increased during the same period. (This was officially confirmed by L. E. Mariasin, ex-President of the Gosbank, in his annual report for 1935, in which he stated that on the average every rouble in circulation passed through the bank 9.3 times in 1935 compared with 8 times in 1934.)

The Social Dividend

Since the value of retail turnover increased more rapidly than the output of goods measured in a constant monetary unit, it would appear that the retail price level rose during the period. The difference between the value of goods output at constant prices and the value of the retail turnover corresponded approximately to the amount of turnover or sales tax.

(TABLE XIX)

(In milliards of roubles)

	Cost Value of Production at 1926-27 Prices	Turnover Tax	Total of Production Costs and Tax	Retail Turnover at Current Prices
1932	20.6	19.6	40.2	40.4
1933	21.7	27.0	48.7	49.8
1934	24.3	37.6	61.9	61.8
1935	28.0	51.9	79.9	80.6
1936	35.6	65.8	101.4	106.4

There is no information available regarding the average incidence of the tax, which varies widely on different commodities, but it is clear that at least up to 1935 the proportion of tax in the retail prices of consumers' goods increased.

(TABLE XX)

AMOUNT OF TURNOVER TAX AS PERCENTAGE OF RETAIL TURNOVER

1932	.	.	48.5 per cent
1933	.	.	54.2 "
1934	.	.	61.2 "
1935	.	.	64.4 "
1936	.	.	61.8 "

If this is in any way a true indication of price movements it would seem that in 1936 the average

Nominal Wages and Real Wages

retail price level was slightly below 1935. The prices of a wide range of foodstuffs in Moscow shops did show an average fall of 1.7 per cent between 1st October 1935 (when practically all foods were derationed) and 1st October 1936. On the other hand, the prices of textiles, clothing, etc., showed an average rise of 7.3 per cent, but since the ordinary consumer spends far more on food than on other goods the net result was possibly a slight fall in the cost of living. But it must be remembered that up to 1st October 1935 the industrial worker still had the right to buy certain quantities of foodstuffs, excepting bread and cereals, at ration prices, and up to 1st January 1936 a few of the principal industrial goods such as textiles and boots were also available to ration-book holders. It is true that the number of rationed commodities and the amounts available against ration-books were much reduced in 1935 compared with former years, but to the lower wage groups of workers their rations were still an important consideration in 1935. For these the purchasing power of wages in 1936 was probably no greater than, if as great as, in 1935. It should also be noted that the rise in the average income has generally lagged behind the increase in total wage and salary incomes. Between 1934 and 1937 the total wage fund increased by 77 per cent while the average wage increased by 61 per cent, from which it would appear that the total effective demand for consumers' goods must have increased relatively more than the purchasing power of the average consumer.

In a country with the economic structure of the U.S.S.R., where the currency circulation is

The Social Dividend

almost entirely confined to wage and allied payments—including the personal money income of the peasants—and where there are few outlets for personal expenditure except in the purchase of the necessities of life and occasional luxuries, real incomes depend on the relation of the total volume of purchasing power in the hands of the consumers to the volume of consumers' goods made available by the State for distribution to the population. Since the annual increases in money wages and total wages fund have in most years exceeded the Plan, while the output of consumers' goods has as frequently failed to realise the Plan, the difference between nominal and real wages has tended to increase. It is, as we have seen, impossible to arrive at any but broad conclusions regarding the movements in real wages during the rationing period, and insufficient time has elapsed since derationing to indicate much more than that the purchasing power of the rouble is much lower than it was before rationing was adopted. While it is highly probable that the higher income groups in 1937 had the purchasing power and opportunity to buy a much larger selection of goods of all sorts, and particularly of luxury articles, than in 1928, it is doubtful whether the real wages of the lower paid wage-earners enabled them to increase their consumption of the necessities of life, let alone of luxuries.

CHAPTER XXVII

THE PEASANT AS PRODUCER AND CONSUMER

WHILE the industrial workers and all employees in industrial and commercial enterprises and in Government offices, in fact practically the whole of the non-agricultural population, receive fixed money wages, the peasantry* are dependent for their money income on the yield of the land and on the price the Government thinks fit to pay for produce and the prices obtainable on the open peasant market. The Russian peasant, both as a serf and after emancipation, has always been exploited by other classes, and it is our purpose in this chapter to examine his position under the Soviet régime to determine, if possible, whether, in return for the food and the raw material he provides for the community, he gets a fair share of the goods produced by the industrial section of the population. The basic facts are :

- (1) The peasant population, being between two and three times as numerous as the rest of the population, was allotted in 1935 about 35 per cent only of the total value of industrial goods distributed through retail trade. Even if full allowance be made for peasant purchases in town shops, the total amount

* The term peasant in this chapter is synonymous with Kolhozники and does not apply to the State farm labourers and other wage-earners, whose position is analogous to that of the wage-earning proletariat.

The Social Dividend

of money spent on consumption goods, including food, by the urban section of the population is greater than that spent by the peasants. At a rough calculation the proletarian worker buys about three times per head what the peasant can afford.

- (2) The purchasing power of the price paid by the Government for agricultural produce is much lower than the purchasing power of the price for the same quantity before the War. The following gives some idea of the relative purchasing power of the price of one pood of rye flour at the current price in Moscow in 1913, and of one pood of rye at the estimated average price paid by the Government for compulsory deliveries and voluntary sales in 1936 :

1913	1936
One Pood of Rye Flour would purchase— ⁽²⁴⁾	One Pood of Rye would purchase—
Sugar . . . 4.1 kilo	Sugar . . . 0.5 kilo
Household soap 3.3 „	Soap . . . 1.3 „
Cotton print . 6.4 metres	Cotton print : 0.5 metres
Kerosene . . 27.0 litres	Kerosene . . 4.2 litres
And 7 poods would purchase a pair of ordinary leather boots	And about 80 poods would purchase a pair of leather boots

In 1913 the market price received by the peasants for a pood of rye would buy of the above commodities on the average about eight times the quantity obtainable in 1936 for the price paid by the Soviet Government. In 1936 the average industrial worker's money wage was about eight times the wage in 1913, while retail prices of the

The Peasant as Producer and Consumer

common necessities of life were from fifteen to twenty times the pre-War price. It would therefore seem that in 1936 the relative consuming power of the workers in comparison with that of the peasants was considerably greater than in 1913. But Government requisitions and voluntary sales to the Government do not exhaust the peasants' marketable surplus. According to more or less authoritative figures for 1935,⁽³⁵⁾ the total money income of the rural population amounted to R.43,700 million, composed as follows :

	Millions of Roubles
Payment for compulsory deliveries of produce to the State	7·400
Yield of voluntary sales of produce to the State	1·300
Sales of produce on the open market	10·800
Wage earnings, pensions, allow- ances, etc.	19·300
Other income	4·900

The revenue received from sales of produce to the State thus came to a trifle less than 45 per cent of the gross yield from the sale of marketable surplus. The prices paid for compulsory deliveries of agricultural produce are not published, but it would probably be fairly near the mark to say that the prices of foodstuffs sold on the open market average some ten times the prices paid by the State for compulsory deliveries and are very considerably higher than the prices paid by the State for voluntary sales.

Before the War the average peasant household is estimated to have sold from one-fourth to one-third of the gross produce of the farm, and including returns from craftsmanship and cottage industry,

The Social Dividend

some 40 to 55 per cent of the average peasant's budget was on a monetary basis.⁽³⁶⁾ That is to say, the peasants' consumption consisted as to one-half or a little more of things they produced themselves, and half or a little less of goods bought with the proceeds of the sale of the products of their labour. Under the present system from 30 to 40 per cent of the total grain harvest of the country is marketed. In 1936 about 13 per cent⁽³⁷⁾ of the gross grain harvest was officially said to be requisitioned by the State collecting organisations as compulsory deliveries. This, however, is almost certainly an understatement, for the scale of delivery per hectare in the chief grain provinces of the Ukraine, South and East Russia averaged at least 20 per cent of the reported average grain yield in 1935. Thus :

	Average Grain Yield in Quintals per Hectare in 1935	State Requisition per Hectare from Kolhozy served by Machine-Tractor Stations ⁽³⁸⁾	Compulsory Delivery as Per Cent of Yield
Ukraine . . .	9.2	2.0	21.7
North Caucasus . . .	8.3	1.7	20.5
Azov Black Sea Province	8.3	1.8	21.7
Voronezh Province.	9.1	1.8	19.8
Kuibysheff Province	8.1	1.4	17.2
Western Siberia . . .	6.4	1.5	23.4

In 1936 the harvest as a whole was much inferior to 1935, and it may be assumed that the compulsory delivery in the chief grain-growing areas of the country was certainly not less than 20 per cent of the gross crop. In addition to the compulsory deliveries the Kolhozy have to hand over to the M.T.S. a certain proportion of their crops in payment for the services of the tractors

The Peasant as Producer and Consumer

and other machinery. According to a decree of the 20th March 1937, when all ploughing, sowing, cultivating and harvesting is carried out by the M.T.S., the Kolhoz makes payment in kind according to the following scales :

	Gross Yield in Quintals per Hectare						
	Less than 3	3 to 5	5 to 7	7 to 9	9 to 11	11 to 13	Over 13
Quantity of grain per hectare surrendered to the M.T.S. in kilograms	9	20	37	54	71	88	128
Plus 9 per cent of the quantity threshed by the combines of the M.T.S.							

From a light crop the Kolhoz has to give about 12 per cent to the M.T.S., from a heavy crop about 18 per cent and from an average crop about 16 per cent. Kolhozy that are not served by M.T.S. machines must deliver to the State about 45 per cent more grain, or some 30 per cent instead of 20 per cent of their gross crop. Finally, the State exacts a milling tax of 10 per cent of all grain brought by Kolhozy and Kolhozniki to be ground at State and co-operative mills. According to figures given in the *Soviet Agricultural Year-Book 1935*, the deliveries out of a gross grain crop of some 90 million tons were :

Compulsory deliveries (including the grain handed over by State farms)	Million Tons 18.58
Payment in kind to M.T.S.	5.67
Milling tax	0.68
Voluntary sales (about)	5.88
	30.81

The Social Dividend

This would be about 33 per cent of the official estimates of the total grain harvest, but rather a higher proportion of the quantity of grain actually harvested because the method used in calculating the country's grain harvest did not make sufficient allowance for harvesting losses. If about 8 million tons of grain were required for seed and some 30 million tons delivered to the Government or marketed, including grain exported, there would remain about 50 million tons for the 126 million rural population. However, some 20 per cent of the total sales by the Government of bread, flour and bread grains are made in country places to the non-agricultural rural population and the agricultural population engaged in producing cotton, sugar beet and other non-food crops ; also even in the grain-growing regions the new class of peasant mechanic, the tractor drivers, etc., earning fairly high money incomes tend to buy bread and other prepared foods in preference to home-made food.

Compulsory deliveries of milk and meat are required from Kolhozy and from Kolhozniki owning private livestock. The compulsory delivery of milk amounts to at least 10 per cent of the total yield, for which the State pays about 10 per cent of the open market price. Probably about one-third of the total milk produced is disposed of either by way of compulsory delivery or voluntary sale, and roughly about one-third of this marketable surplus is sold on the open market. Of the total quantity of marketable meat about 17 per cent is sold on the open market, the remainder being taken by the State at prices from 8 to 10 per cent of the open market price. Of the total marketable surpluses

The Peasant as Producer and Consumer

of the principal foodstuffs produced, the following proportions were sold on the open market in 1935: ⁽³⁹⁾

Grain	.	.	5.1 per cent
Meat	.	.	17.0 "
Dairy products	.	.	32.4 "
Potatoes	.	.	19.4 "
Vegetables	.	.	12.6 "

The proportion of total production of some of the principal foodstuffs forming the market surplus, that is delivered to the State or sold to the State or on the open market, is very roughly :

Grain	.	.	30.0 per cent
Meat	.	.	40.0 "
Milk	.	.	30.0 "
Potatoes	.	.	20.5 "
Butter	.	.	65.0 "

A very considerable proportion of the total vegetable and egg production is also marketed, but as the total production is very uncertain it is impossible even to estimate what proportion is consumed by the peasants themselves and what proportion is marketed. Approximately 40 per cent of the total area under vegetables, excluding potatoes, consists of the private holdings of Kolhozники, the holdings of independent peasants and suburban allotments and gardens belonging to urban workers, etc., and a very large proportion of the total poultry is the private property of Kolhozники and independent peasants. In this connection it should also be noted that about 70 per cent of all cows, over 50 per cent of all pigs and some 55 per cent of all sheep and goats are in private

The Social Dividend

ownership, and between 9 and 10 per cent of the total cultivated land consists of private holdings and gardens, mainly belonging to the individual Kolhozniki and individual peasants.

The chief suppliers of the open market are the Kolhozniki and independent peasants. In the first quarter of 1936 the Kolhozy supplied only: ⁽⁴⁰⁾

44.0	per cent of the total quantity of bread, grains, flour, etc.
8.6	„ of meat
10.4	„ of dairy products
6.0	„ of eggs
34.4	„ of potatoes
26.1	„ of cabbages

The chief products sold on the open market in percentage of total money turnover were approximately: ⁽⁴¹⁾

Live cattle	. . . . .	20.0	per cent
Bread, grains and cereals	. . . . .	4.0	„
Meat	. . . . .	20.0	„
Dairy products	. . . . .	24.0	„
Potatoes and vegetables	. . . . .	15.5	„
Eggs	. . . . .	3.5	„
Other produce	. . . . .	13.0	„

The origin of total foodstuffs sold in the peasant markets was: ⁽⁴²⁾

Produce of Kolhozy sold by the Kolhoz	15	per cent
Produce of Kolhozy sold by the Kolhozniki	45	„
Produce of the allotments and livestock owned by Kol- hozniki	30	„
Produce of independent peasant farms	10	„

The Peasant as Producer and Consumer

The Kolhozniki thus sell not only a large part of the produce of their own allotments and livestock but a considerable part of their share in kind of the produce of the Kolhozy.

Kolhozniki have the choice of selling their produce to the State or Consumers' Co-operative organisations at conventional prices, or to private purchasers in the open market. In the first case they receive a lower price but have the privilege of buying goods from the "Stimulation" fund (*vide* page 171), which they could not otherwise obtain. But to those who have facilities for taking their produce to market, the higher price is no doubt a strong inducement. Money is needed not only to purchase the ordinary necessities such as sugar, kerosene, matches, soap, etc., which are not included in "Stimulation" funds, but to pay taxes. Every Kolhoznik who possesses any source of income apart from his share in the Kolhozy, that is, who possesses his own smallholding or engages in any form of non-co-operative cottage handicraft, pays the agricultural tax varying from R.10 to R.50 as well as local taxes, rates, and compulsory insurance premiums.

The Kolhoznik's agricultural income is mainly derived from two sources, the sale of his own produce and the money value of his "labour days". The money income of the Kolhoz remaining after all capital and current expenditure has been met is divided among the members of the farm according to the number of days' work they have performed on the farm during the year. The average number of labour-day units performed in a year is about 180, and the average money dividend is probably

The Social Dividend

not more than R.1 per labour-day unit, while the dividend in kind in farms mainly growing grain is probably not more than 5 kilogrammes. Both these quantities vary enormously; and unfortunately the Soviet Statistical Bureau does not publish average figures; all the information published consists of accounts of Kolhozy in which the members earn large quantities of grain, sometimes running into several tons, and sums of money amounting to thousands of roubles. But according to *Pravda* of the 1st May 1936, the total money income of all Kolhozy in 1935 amounted to R.8800 million, of which certainly not more than 50 per cent was available for division among the Kolhozniki. There are some 18.5 million individual Kolhoz households, which at two able-bodied workers* per household gives a total of 37 millions. This divided into R.4400 million gives R.120 per head. The turnover on the peasant markets in 1935 was about R.14,000 million, of which not more than 60 per cent (R.8400 million) was realised by the individual Kolhozniki. If R.8400 million be divided among 37 million Kolhozniki, the amount per head would be about R.227. It would seem, therefore, that the average money income per able-bodied Kolhoznik when fully employed was not more than R.350 in 1935, compared with an average wage income of the urban classes of R.2270.

While conditions have so fundamentally changed since the Revolution that it is impossible to make any accurate comparison between the present

* That is, an earning power equal to two full-time workers. In most Kolhozy there is not employment for all throughout the twelve months, and many women work only at busy seasons and earn far fewer labour days than a full-time worker.

The Peasant as Producer and Consumer

time and 1913, it would seem that on the whole the relative position of the peasants is no better than before the War. The value of agricultural products in 1935 (in prices of 1926-27) was officially estimated at R.16,000 million, while the total output of industrially produced consumers' goods, including manufactured foodstuffs, was valued at R.28,000 million. In the total national income agricultural production was credited with a mere 16 per cent * compared with 52 per cent from industry, although some three times as many workers are employed in farming and allied pursuits as in industry. Just before the War the value of the industrial production in the present area of the U.S.S.R. was about R.7700 million and the value of the agricultural production (crops, animal husbandry, forestry, etc.) R.11,700 million.⁽⁴³⁾ From another source ⁽⁴⁴⁾ it appears that the gross income from agriculture in 1910 was some R.8600 million out of a total national income of about R.16,400 million. These figures indicate that the peasantry as a class were judged to create at least half the national income in those days compared with a mere 16 per cent at the present time. It must, however, be remembered that before the War there were a bare 3 million industrial wage-earners compared with some 9.5 million at the present time, and that only 18.3 per cent of the population was classed as urban compared with at least 25 per cent at the present time. Also, although the peasants and the land workers

* This figure, by all standards, seems ridiculously low. It is apparently calculated on the net and not the gross agricultural produce, and valued at the artificially low prices paid by the Government, the obvious intention being to exaggerate the importance of industrial development under the Soviet régime.

The Social Dividend

created some 50 per cent or more of the national income, a material portion of the net income from agriculture was enjoyed by the various classes of large landowners and farmers who farmed their own land with the hired labour of peasant proletariat, or took rent from the peasants to whom they leased their land. Nevertheless a good half of the output of pre-War industry was sold in the countryside,⁽⁴⁵⁾ and the peasantry sold some 25 to 30 per cent of their gross agricultural output for the consumption of the non-agricultural section of the population or for export. The proceeds from the sale of produce did not by any means cover the whole money expenditure of the peasant population, whose total money income consisted up to 40 per cent or more of wage earnings and the proceeds of handicrafts, cottage industries, etc. According to P. Sokovnin in *The Standards of Peasant Farming on Allotment Land* (St. Petersburg, 1907), the total money income of an average peasant family from all branches of farming on allotment land * at the close of last century was somewhere between R.130-R.150 and R.180-R.200 a year. Sokovnin added, "the peasants' income from their allotment land, on the whole, falls one-half or three-quarters short of the amount absolutely necessary for their existence and the deficiency has to be made good, as far as possible, by outside earnings and by the lease of land from landowners". The gross money income of the average peasant house-

* Allotment land, "Zemelny Nadiel", was the term applied to the communal land divided among the separate households included in the "Mir" or village community. Many peasant households rented additional land, which was, of course, not included in the allotment.

The Peasant as Producer and Consumer

hold at the beginning of this century may be put at R.250 to R.300, of which at least 25 per cent was required for the exploitation of the farm, leaving about R.200 to cover personal requirements for manufactured goods. The pre-War peasant household consisted of about six persons, of whom, say, three were able-bodied workers, whose average net income would therefore have been about R.60 to R.70. The data for estimating the money income of the pre-War peasant and the Soviet Kolhoznik are extremely uncertain; the pre-War investigators individually arrived at very different conclusions, and considering the extent of the country, the varying circumstances and conditions of climate, soil, density of population, etc., in the different parts of the country and the illiteracy of the rural population, it is not to be wondered at. Probably the figure of R.60-R.70 is on the high side if it is applied to peasants whose chief source of livelihood was their own farms. On the other hand, if it includes the landless and practically landless peasants and those growing crops for sale only, such as sugar beet, flax, etc., and buying a large part of their food, the figure may be rather on the low side. If it be accepted as a fair average it would give the pre-War peasant a money income of about one-fifth that of the industrial worker. But the latter had to spend up to 80 per cent of his income on food, that is to say, he had only about R.60 a year to spend on clothing, etc., whilst the peasant out of his R.60 or R.70 spent a small fraction only on food and drink, such as tea, sugar, salt, and vodka, which the farm did not provide. We calculated above that the Kolhozniki have an average

The Social Dividend

money income of some R.350 per able-bodied worker, and this, of course, includes those engaged in producing industrial crops, cotton, sugar beet, flax, etc., who grow and consume less foodstuffs, but earn more money. The total number of collectivised and independent peasant households is about 20 millions, say, between 40 and 50 million able-bodied workers. The total agricultural population is probably about 115-120 millions, of which some 50 per cent may be reckoned as in the working age-groups, *i.e.* between 18 and 60. There may, therefore, be some 15 million technically agricultural inhabitants working for wages* and engaged in fishing and hunting and other co-operative enterprises. The average wage for State farm labourers, Selpo wage-earning employees, lumber men and so on in 1937 was probably about R.1500 a year, and the average money income of all rural workers, including the Kolhozniki, may be estimated as in the neighbourhood of R.700, or rather less than one-third the average urban industrial wage. From this it would seem at first sight that, in comparison with pre-War conditions, rural incomes bear a higher ratio to urban incomes. But the Kolhoznik spends 26 to 31 per cent of this income on clothing and household goods,⁽⁴⁶⁾ and according to retail trade returns for 1935 about 58 per cent of the rural turnover was in foodstuffs,

* Rural wage-earners include all workers and employees in State farms (over three millions), workers and technicians belonging to the Machine-Tractor Station, repair depôts, etc. (some 2.5 millions), local Government officials, co-operative personnel, timber workers, transport and structural workers and workers in all sorts of rural industries, both State and co-operative. Also a large number of technically rural population is seasonally employed in large-scale industrial enterprises.

The Peasant as Producer and Consumer

which indicates that at the present time the rural population generally spends a larger proportion of its money income on food than the pre-War rural population. Thus the relatively higher money income of the peasants and rural workers is counteracted by the need of buying goods that before the War were produced at home. And this applies not to food alone, but to many household and personal needs such as furniture and articles of wood, home-spun linen and wool, etc. It might be argued that the State takes so much of the food produced by the peasants that the latter have not sufficient left for their own needs and must repurchase food from the State. There was a time after the bad harvest of 1932 when peasants in some districts were offering to exchange milk and anything else they had for bread. But the increasing voluntary sales of produce in later years seem more likely to be due to the peasants' growing preference for buying all sorts of consumers' goods, including ready-made foods, instead of making things from their own raw material; and this again is partly the result of the increasing use of women's labour on the land. The provision of crèches and kindergarten in Kolhozy has helped to emancipate the women from household duties.

During the earlier years of economic planning there is no doubt that the peasants were exploited in favour of the urban proletariat to as great, or even greater, a degree than they had been exploited by the landowners and merchant class before the War. Between 1928 and 1932, that is, during the first Five-Year Plan, wage rates generally were doubled, while the prices paid by the State for rye

The Social Dividend

were increased by about 25 per cent and for wheat by less than 10 per cent. At the same time the prices of industrial goods sold in the village co-operatives were considerably higher than the ration prices paid by the industrial workers. In 1927-28 the consumption per head of ten principal foodstuffs by the agricultural population was as a percentage of the consumption per head of the non-agricultural population: ⁽⁴⁷⁾

1. Rye bread and flour	202
2. Wheat „ „	81
3. Potatoes	160
4. Other vegetables	150
5. Meat and fats	47
6. Milk	143
7. Butter	42
8. Eggs	33
9. Sugar	18
10. Vegetable oils	69

There are unfortunately no comparable pre-War figures available, but it is obvious that the industrial workers' consumption of the more expensive and concentrated foods such as butter, meat and sugar was far larger than that of the peasants, who were compelled to subsist on a mainly vegetarian diet. And from the fact that from 1927 or 1928 the State found it necessary to revive the principle of compulsory deliveries of agricultural produce that had been suspended during the period of N.E.P., it may be concluded that the peasants were dissatisfied with the quantity of industrial goods available to them in return for their agricultural produce. Since 1933, when the system of compulsory deliveries was revised, and when selling on the open market was officially organised, the peasants have received a

The Peasant as Producer and Consumer

better share of the total available supply of consumable goods.

In 1934 rural retail trade accounted for 28.1 per cent of the total turnover of consumers' goods, in 1936 31.9 per cent ⁽⁴⁸⁾ and in 1937 34.4 per cent according to the Plan. At the same time purchases by the rural population in town shops have greatly increased. Nevertheless, though latterly the peasants seem to have received better treatment in the distribution of the consumable part of the national income, they have not received as large a share as they would if it were in strict proportion to their contribution to the national consumption. Thus in 1935 (later figures are not available), 66 per cent of total retail turnover consisted of foodstuffs the raw material of which at least was produced by the agricultural population, but only 24 per cent in value of the retail turnover in foodstuffs was allotted to rural trade; of the retail turnover of manufactured goods less than 35 per cent was allotted to rural trade. And it must be remembered that the bulk of the raw material, such as cotton, flax, hides and timber, used in the production of industrial consumers' goods are produced by the agricultural population.

This brings us back to what has been suggested before, that the peasants receive from the State a lower price for their products than they would receive if there was a free commodity market in the U.S.S.R. The Government, in fact, takes a high rate of monopoly profit on its purchases of agricultural produce. Since the land belongs to the State, the Kolhozy being granted only usufruct and paying no rent, it may be said that the State appropriates

a portion of the yield in lieu of rent. Out of the profits made on agricultural production the State certainly finances the capital improvement of the land. During the second Five-Year Plan budgetary investments in socialised agriculture were to amount to R.15,200 million; ⁽⁴⁹⁾ in addition to this, enormous sums have been invested in industrial enterprises manufacturing agriculture machinery. It can be argued, therefore, that the State has enforced compulsory saving on the peasants for capital investment which eventually will increase the output and therefore the consumption of the agricultural population. So far, however, the increase in agricultural production per head of population and the yield per unit of land under crop compared with the pre-War standard has been negligible. The failure of all the Government investments in agriculture to effect a material improvement of agricultural output is due partly to the destruction of livestock during the forced collectivisation campaigns in 1930 and 1931 and the accompanying disorganisation of the whole agricultural system, and partly to the inefficient use of the new machinery, which, through ignorant handling and frequent stoppages, is used to only a part of its real capacity. The peasants, whose savings in effect financed the Government's capital expenditure, have so far reaped no perceptible benefit.

PART VII
CONCLUSIONS

CHAPTER XXVIII

SOCIAL-ECONOMIC PROBLEMS

RESULTS OF PLANNED INVESTMENT

IF the Russian industrial workers and the Russian peasants had enjoyed under the Tsarist Government a tolerable standard of living, the Bolshevik revolution might have been less violent or might even have been delayed. But the factors that caused it had been at work for centuries and a change in the form of Government was inevitable and overdue. Although the condition of the workers appreciably improved during the ten years preceding the War, the average wage afforded little more than a bare marginal existence ; while over the greater part of European Russia the average peasant farm was too small fully to support a whole family. Large numbers of peasants were forced to seek seasonal and often permanent employment in industry, and this naturally militated against an improvement in industrial wages. Such conditions provided a fertile soil for the propaganda of the social reformers and revolutionaries, who had no difficulty in convincing the working masses that they were oppressed and exploited by the nobility and the rich merchant and industrialist classes. At the same time liberal ideas were making great headway among the bourgeoisie and intelligentsia, whose discontent with the existing political régime led them to sympathise, and sometimes even co-operate, with the professional

Conclusions

revolutionaries. The first revolution in March 1917 was more the result of political discontent among the intellectual bourgeois class than of economic distress. The Provisional Government collapsed because it did not succeed in ending the War and demobilising the army in an orderly manner. At the same time it was unable to maintain discipline among the soldiers and factory workers, whose extravagant demands it was equally unable to satisfy. The support given to Lenin by the workers and peasants was due to the Bolsheviks being content, for the time being, to swim with the stream of anarchy, which was accomplishing the destruction of the existing order without assistance. It was much later that Bolshevism, as a constructive and organising principle, took steps to stem the tide; and by then the expectations of the workers and peasants, that by taking possession of industries and dividing up the big landed estates their conditions would promptly improve, had proved illusory. They had become more or less indifferent to abstract political forms and wanted to return to an ordered existence in which they could earn a decent livelihood. The average Soviet citizen to-day judges the success of the revolution mainly by his personal welfare. The ordinary non-political citizen may accept, without troubling to analyse, the statement that under the Soviet Government he is the equal of all instead of a negligible oppressed unit, as under an autocratic Tsar. But he has much more pronounced ideas about his economic situation and will not unquestionably subscribe to the proposition that his standard of living is already satisfactory and is

Social-Economic Problems

steadily improving, when he knows from personal experience that his wages to-day will buy no more than they did ten years ago and that there are lots of things he would like to have but cannot afford. The eventual survival of the revolution will depend more on its economic achievements than on the realisation of abstract ideals of equality, democracy and liberty.

Marx expressed his belief that the Socialist State would prove more efficient in production and more equitable in distribution than the Capitalist State. He apparently held the view that the new order would bring about a change in the psychology of the worker, and that the members of the new society would very soon, if not immediately, become socially minded, renouncing the relation between reward and labour. But Marx never ventured to prescribe precise rules for the guidance of those faced with the task of building a socialist State on the ruins of a capitalist State. Neither had the Bolshevik leaders prepared a considered programme of economic reconstruction. Lenin himself seriously underestimated the complexities of modern economic problems, and recorded his opinion that the control of production and distribution and the registration of labour in the Socialist State could be carried out by any persons of ordinary intelligence able to read, write and compute. Unfortunately Marx has proved even less helpful than his disciples expected, it may be because in their confidence in his infallibility they forgot the fact that the world has progressed a long way since his day. In the middle of last century the life of the industrial workers was wretched, and Marx thought that the most they could ever expect

Conclusions

was a sufficiency of food, clothing and decent housing. He believed that these elementary and essential needs could be satisfied with the available factors of production, and that distribution could be efficiently and acceptably carried out by a system of direct rationing in which money played no part. But Marx did not foresee the improvement made in the succeeding ninety years in the workers' standard of living. Many things that are to-day regarded as necessities were then undreamed-of luxuries. It might conceivably have been practicable in the 1840's to ration the workers in a socialist State with the small range of goods then available, but in the 1930's the task of distributing a large range of goods to the satisfaction of all the consumers is impossible without some mechanism by which each can express his own preferences. We saw in Chapter VII how artificial and troublesome rationed distribution was and how it had to be supplemented, and was finally replaced, by commercial trade in spite of the very low standard of consumption; and in Chapters XXVI and XXVII an examination of official Soviet statistics indicates that the real incomes of the ordinary workers and peasants to-day affords them a standard of living no higher than pre-War in respect to consumption of the material necessities of life.*

The Bolsheviks have been in power for twenty

* In case this conclusion should be challenged, it may be pointed out that the Soviet Government since 1928 has never published any results emerging from an enquiry into the purchasing power of wages and the average consumption of the Soviet citizen, even if such an enquiry has been held. Russian economists who worked under the Soviet régime for varying periods after the Revolution, such as Professors Paul Haensel and Boris Brutzkus, are generally agreed that in 1928 the economic situation of the

Social-Economic Problems

years, and, if the first few years were occupied in restoring order out of chaos, they have had at least fifteen years in which to prove their theories. The results from nearly every viewpoint have been disappointing, only in the creation of many large industrial enterprises has any remarkable progress been made ; and these are means to an end and not ends in themselves. The industrialisation of the country has been carried out at a cost of much privation and distress to the present generation, and whether future generations will reap a compensating benefit remains to be proved. There are many economic problems that Soviet Socialism has still to solve before it can triumphantly claim superiority to all other existing systems.

Before a nation can materially increase the national standard of living it must increase its productive power ; and when the Soviet Government succeeded to power Russia was ill supplied with the industries by means of which the natural resources of the country could be exploited. The first essential to increasing the supply of consumption goods was to save national income and accumulate capital. The second essential was to invest this capital wisely, in order that it should have its full effect in promoting the production of those commodities in greatest demand. During the comparative freedom of N.E.P., the available capital funds were mainly needed for restoring and modernising existing

Russian industrial workers, that is, not more than 5 per cent of the total population, was slightly better than just before the War. If the two Piatiletki that have since intervened had resulted in a general rise in the standard of living, the Soviet Government would certainly have published statistics illustrating the rise in real incomes and the increased consumption per head of population.

Conclusions

industrial enterprises, which had fallen into disrepair or been damaged during the War and the civil war. These enterprises had been established at a time when the investment of capital was governed by market conditions, and they may be presumed to have had a fairly high survival value from the purely economic standpoint of supplying the needs of the consumers. The Soviet Government was therefore on safe ground in restoring and re-equipping existing works, factories and mills. But by 1928 the majority of pre-War enterprises had been restored to a more or less efficient state and the Government had decided on an ambitious programme of new investment. The Five-Year Plan provided for an immensely increased ratio of saving, and the investment of the large sums thus accumulated in the creation of a number of new and very large enterprises, such as the famous Dneprostroi hydro-electric works, the Kuznetsk metallurgical works in the middle of Siberia, the Stalingrad tractor works on the lower Volga and others. In a capitalist economy such enterprises would be undertaken only if there were an existing, or at least potential, market for their products, and if the necessary capital were obtainable on acceptable terms. The Soviet Government, on the contrary, plans new enterprises to supply a future planned demand. When the Stalingrad tractor works were planned there was a negligible demand for tractors and a demand had to be artificially created by collectivising the peasants. Similarly the Dneprostroi hydro-electric works were built long before there was an effective demand for their full output of power.

Social-Economic Problems

Now although the capital at the disposal of the Soviet Government costs nothing in interest payable to the owner,* for the simple reason that the saving of national income is effected by arbitrarily restricting popular consumption, it obviously does involve a real cost. The amount of capital available for investment is not unlimited and the Government has to weigh the advantages of investing it in one way or in another. Time will show whether the Soviet Government planned wisely or not ; but the results so far achieved certainly indicate that the decisions arrived at were not universally sound. For example, an enormous amount of capital has been invested in the creation of several very large tractor works, which in 1936 manufactured some 100,000 tractors, the majority going into agricultural service, and of many other enterprises producing all kinds of complicated agricultural machinery, such as combine harvesters. According to official publications the value of all agricultural machinery in use increased from R.182·7 million in 1929 to R.3355·2 million in 1935. During the same period the annual gross value of agricultural products, including animal husbandry, increased from R.14,744 million to R.16,097 million. This appears a very insignificant increase in consumption goods as a result of enormous capital investment in the means of production. In view of the rapid rate of deterioration in Soviet machinery

* It is true that the Soviet Government pays interest on State loans and savings bank deposits. But the total of these is small in comparison with the total capital investments ; and in view of the decline in the purchasing power of the rouble and the arbitrary reduction of interest on all outstanding bonds from 8 to 4 per cent in September 1936, the interest cost to the Government of this borrowed capital is very small.

Conclusions

it is doubtful whether the increase in agricultural production covers the annual cost of the replacement and maintenance of agricultural machinery, let alone any return on the capital invested in the agricultural machinery industry. It may, in the light of recent history, be suggested that part of this capital, if invested in increasing the capacity of the textile industry, would have yielded a greater measure of satisfaction to the population ; for the 1937 cotton crop yielded rather more raw material than the cotton industry could convert into finished goods, yet cotton textiles are among the deficit commodities whose distribution is still fully planned. It is also very doubtful whether the full output of the Dneprostroi hydro-electric works is even yet economically employed. The capital invested in this enterprise could have financed the building of a great deal of urgently needed dwelling accommodation ; while it may also be noted that the Soviet Government has embarked upon the construction of an immense " Palace of the Soviets " in Moscow, though the housing shortage there, as well as in most Russian towns, is extremely acute.

In many cases, for reasons which no doubt are satisfactory in the opinion of the country's rulers, economic decisions are taken which obviously would not accord with the freely expressed collective opinion of the whole population, supposing this could be ascertained. The Soviet Government assumes the right to plan for distant posterity at the expense of the present needs of the population. Whether the immediate interests of the living generation are unduly sacrificed to the hypothetical desires and needs of generations yet to come is

Social-Economic Problems

arguable. The opinion of the outside spectator depends on whether he sympathises with the present generation on humanitarian grounds, or, like many intellectual socialists, with no personal acquaintance with Russia, regards socialism in Russia as a highly interesting and instructive laboratory experiment.

Theoretically the Soviet Government is infallible, but sometimes by reversing a policy it tacitly acknowledges mistakes. For example, most of the enormous grain farms established in South-east Russia in the early days have since been cut up into smaller and more manageable units. A farm can be cut up, but an over-large and unwieldy industrial plant cannot be easily subdivided. There is ample reason to think that the largest industrial enterprises, such as the Magnitogorsk and Kuznetsk metallurgical works and the Molotov motor works at Gorki, are too large to be efficiently managed. The Soviet Government is now learning by costly experience that various factors set a limit to the economic size of industrial units, and that one of the most important of these is the capacity and skill of the administrative and technical personnel. A majority of the managers of Soviet economic enterprises are deficient both in experience and knowledge, but the failure to improve efficiency and to increase the ratio of output to theoretical capacity suggests that some of the new Soviet enterprises probably exceed the maximum limit of size consistent with maximum efficiency in any circumstances. Their construction was extremely costly in terms of labour and material (the cost in terms of paper roubles was immense, but the rouble is only

Conclusions

a unit of account and cannot be related to any known standard of value), and it is questionable whether they will ever yield what in capitalist systems would be regarded as a reasonable return on the capital investment.

RELATIONS BETWEEN WORKERS AND CAPITAL

In theory all national enterprise in Soviet Russia belongs to the nation collectively, and socialist admirers of the U.S.S.R. are fond of stressing the point that the Soviet worker in a Soviet factory is working for the collective benefit of himself and his millions of fellow citizens and not for a private entrepreneur. Very possibly quite a number of Soviet workers have a genuine feeling of collective proprietorship in their enterprises, but this still leaves room to examine the relation between the worker and the capital with which he works. Nobody denies that the Soviet industrial worker is paid a wage, in the sense that his remuneration consists of a sum depending on his own exertions and not a share in the joint product of himself and his fellow workers. Superficially there would seem to be little practical difference between the Soviet worker and a capitalist worker ; the former is hired to apply his labour to the capital means of production belonging to the community, and the latter is hired to work for a single or corporate private entrepreneur. In both cases the product of the capital and labour combined should yield a profit. While the profit from private enterprise yields a return to the owners of the capital and compensation to the entrepreneur for management and the

Social-Economic Problems

risks of management, part of the profit from a Soviet enterprise is taken by the State and part is left at the disposal of the enterprise itself.

It is not easy to decide who, or what, in the Soviet system corresponds to the capitalist entrepreneur. The two other factors, labour and capitalist, are readily identified, the capitalist of course being the State, or rather the Government, which disposes of the national capital resources. The heads of an enterprise may be regarded as salaried Government officials, in which case the Government is both capitalist and entrepreneur, or they may be regarded as possessing something of the nature of the entrepreneur. Some enterprises have a considerable degree of independence within the Plan, and the remuneration of the directors consists to a material extent of premiums paid out of profits. Other enterprises are more directly under the control and detailed supervision of a Government department. The Government obviously takes all the risks, in particular natural risks, such as fire, earthquakes and floods ; the directors have to bear only the risk of mismanagement resulting in goods being produced that cannot be sold at the planned price. The penalty is loss of premiums or possibly loss of job. It is clear that some Soviet directors have an interest in the profits of management, even if others are mere salaried officials.

The relations between workers and managers much more resemble those between employees and employer than between co-partners or co-workers in a joint undertaking. In theory, workers' committees have the right to criticise and even impeach managers, but they have very little real influence

Conclusions

on policy. On the other hand, managers have the power to engage labour when and how they like, so long as they do not overstep the Plan, and have probably quite as much disciplinary power as any private employer. Soviet trade unions, being Government organs, support the Government's point of view when it conflicts with the workers' interests as imagined by themselves.

The theory has been propounded that the workers in State enterprises as a whole are in a sense entrepreneurs, on the principle that they apply their labour to capital owned by the whole community, to which they pay a rent for the use of the capital. If this be accepted it means that the profits from industry paid into the national budget represent the rent, while the workers' wages are in reality the profits of management plus compensation for their toil. There are many objections to this theory, the most obvious being that the workers' wage scales are controlled by the Government. In support of it there is the fact, whether legally established or not is immaterial, that workers have no recourse against their enterprise for unpaid wages. It is not unknown, judging by the Soviet press, for industrial enterprises to be several months in arrears with wage payments. The tacitly accepted principle seems to be, more or less, that as losses must be caused by mismanagement or inefficiency on the part of the staff and/or workers, and since there is no difference in kind, but only in degree, between the heads of an enterprise and the ordinary workers, they must suffer jointly for their collective shortcomings. In actual practice losses are eventually always made good by Government

Social-Economic Problems

grant if no other solution remains ; but whether or no wage arrears are always paid in the long run is not certain. No doubt workers frequently quit their employment of their own free will and forfeit arrears due to them. The turnover of industrial labour is very high, and is highest in those enterprises where conditions of living and employment are the worst ; such enterprises would, presumably, tend to be those most likely to be in arrears with wage payments.

On the whole the Soviet worker seems to get the worst of two systems : if he be a co-partner in his enterprise he gets a very small proportion of the entrepreneur's profits. His dividend consists of a small percentage of the planned profits, and 50 per cent of profits in excess of the plan ; this, however, is not paid him in cash, but in social welfare schemes in which he has very little voice. While if he be a hired worker, far from being a preferred creditor, he has practically no means of recovering unpaid wages. A purely objective and dispassionate examination of the position leads to the conclusion that Soviet workers are wage earners in the ordinary sense of the word, that they are employed in enterprises that are the property of the State, and that this is not by any means the same thing as the property of the working community.

DIFFICULTIES IN PLANNING

In connection with the preceding section it is pertinent to enquire who decides, and by what method, what the capital and labour of the community shall be set to manufacture. It is self-evident that the workers themselves have no voice

Conclusions

in the decision how accumulated capital shall be invested ; this has from the very first been a function only of the Government. Now, it can readily be imagined that on broad principles, particularly in regard to the investment of capital in munition factories and in industries supplying the raw and part-manufactured material for munitions, the Government's decision may be eminently sound though not based on ascertainable economic needs. But when it comes to deciding whether to expand the output of tractors or cotton goods, or invest capital in a factory for producing furniture or bicycles, the Government has to decide between the relative urgency of the need for one product as against another, without any direct means of ascertaining the effective demand of the population. It is true that since derationing the comparative abundance or shortage of different consumers' goods gives some indication of the relative intensity of demand at current fixed prices, but the fact that the prices are fixed impairs their value as a barometer of consumer demand, and, since there is no free demand for anything except purely personal consumers' goods, price is no guide whatever to the relative advantages of producing tractors and textiles or bricks and bicycles.

The statement that a free market is replaced by Government planning requires some scrutiny of planning. Before drawing up the Plan the Government must be possessed of a number of ascertained facts ; for, in spite of its pretensions to infallibility, even the Soviet Government cannot divine by mere intuition the output of various materials and commodities in a given period, as a preliminary to

Social-Economic Problems

determining how they shall be combined to afford the maximum satisfaction of national needs. The Plan is necessarily founded on statistics which, being of more vital importance than statistics in a system of private enterprise, must be so much the more accurate and complete than the latter. For the same reason accounting is of greater necessity to a Soviet economic enterprise than to a capitalist undertaking. A capitalist entrepreneur can carry on with a bare minimum of bookkeeping, and the state of his bank balance indicates whether he is losing money or making profits. If he wastes his own forces of production, so much the worse for him and any persons who have lent him capital. His failure may, or may not, be the result of his inefficiency in the career he has chosen, but he is as a rule eliminated before he has had time to dissipate so much capital that its loss makes any appreciable difference to the community. In any case, a great deal of what he has lost has probably been transferred to others and is not lost to the community as a whole.

The manager of a Soviet enterprise may continue an untroubled course of squandering practically indefinitely, unless his activities are subjected to a very searching and thorough periodical scrutiny. And even this will only show whether his enterprise is operating more or less efficiently than others of the same sort. The fact that a Soviet enterprise is making paper profits or losses is no real criterion of its efficiency or of its utility to the community. For instance, an enterprise may consume a quantity of a comparatively scarce raw material, also needed by another enterprise manufacturing something

Conclusions

else of greater utility. The fixed price of the material may be low and the first enterprise may show a paper profit, but the real cost of its products, measured by the quantity of the second commodity which is not produced, will be greater than the nominal production cost. As an actual illustration of how the planned distribution of material may differ from the real demand, an article in the newspaper *Pravda* of 28th December 1937 may be quoted. This described how the Trust for supplying material to light industry had bought during 1937 27,000 tons of metal in addition to the 28,000 tons allotted in the Plan. A part of these unplanned purchases consisted of *brak* and waste, bought at prices materially above the State-controlled price for first quality goods.

The contention that in a socialist economy there can never be an overproduction of goods, in the sense that the purchasing power of the population may be insufficient to buy the total output, is based on the assumption that goods will be produced in exactly the amounts demanded by the consuming population. It is self-evident that, where all material and capital resources belong to the community, all the available forces of production can be set to work producing goods ; the total money cost of producing the supply of consumers' goods will then be less than the total sum paid out in wages, let alone the remuneration to the " non-productive " section of the community, because part of the total available labour is employed in replacing wastage of capital and in producing new capital. But it is possible for those responsible for planning to be misled by false statistics and by their own opinion, and to plan the

Social-Economic Problems

production of too much of one thing and too little of another ; and the more complex and varied industrial production becomes the greater is the chance of this happening. It is possible to sell practically anything at a price, but the Soviet Government does not plan to sell goods at a loss, for any losses must be covered out of the surplus price paid for other goods. The fact that the retail selling prices of various consumers' goods exceed their production costs in very different ratios, as shown by the different incidences of turnover tax, leads to the conclusion that the planning of industrial output is often at variance with popular demand. But effective demand does not necessarily coincide with the subjective desires of the population and the greater the difference between the high-income groups and the low-income groups the more is effective demand likely to differ from subjective desire. The principle of fixed prices may be prompted partly by the desire of the Government to keep prices of primary necessities as low as possible in the interests of the low-income groups. If trading organisations were permitted to charge for their goods what the traffic would bear, there is little doubt that the prices of many things such as matches, cheap cigarettes, sewing thread, salt and cheap quality boots would immediately rise. For all these things are frequently unprocurable at different times and in different places ; while the demand for the more expensive and luxury goods is, on the whole, much better satisfied. It would appear that, having abandoned the old socialist tenet of proximate equality of remuneration and having reverted to a system of highly differentiated earnings

Conclusions

according to individual ability, the Soviet Government tries by means of price policy to minimise the difference between real incomes. The obvious remedy would be to increase the supply of primary necessities until prices declined by the natural law of supply and demand, but owing to other demands on the available forces of production the Government has not so far been in a position to expand production to a degree that would cause a material reduction in prices. At the same time, further to restrict the supply of better-quality and luxury goods would impair the efficacy of high wages in stimulating individual effort.

LABOUR AND EMPLOYMENT

In principle the distribution of labour among different industries is effected by differential wage rates, higher rates being paid by those industries whose demand for labour is more intense or in which conditions of employment are less attractive than the average. Under its scheme of long-term planning the Soviet Government may employ labour on projects which will not contribute towards national prosperity for a very long time, but it does not as a rule waste labour and material on enterprises of extremely distant and very problematic utility, especially when the nature of the labour to be performed involves paying high wages to attract workers. This applies particularly to work in the Arctic and the Far East, where climatic and geographic conditions and the absence of the amenities of civilisation render life monotonous or uncomfortable. The cost of such undertakings as the Baltic-

Social-Economic Problems

White Sea Canal, the Baikal-Amur Railway and the Turksib Railway across the Central Asian deserts, would be prohibitive if they were constructed in the normal way by free labour demanding tolerable conditions of living in addition to comparatively high wages. But it is common knowledge, and not denied by the Soviet Government, that these enterprises have been carried out almost entirely by forced and convict labour. It is impossible to say whether these works would have been undertaken had free labour to be employed and paid acceptable wages. But it may be assumed that the decision was the more cheerfully taken because forced labour was available. The methods by which these undertakings were carried out were typical of compulsory labour in any age or country ; a minimum of expensive machinery was used and a minimum of expenditure incurred in housing and maintaining the workers.

Tsarist Russia was poorly equipped with machinery, except in one or two industries such as the textile industry, partly because labour was both abundant and cheap. The Bolsheviks, adhering to the socialist economic theory, that a socialist community can install machinery without the capitalist inhibitions connected with the relations between the cost of machinery and labour, have created an immense industrial apparatus equipped with all the latest labour-saving machinery. Modern machinery for the mass production of many sorts of goods is so automatic that workers with a minimum of skill and intelligence can perform all the necessary manual operations. But such machinery, being exceedingly complex, requires a few highly skilled

Conclusions

engineers and mechanics to maintain it in thorough working order ; and the less experienced and intelligent the ordinary operatives the more numerous and expert must be the foremen and supervisors. For this reason the introduction of machinery in Soviet Russia has shown many of the consequences that an over-rapid and ill-considered mechanisation would have in a capitalist country. Owing to the incompetence and gross carelessness of the ordinary factory workers, coupled with the inferior qualifications of the engineer and technician class, the increasing use of machinery has resulted in a very meagre expansion of production in comparison with the amount of capital invested. In agriculture the employment of tractors, combine-harvesters, etc., has done little, if anything, to increase the yield of the land, largely because, as is admitted by the People's Commissar of Agriculture, the productive employment of tractors is between 40 and 50 per cent only of their technical capacity. It seems also a reasonable assumption that the introduction of agricultural machinery has, in effect, resulted in unemployment. A large proportion of the forced labour, employed in the undertakings referred to above, consists of peasants deported to the labour camps. It is believed that the total number of convicts and other forced labour is probably some four to five millions, though naturally no official figures are ever published. In any case, the peasants were presumably rendered superfluous to the needs for agricultural labour by the introduction of machinery and the rationalisation accompanying the amalgamation of peasant holdings into collective farms, hence their deportation to regions where population

Social Economic Problems

was sparse and local labour insufficient. In the most densely populated provinces of central Russia the rural population is still in excess of the labour requirements of agriculture, and large numbers of Kolhozniki are lent to State enterprises under contract to perform unskilled industrial labour such as timber-felling, peat-digging and even coal-mining. When the Government, in the collective farm charter of 1935, made specific provision for the Kolhozniki to become smallholders, one reason, no doubt, was that they were not fully employed on the collective farms.

It is one of the chief boasts of the Bolsheviks that they have abolished unemployment. It may be substantially true that there is no large mass of idle workers, but to make this claim really convincing it should be shown that all available labour is employed in producing something of real value and is earning an acceptable remuneration in the process. Some of the canals, at least, and many of the projects in Arctic Siberia are in the same category as relief works, because, while their eventual utility is questionable, they absorb a large amount of labour that would otherwise be unemployed or at most only partially employed. A large amount of free labour also is employed at a remuneration that cannot be regarded by any standard as a satisfactory wage. On 1st November 1937 the Government decreed a minimum wage for all State employees of R.115 for time workers and R.110 for piece workers. It was then stated that the cost of bringing wages up to these minima would be R.600 million in twelve months and that the average increase in the remuneration of those below these

Conclusions

minima would be some R.19 a month. From this it would appear that, prior to 1st November 1937, some 2,500,000 persons were earning less than these minimum rates. At a generous estimate the purchasing power of R.100 a month compares with 10s. a week in England.

Apart from forced labour of all kinds,* the relation between the supply of and demand for labour is such that a quite significant proportion of all the wage-earning population (some 27 millions in all) is compelled to work for a starvation wage. It may be held that the State is the only employer and can fix wage rates at whatever level it chooses. But this requires qualification ; in practice all State enterprises have to procure their own labour. There are now no labour exchanges and no special organisations for allotting unemployed workers to employing enterprises. Unemployed workers can choose the enterprises in which they seek work, and enterprises are free to engage the labour they require. There is, despite all the efforts of the Government to prevent it, competition between industrial enterprises for the best workers, because the demand for skilled workers exceeds the supply. But there is no shortage of the lowest grades of unskilled labour, which consists very largely of raw peasants in excess of the needs of agriculture. And it may be

* These include the so-called " Isolators " about which information is scarce. Idle, drunken and deliberately careless workers, and possibly those whose political views are suspect, are sentenced to a term in a kind of disciplinary camp or barracks from which they are taken each day to the enterprise in which they are employed. Besides being under restraint, their remuneration, whether in kind or in money wages, is less than they would receive as free workers and they are subject to fines for breakages of machinery, etc., for idleness, truculence and any breach of the regulations.

Social-Economic Problems

presumed that these consist largely of the less skilled and intelligent members of the peasant community ; for all the bright youths and girls become tractor drivers, mechanics or experts of some kind or other, or enter the higher educational institutions to qualify for some profession. There is no unemployment relief and the Trade Unions do nothing towards securing a decent minimum living wage nor to prevent the dilution of labour. Unskilled manual labourers are therefore compelled to accept a bare subsistence wage, and, being so cheap, are engaged by industrial enterprise to perform all sorts of manual tasks, which would be performed by machinery if a higher rate of wages had to be paid. This is exactly the same state of affairs as prevailed in Great Britain at the beginning of the industrial revolution, before labour had learnt to combine in self-protection, and to some extent may still be observed in countries where labour has not yet become organised. Any State or community can find employment for everybody at a price ; but it is quite another thing to put everybody to work producing something of sufficient value to the community to afford them a reasonable remuneration. It is evident that in the Soviet Union either a large proportion of the workers are terribly exploited, or that the work they perform is so sterile that their output does not yield a living wage. Soviet economic theory holds that the remuneration of the socialist worker should be measured by the value of his output irrespective of the effort expended ; it may therefore be concluded that the work performed by forced labour and the lowest paid free workers is of extraordinarily

Conclusions

small value to the community. It seems extremely probable that if capitalist conditions governed employment in Soviet Russia, that is to say, if every worker was entitled to a fair living wage and no employing enterprise was allowed to pay sweating wages, there would be a considerable volume of unemployment.

CHAPTER XXIX

WHAT BOLSHEVISM HAS ACCOMPLISHED

SOCIALISM seeks two broad aims, to adjust the mutual relations between the individual members of the community, doing away with all class distinctions ; and to reform the system of production and distribution, doing away with the private ownership of the means of production and distribution. Eventually there will be no individuals nor groups having privileges, social or material, denied to the whole community. But the Socialist community must be led and guided at least during the initial period, which will last until every member of the community has become socially minded. The leaders of the young Socialist State must function in much the same way as the Government of any other type of State, because the behaviour and nature of the individual has not been automatically changed by the transformation in the structure of the State. The ordinary human being still subscribes, if unconsciously, to the doctrine of the survival of the fittest, and were there no control from above the strong would continue to exploit the weak. Many devoted Socialists believe that human nature will be regenerated under Socialism, and that the time will come when all will merge their individuality in a collective brotherhood and control from above will be no longer needed to prevent the recurrence of inequality. Evidently

Conclusions

Socialism is still immature in Soviet Russia, for a Government having powers of coercion is needed to protect individuals and groups against injustice and to plan and organise the distribution of the nation's wealth. Because the distribution and enjoyment of material goods play such an important part in the mutual relations between individuals and groups, which after all are the chief concern of domestic politics, some remarks on social and political developments in Soviet Russia may be permitted to conclude a book devoted to the economics of trade.

Marxian Socialism does not postulate a community in which all are strictly equal, but a community in which everybody has a right to a share in the national wealth plus a reward commensurate with his services to the community. In the true Socialist State there should be no extreme difference between the highest and lowest standards of consumption and no cause for jealousy between individuals, nor for antagonism between groups. But, as we have seen in previous chapters, the Soviet citizen is concerned to make the best bargain for himself; in other words, sell his services to the community for the highest obtainable reward. As a consumer he buys where his money goes farthest. Here are all the elements of the capitalist conflict between producers and consumers, and, if conflicts of interest exist among individuals, it may be expected that they will be found to exist between groups. The Soviet Union may be a classless State in a purely political sense, but that the population is divided into economic groups is undeniable. The two main groups are the peasantry and the urban

What Bolshevism has Accomplished

industrial population. Throughout the world there has always existed latent and not infrequently positive conflict of interest between these two groups. Agricultural problems are among the oldest and most difficult objects of legislation, designed directly or indirectly to maintain a balance between agriculture and industry. Lenin had the vision to see that successful Socialism was impossible unless the antagonism could be removed; and the "Smychka" (or union between town and country), was one of the most important elements of his policy. But neither he nor his successors found the solution, and as late as 1932 the Government was resorting to force to take from the peasants the products of their labour, for which they received a negligible return in the form of industrial products. Even in 1936 the peasants were allowed a far smaller quantity of industrial goods in return for a given quantity of produce than they secured in the open market under the old régime (see page 290). To say that the Government favours industry against agriculture because of its industrialisation plans is true, as far as it goes; but below this superficial explanation is the fact that the industrial population is politically more articulate, united and exigent than the peasants and will work efficiently only when assured of an acceptable standard of living. In brief, the industrial worker will not work and starve, the peasant up to 1932 could be compelled to do so. That year was critical for the peasants. As a result of their passive resistance they obtained certain concessions, but the famine of 1932-33 finally convinced them that nothing would induce the Government

Conclusions

to revoke collectivisation. They therefore made the best of the situation and began to adapt themselves to the new order instead of continuing the struggle against it. Collectivisation, mechanisation and technical education have shifted the younger generation out of the old traditional peasant individualism and made them politically united and articulate, with the result that they are lessening their economic inferiority as compared with the proletarian workers.

A third group is formed by the armed forces of the Soviet Union. In this, members of the peasant and industrial populations combine to assert their claims over the civilian population, compared with which they enjoy greater economic preference than the armed forces in any other modern State. The dominance of the Soviet defence forces rests on two circumstances ; the first is the rulers' dread of aggression by capitalist States and their desire to increase the prestige and weight of the Soviet Government in international councils ; the second is the need of force to hold together the innumerable races and creeds comprised in the U.S.S.R. The loyalty of the armed forces to the Government, it may be supposed, is based far more on the enjoyment of present benefits and expectation of those to come, than on a sense of patriotism or moral obligation.

Cutting across all the above groups is the Communist Party, formerly enjoying many economic privileges which, to a considerable extent, have been lost. In the early days of the Bolshevik régime the Government was wholly dependent on the Party to propagate its philosophy and execute its decrees.

What Bolshevism has Accomplished

While democracy within the Party prevailed, the Government, or rather the Central Committee, might have been changed by a majority vote. In fact; in the early days of the Soviet régime the Party rather than the Government determined questions of major policy. While paying lip service to the ideals of disinterested service and self-denial, in accordance with which no member of the Party was permitted to enjoy more than a very modest money income, the members of this ruling group arrogated for themselves preferential rights to dwelling accommodation and established special shops to supply themselves with more and better goods than were available to the public. Thus, though his money income was perhaps less, the Party member enjoyed a better standard of living than his non-Party colleagues employed in the same undertaking.

It is instructive to examine how Party economic privileges declined with the declining political importance of the Party. At the present time it is not even pretended that the Government—that is, the small group wielding all political power—is responsible to the Party or dependent on the Party's confidence. Since the constitution of the Supreme Soviet the Government, in theory, holds its mandate from the elected representatives of the people. Special privileges for the ordinary rank and file of the Party have gradually been cut down and now scarcely exist, while leading positions in economic organisations, formerly the strict preserve of Communists, may be held by non-Party men. There is certainly a connection between the decline of Party ascendancy and the "purge" of 1937; it

Conclusions

is difficult to determine whether the purge was the outcome of a political or doctrinal schism that threatened an open conflict, this being the commonly accepted explanation ; or an attempt by the Party to restore its waning economic ascendancy by expelling a large number of members, who had become lukewarm in support of its privileges. But whether the purge was mainly the cause or the effect of the Communist Party's decline, the Party thereby lost much of its former prestige and power. The real explanation is probably that as the revolution recedes in time the sanction for the Party decreases ; as its usefulness diminishes and its prestige among the rest of the population declines, so does its power to enforce its claims for preferential rights.

Of the four groups mentioned above, the Party and Defence forces are political rather than economic groups. Their members are drawn from all other groups and there is no conspicuous conflict between their material interests and those of the rest of the population, for the total numbers in these two groups are not large enough for their extra consumption appreciably to reduce the consumption of the whole population. But within the economic group of the industrial workers there exist smaller groups which show some of the antagonisms supposed to be peculiar to capitalism. In industry the group supplying the higher administrative, and to some extent the technical, staff has gradually formed a bureaucrat-bourgeois *élite*, sharply differentiated from the rank and file workers in its standard of living, and, to a growing degree, in its manners, culture and outlook. In the

What Bolshevism has Accomplished

Soviet Union equality of opportunity is more of a reality than in capitalist States, where education largely depends on wealth, and appointments may be influenced by family, political or class connections. All the same, even in Soviet Russia, personal influence in obtaining well-paid posts is not unknown, and education is simplified for those with private allowances as against those of genuine worker and peasant origin, who without private means must subsist on the extremely exiguous allowance granted by the State. Examinations, too, must tend to operate in favour of those with a cultured and professional background and against those from inferior strata of society. In Soviet Russia, as in other countries, degrees and diplomas depend on the result of individual examinations, and entrance to the higher educational institutions and certain appointments depend on competitive examinations. Now, however objective and impartial the examiners may be, it is inevitable that the questions they set, and even more the way in which they set them, will be influenced by their own class outlook ; and if the examiner belongs by instinct and mentality to the professional and more cultured class the examinees belonging to the same class will have some initial advantage over others. Given these circumstances it is impossible not to believe in a tendency for the scientific and liberal professions to be recruited from their own groups. Destructive criticism of the Soviet system is not implicit in this reasoning, for so long as rivalry persists, such defects, from the socialist viewpoint, must exist. Their eradication will be a long process and is conditional on the removal of causes of

Conclusions

rivalry, in other words on the provision of such an abundance of the objects of desire that envy will disappear in satiety. But until this condition is fulfilled Soviet socialism will continue to be directed from above, rather than become a spontaneous upgrowth from below.

So long as supply falls short of satisfying the modest elementary needs of the lower income groups, the higher income groups will use their power to preserve their privileged position. These latter groups, forming the new Bureaucracy, occupy much the same position as the old Imperial Civil Service and the salaried industrial and commercial managers serving the individual and corporate owners of private enterprise. And since the administrative and technical managers of Soviet economic enterprises are State officials and not the representatives of private owners, they show most of the faults of a State bureaucracy. The departmentalism that prevails in all Soviet enterprises, together with the typical bureaucratic predilection for redundant forms and returns and innumerable inspectors and controllers, has resulted in an enormous and top-heavy apparatus for directing and co-ordinating the economic activities of the State. The Soviet bureaucratic hierarchy may number half a million while, counting in all those who may be considered their allies, such as collective farm presidents, Stakhanovite workers and others, whose privileged position depends on the maintenance of the *status quo*, the total number of Soviet citizens interested in restricting incursions into their ranks from below may well run into some four or five millions. This top stratum

What Bolshevism has Accomplished

provides the governing class and its supporters. A large proportion, probably a majority, are not actual producers engaged in the manufacture of goods and commodities, yet they are differentiated from the productive working masses by their higher incomes. Thus in the Soviet Union, as in Tsarist Russia, there exists a large class which, to use socialist jargon, batters on the toilers. From this class, too, are drawn the majority of the deputies in the new Supreme Soviet, over 50 per cent of whom are members of the Central or Local Governments or Party officials, while of the 25 per cent classed as peasants and workers a large proportion consists of functionaries such as Kolhoz presidents, agronomes, factory committee secretaries, Stakhanovites, etc. There is, of course, an entire absence of independent and disinterested politicians, who made it possible to work representative institutions such as the Zemstvos under the old régime.

The ruling class has not so far developed a tradition of class loyalty and cohesion. It is united only in efforts to maintain its privileges and resist dilution from below ; among the members themselves there are intrigue and chicanery, exemplified by the number of innocent and harmless victims of the purge. It is possible, if not probable, that the Government itself encouraged the wholesale denunciations of more or less important officials and Party leaders, with the deliberate intention of impairing the solidarity of the bureaucrat-bourgeois class, which was becoming too independent and perhaps critical of Party discipline. There is some support for this view in the number of so-called

Conclusions

Vydvizhentsi (literally, persons who have pushed themselves or been pushed up, cf. parvenus), or workers promoted from the ranks, who have succeeded to responsible administrative posts in the places of persons of professional and more bourgeois origin. In this connection it is perhaps not without significance that most of the members of the Government, and practically all the inner circle who dictate the national policy, are themselves of worker or peasant origin. Most of those with bourgeois or *petite* bourgeois antecedents have gradually dropped out and those who remain are rather mouthpieces or executives than actual leaders.

It must appear to the impartial observer that many of the prerequisites of successful socialism are lacking in the Soviet Union. Socialism demands mutual trust and confidence between the leaders of the community and loyal and disinterested cooperation from the rank and file. In face of the purges and wrecking trials and the constant newspaper articles accusing enterprises and individuals of inefficiency, bureaucratism and even of categorical malpractices, it is impossible to believe that the Government Service is remarkable for loyalty, disinterestedness and devotion to duty. But the proof of the efficiency of any system rests ultimately on its concrete achievements. The Soviet Government has undeniably created a vast industrial organisation and apparatus, whose output of certain key products such as coal and iron and steel in absolute volume is second or third of all countries in the world, though in relation to area or population the comparison is far less favourable. The cost of the industrial expansion has, however,

What Bolshevism has Accomplished

been extravagant, and, as suggested in a previous chapter, grave doubts may be entertained whether the eventual benefit to the population will ever be commensurate with the outlay. So far, the enormous capital investments have not resulted in a substantial rise in the average standard of living, however much certain favoured sections of the population have gained. Neither has the Soviet Union escaped crises, different perhaps in form, but as expensive and disturbing as the crises which occur in the unplanned economics of capitalist States. Between 1928 and 1932 the total head of domestic livestock declined by roughly half; in the winter of 1932-33 large agricultural regions were visited by famine which, at a conservative estimation, resulted directly and indirectly in two million deaths. In the first Pyatiletka some branches of national economy over-fulfilled their plans, while others failed by considerable margins to realise them. The actual output of heavy industry in 1937 was 6.8 per cent greater than in 1936, instead of the planned increase of 21 per cent. The failure to realise the planned output of some primary commodity inevitably holds up the manufacture of other things of which it is an ingredient. For instance, building operations have been seriously delayed through the failure of the cement industry to produce the planned and needed quantity of cement; agricultural operations have been held up because sufficient supplies of fuel and oil for the tractors have not been delivered at the planned time. Irregularities in production and supply of goods and material must result in unplanned accumulations of indebtedness of enterprises to the

Conclusions

Gosbank, and to disequilibrium in the planned demand and supply of goods between districts as well as between industries.

In a capitalist system similar circumstances would result in price fluctuations, and insolvencies and unemployment in the affected industries. Such external symptoms are suppressed in the Soviet Union by price fixing and by budgetary grants to cover the unplanned losses of industrial undertakings, but the disease is manifested in other ways. The first Five-Year Plan provided for a gross financial investment in national economy of R.91,600 million ; by the end of 1932, nine months short of the five years starting from 1st October 1928, R.120,100 million had been invested, or 31.1 per cent more than the Plan. According to the optimistic official version of the results of the Pyatiletka, industry fulfilled expectations by about 94 per cent, while no mention at all was made of agriculture. The financial section of the Plan provided for an increase of R.1250 million in the note issue, which amounted to R.1774 million on 1st October 1928 ; by 1st October 1932 it had expanded to some R.6400 million, or by more than R.4600 million. The unplanned expansion of the currency inevitably caused a great rise in retail prices, which was more or less concealed by the expedient of rationing ; but the ultimate and ineluctable result of planning errors was a reduction in the consumption of the population, which thus paid for the Government's gross underestimation of the real cost of its planned capital investment.

If an economic crisis be defined as an unpredicted disturbance in the orderly development of

What Bolshevism has Accomplished

production and consumption, resulting either in a shortage of goods or a shortage of effective demand—that is, in the phenomena usually termed underproduction or overproduction—then the economic history of the Soviet Union, since planning superseded the relatively free market of N.E.P., has been a succession of crises, for at practically no period during that time has there not been a shortage of something; in 1932, for instance, a real shortage of food of all sorts, in latter years shortages of boots, sewing thread, matches, etc. If planning is immune from some of the defects of capitalism, it seems to possess peculiar faults of its own. For ten years the Soviet Government has been carrying out a programme of heavy capital construction such as would be accompanied by an intense boom in capitalist circumstances. The symptoms have been the same as would occur in a capitalist boom, full employment, rising prices and temporary shortages of different things. So long as capital investment continues on the present scale an unemployment crisis is improbable. But sooner or later the country's rulers will decide that the time has come for the people to enjoy the results of their saving. The task of transferring factors of production from the manufacture of capital goods to the manufacture of consumption goods will need more prescience and accuracy of planning than has so far been displayed. To avoid overproduction and unemployment the market must expand *pari passu* with the increased output of goods, and, it must be remembered, the increasing mechanisation of agriculture as well as of industrial processes is continuously tending to create a surplus supply of

Conclusions

labour. Already there are growing symptoms of agricultural overpopulation. The solution of the problem will rest mainly on a skilful and judicious monetary policy, assuming that money retains its place in the economic system. The unplanned expansion of the monetary circulation and the unplanned rises in the retail price level since the beginning of the first Five Year Plan show that finance is, probably, the most difficult branch of economic life to plan successfully. When the investment boom ends a period of rapidly falling prices and unemployment cannot be regarded as out of the question.

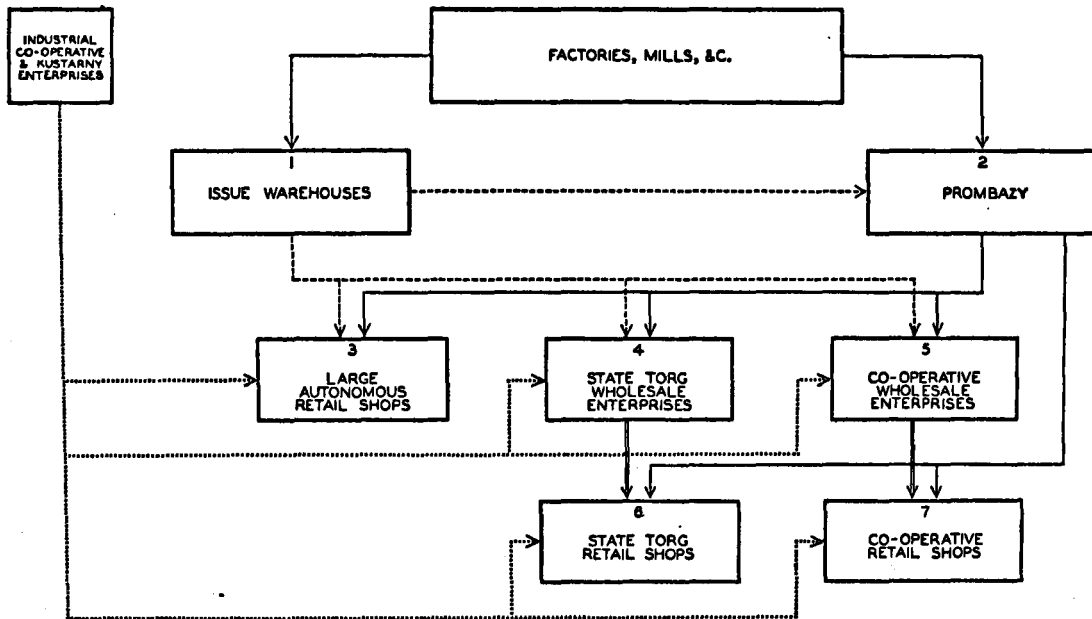
APPENDICES

Explanatory Notes to opposite Diagram

- (1) Practically the whole output of industries producing complex goods such as textiles is delivered from the factory to issue warehouses, where it is graded, sorted and made up into appropriate consignments for despatch to Prombazy and other wholesale organisations.
- (2) Prombazy, distributing goods of complex assortment, normally receive their stocks from issue warehouses as noted above. But Prombazy distributing homogeneous goods such as sugar, salt, flour, etc., receive supplies direct from factory or mill.
- (3) " Model " Univermagy and other autonomous retail shops with a sufficiently large turnover have the right of obtaining goods direct from industrial wholesale organisations, and therefore have small dealings with the secondary wholesale enterprises of State and co-operative retail organisations.
- (4) The wholesale warehouses belonging to State Torgi obtain stocks from the industrial wholesale organisations and industrial co-operatives for resale to the small shops, whose requirements of any particular class of goods are too small to be conveniently supplied by the Prombaz or issue warehouse.
- (5) The co-operative wholesale warehouses, mainly those belonging to Raybazy, fulfil in the country much the same functions as the Torg wholesale warehouses fulfil in the towns. That is, they supply the Selpo shops with assorted consignments of manufactured goods.
- (6) The medium and small Torg shops may obtain consignments of homogeneous goods direct from the appropriate Prombazy, but supplies of complex assortment are normally supplied by the Torg wholesale department. The goods, of course, are not necessarily unpacked and repacked in the Torg warehouse, but are redistributed by it and not consigned direct to the shop from issue warehouses or Prombazy.
- (7) Selpo shops, Selmagy, etc., are supplied by their Raybazy in the same way as the wholesale departments of Torgi supply urban shops. All retail shops may obtain goods direct from co-operative and Kustarny manufacturing enterprises in their immediate neighbourhood, but this naturally applies mainly to small enterprises turning out simple articles with primitive means. The large industrial co-operative enterprises manufacturing, say, ready-made clothing or footwear, often maintain their own retail shops, but in any case only supply those State or consumer co-operative trading organisations, whether retail or wholesale, which can give reasonably large orders.

APPENDIX No. 1

DIAGRAM OF STATE AND CO-OPERATIVE DISTRIBUTIVE SYSTEM



APPENDIX No. 2

PRINCIPLES OF PLANNING THE DISTRIBUTION OF RETAIL GOODS

THE two enactments given in detail below show how planning is conducted in stages, the competent organ in each stage making a more detailed distribution of the supply of goods than the one above. It should be clearly understood that the Plans in question do not deal with actual volumes of specific goods, but with values.

I

A RESOLUTION OF THE PRESIDUM OF TSENTROSOYUZ, OF 11TH MARCH 1937, RELATING TO THE ORDER OF PLANNING THE GOODS TURNOVER AND GOODS FUNDS OF DISTRICT SHOPS (RAYMAG) AND VILLAGE SHOPS (SELMAG)

With a view to increasing the responsibility of District Unions of Consumers' Co-operatives (Raysoyuz) in respect of specialised retail trade and to bringing Plans into full accord with the peculiarities and capacities of the individual district and village shops, the Presidium of Tsentrosoyuz resolves—

- (1) To cease the present system of planning the goods turnover and goods funds of district and village shops by Tsentrosoyuz or Republican or Provincial Unions, as the case may be.
- (2) That the planning of goods turnover and goods funds of district and village shops shall be conducted as follows :
 - (A) Tsentrosoyuz shall distribute the supply of "planned" and "regulated" industrial goods in bulk among the several Republics

Appendix No. 2

- and Provinces, without subdivision between district and village shops.
- (b) Republican and Provincial Unions, when dividing the quarterly supply of goods among their several districts, shall determine the total value of sales of "planned" goods through the district shops and the village shops respectively without further subdivision to each individual shop.
 - (c) The distribution of the supply of goods to each individual district and village shop shall be carried out quarterly by the administration of the District Union (Raysoyuz).

II

CIRCULAR OF THE PEOPLE'S COMMISSARIAT OF INTERNAL TRADE OF THE U.S.S.R., OF 21ST DECEMBER 1936, RELATING TO THE ORDER OF PLANNING THE RETAIL GOODS TURNOVER OF LOCAL TORGI

To the People's Commissariats of Internal Trade of Federated and Autonomous Republics and the Provincial Departments of Internal Trade :

It is proposed to institute as from 1st January 1937 the following form of planning the retail turnover of local Torgi :

- (1) The People's Commissariat of Internal Trade of the U.S.S.R. shall determine the annual and quarterly retail turnover plans as a whole for the individual Glavtorgi.
- (2) The Glavtorgi shall determine the annual and quarterly retail turnover plans in bulk for the Torgi of the Federated Republics, in which there are no separate Provinces, and for the Torgi of the Autonomous Republics and Provinces.
- (3) The annual and quarterly plans for each separate Torg shall be determined by the People's Commissariat of Internal Trade of Federated Republics,

Appendices

not subdivided into Provinces, the People's Commissariats of Internal Trade of the Autonomous Republics and the Provincial Departments of Internal Trade, and shall in due course be communicated to the appropriate Glavtorg.

APPENDIX No. 3

COMPULSORY GRAIN DELIVERIES

DECREE OF THE COUNCIL OF PEOPLE'S COMMISSARS CONFIRMING THE INSTRUCTIONS OF THE COMMITTEE OF COLLECTIONS REGARDING THE CONDUCT OF COMPULSORY DELIVERIES OF GRAIN TO THE STATE, 16TH MAY 1937

(The full text of the Decree covers 8 sections and 64 clauses. The most important points are given below.)

THE amount of grain due from every Kolhoz shall be determined by the authorised agent of Zagotzerno in the Rayon in accordance with—

- (a) The planned areas to be sown to winter and spring grains as fixed for each Kolhoz by the Rayon Executive Committee.
- (b) The quota per hectare as confirmed by Zagotzerno and promulgated by the Council of People's Commissars of the relevant Federated or Autonomous Republic, or the Provincial Executive Committee, for Kolhozy served by M.T.S. and Kolhozy not served by M.T.S. in each administrative Rayon.

The following crops are subject to compulsory deliveries: rye, wheat, barley, oats, millet, buckwheat, spelt, maize, tares (seed only), peas, lentils and beans.

The amount of compulsory deliveries is fixed separately for the basic crops (wheat, rye and beans), and in some regions also for maize, on the basis of the area planned to be sown to each crop by each Kolhoz in the autumn of 1936 and the spring of 1937.

The amount of "other" grains (barley, oats, buckwheat, millet, etc.) to be delivered is calculated as follows:

Appendices

(Example) A Kolhoz plan provides for sowing 100 hectares in autumn and 400 hectares in spring to all grain crops, and the average delivery amounts to 3 quintals per hectare, or 1500 quintals in all. Of the total area 150 hectares are sown to wheat, the delivery of which is at the rate of 3·5 quintals or 525 quintals in all. Rye is sown on 40 hectares, the delivery being at the rate of 4 quintals, or 160 quintals in all. Beans are sown on 25 hectares, the delivery being at the rate of 2 quintals, or 50 quintals in all.

Thus, out of 1500 quintals the Kolhoz has to deliver—

Wheat . . .	525 quintals
Rye . . .	160 „
Beans . . .	50 „
	<hr/>
	735 „
	<hr/>

The remaining 765 quintals may be delivered in any proportions of other grains.

Certain variations of the scale are permitted when the sowing plan provides for abnormal distribution of the land under the different crops.

In certain specified regions newly reclaimed land, *e.g.* cleared scrub-land or drained marsh-land, are exempt from compulsory deliveries in respect of crops grown on it. Land sown in excess of the spring sowing plan is also exempt. But in all other regions the whole area planned to be sown to spring grains, even though the plan be not realised, and any land sown in excess of the plan is subject to the quota.

Without exception deliveries must be made in respect to the whole winter sowing plan, whether realised or not. But land sown in excess of the plan is exempt.

Substitution of certain grains for others is permitted as follows :

Instead of a pud of wheat or rye, one pud of millet or 30 pounds (*i.e.* $\frac{3}{4}$ pud) of buckwheat.

Appendix No. 3

Wheat and beans may be delivered in place of rye, pud for pud.

“ Other ” grains (barley, oats, etc.) may be substituted by an equivalent weight of any of the three basic crops.*

Quota grain must be delivered to an elevator or other designated collecting point by the Kolhoz by means of its own transport and must conform to certain fixed minimum standards of quality. Anyone trying to pass off grain of inferior quality and any official accepting delivery of inferior grain will be held legally responsible.

In the event of a Kolhoz failing to fulfil its obligations, the Rayon representative of Zagotzerno shall hold an enquiry to determine whether it is the fault of the Kolhoz or not. The case is then to be referred to the Public Prosecutor, who proceeds against the Kolhoz administration. If the charge be proved, the penalty is a money fine equal to the value of the grain in default at the Government's purchasing price (20 per cent over the fixed quota price : see Chapter XX) in addition to the delivery of the deficit.

Appeals against assessments of compulsory deliveries may be made to the Republican or Provincial representative of Zagotzerno through the Rayon representative. (That is to say, appeals are made to and decided by the same authority that makes the assessment.)

Note.—The law contains no indication at all of what is considered a valid excuse for failing to complete the compulsory quota.

On 20th March 1937 a decree of the Council of People's Commissars excused all Kolhozy and independent peasants from completing their unfulfilled quotas in 1936 ; and on 9th April the People's Commissariat of Justice issued an injunction to all Republican Commissariats and Republican and Provincial Public Prosecutors to withdraw

* The official Soviet figures of yields in quintals per hectare in 1934 and 1935 show that if wheat be taken as 100, the yield of other grains is as follows :

Oats . . .	120	Buckwheat . . .	68
Rye . . .	102	Millet . . .	59
Barley . . .	102		

Appendices

all cases connected with non-fulfilment of grain deliveries. A special amnesty was granted to defendants already sentenced to penalties.

A number of important grain regions were seriously affected by drought in 1936. In view of the fact that compulsory deliveries should have been completed well before the end of the year and that cases of non-fulfilment were being tried in the following March, there is ample ground for thinking that many cases of default were due to absolute inability to deliver the quota from the poor crop harvested. It must have been obvious already at harvest time in the drought-stricken areas that the crops were insufficient to cover the assessed quotas through no fault of the Kolhozy, yet this was not accepted as a valid excuse, as the subsequent trials prove.

APPENDIX No. 4

DECENTRALISED COLLECTIONS

DECREE OF THE COUNCIL OF PEOPLE'S COMMISSARS, 19TH AUGUST 1935, CONCERNING THE DECENTRALISED COL- LECTION OF NON-GRAIN AGRICULTURAL PRODUCE

THE Council of People's Commissars notes that the decentralised collection of non-grain agricultural produce is proceeding unsatisfactorily. Many organisations fulfil only 40 to 50 per cent of their Plans. . . . The authorised representatives of purchasing organisations systematically violate the fixed conventional prices. . . . Collecting organisations do not properly carry out their operations in the countryside by buying directly from the Kolhozy, but in a majority of cases confine their activities to the Rayon centres and the markets and thus lay themselves open to buying goods at second hand (*i.e.* from middlemen). . . . Operating costs are often 50 to 60 per cent of the value of the produce obtained, and sometimes 100 per cent. . . . The Conventional Bureaus in many cases are inactive and fail to cope with these grave violations of the law. . . . The Council therefore decrees :

Decentralised collections are entirely forbidden in the markets of large towns and other consuming centres and in the markets of contiguous Rayony.

Restaurants, rest homes, children's homes, crèches, hospitals, railway buffets, etc., may purchase produce for their own use only in their allotted Rayony, where they may buy on the local markets and bazaars.

The Committee of Collections shall revise the lists of enterprises and institutions permitted to engage in decentralised collecting with a view to their reduction, permitting only the more important organisations to continue to practise collecting.

Appendices

At the same time the Committee of Collections shall specify those enterprises, etc., which shall have the right of concluding direct contracts with Kolhozy and those which may carry on decentralised collecting only through the medium of primary organs of the Consumers' Co-operatives (Selpo), State trading and specialised collecting organisations.

As a general rule, collecting organisations shall procure produce through long-term contracts with Kolhozy in the remote countryside (*i.e.* in districts distant from town markets).

The Committee of Collections shall allot Rayony to authorised collecting enterprises for a period of two to three years.

The collection of produce on terms involving Otovari-
vanie in the sense of affording productive assistance to Kolhozy is forbidden (*i.e.* collecting organisations shall not as part of their contract assist Kolhozy with technical assistance such as architects to design buildings, engineers to supervise the digging of wells, etc., nor with building material, machinery, etc.).

State enterprises such as Glavmasloprom (Chief Administration of Oils and Fats Industry), Glavmoloko (Chief Administration of Dairies), Glavmiaso (Chief Administration of Meat Industry) and Tsentrosoyuz shall put their enterprises at the disposal of collecting organisations for working up and manufacturing their produce.

The Republican, Provincial and Rayon Conventional Bureaus shall be reorganised and be constituted as follows :

President : the authorised local representative of the Committee of Collections. Members : the manager of the local organ of the People's Commissariat of Internal Trade and the manager of the local office or branch of the State Bank and, in Rayon Bureaus, the president of the Raysoyuz.

The Committee of Collections shall determine the limits of conventional prices in each Republic and Province for cattle and meat of all sorts, eggs, domestic poultry, milk, butter, garden fruit, potatoes, tomatoes, cucumbers and onions, and revise the prices at least once every quarter, taking into account changes in the open market prices.

Appendix No. 4

The authorised representatives of the Committee of Collections in the Republics and Provinces shall cause the conventional prices for the above commodities to be reviewed at least once a month within the price limits fixed by the Organisation.

The Republican and Provincial Bureaus shall fix and revise price limits for all other non-grain produce.

APPENDIX No. 5

COLLECTING ACTIVITIES OF SELPO

DECREE OF THE COUNCIL OF PEOPLE'S COMMISSARS, 9TH
APRIL 1936, CONCERNING THE IMPROVEMENT OF THE
COLLECTING ACTIVITIES OF VILLAGE CONSUMERS' CO-
OPERATIVES AND THE REDUCTION OF THE NUMBER OF
PRIMARY STATE COLLECTING ORGANS

EVERY village Consumers' Co-operative is obliged to carry
out collections of agricultural produce and raw material :

- (a) According to a central plan received through the
Rayon Union of Co-operatives or under contractual
agreement with State collecting organisations.
- (b) Under the system of decentralised collections.

State collecting organisations are to be dissolved as
follows :

For collecting down and furs	.	in 243 rayons
„ hide, skins, etc.	.	„ 169 „
„ wool	.	„ 109 „
„ fruit and vegetables	.	„ 160 „
„ butter	.	„ 32 „

In Rayony where the State collecting organisations
hand over their activities to the consumers' co-operatives
they shall transfer to the latter all staff, premises, appar-
atus, transport, etc.

The Committee of Collections (now the People's Com-
missariat of Agricultural Collections) shall proceed to a
reduction of the number of organisations empowered to
conduct decentralised collections from 2385 to 1475. Of
these, 589 organisations shall be permitted to conduct their
collecting activities only through consumers' co-operatives ;

Appendix No. 5

the remainder may work through the co-operatives or may negotiate directly with the producers.

The Consumers' Co-operative Society shall make contracts with the State Collecting Organisations for the full amount of produce agreed to be delivered. Produce collected in excess of the contracts shall be offered in the first instance to the collecting organisations with whom contracts have been made. The Rayon Unions must conduct their collecting operations only through the Selpo.

The Selpo shall carry out their collections through collectors drawn from the members of the Kolhozy, who shall receive payment according to the nature of their work.

The administration of all the collecting activities of the Selpo is in the hands of the collecting office of the Rayon Union of Consumers' Co-operatives.

The following are the scales of payment to the Selpo to cover the costs of collection, storage, sorting, etc. :

Butter	28 roubles per quintal
Eggs	35.40 roubles the box
Hides and skins	13.3% of the conventional price
Wool	450 roubles the ton
Down and feathers	21.5% of the price
Potatoes	From 5 to 5.8% of the price
Vegetables generally	From 4.6 to 5.4% of the price
Fruit	4% of the price

As a further stimulus to increase collections all Selpo shall receive 50 per cent of the profits realised by Rayon collecting offices through the sale of produce procured through the Selpo.

To supervise the collecting activities generally special organisations shall be formed by Tsentrosoyus for the following commodities :

Milk and butter	Raw material
Meat and poultry	Fruit and vegetables

Similar organisations, according to special lists, shall be formed by the Republican and Provincial Consumers' Co-operative Unions to correspond with the type of produce collected under their jurisdiction.

APPENDIX No. 6

PEASANT INCOME

It was stated in *Pravda* of 2nd February 1938 that the Kolhozy of the Soviet Union paid the sum of R.1695 million into their non-divisible funds during 1937. The "Model Constitution" for Collective Farms (see Appendix No. 8) laid down that not less than 10 per cent and not more than 20 per cent of each farm's money revenue shall be appropriated to the non-divisible fund (i.e. a collective fund for purchasing new live and dead stock, building material, etc., for paying wages to outside workers engaged for building, etc., and for the repayment of long-term loans). The remainder of the net money income shall be divided among the Kolhozniki in proportion to the number of labour days performed by each.

Assuming that on an average the Kolhozy placed 15 per cent to their non-divisible fund, the divisible money revenue in 1937 was about R.9600 million; and assuming that the fully employed Kolhozniki amount to an equivalent of 40 millions, the money dividend for a full year's work would have been R.240. On page 298 it was calculated that the average dividend was R.120 in 1935. It would seem, therefore, that in 1937 it was about double that sum. This would not be very surprising if the following circumstances be taken into account. The harvest in 1937 was, to judge by the meagre information available, some 15 to 20 per cent larger than in 1935, which of course meant a much larger increase in the marketable surplus; the quantity of livestock was also considerably larger in 1937 than in 1935; after derationing in 1936 the prices for compulsory deliveries of grain were raised by some 20 per cent, and prices for industrial crops were raised very much more to compensate the peasants for the loss of "Otovarianie". In fact there are a number of reasons for thinking

Appendix No. 6

that the peasants' money income has expanded considerably since 1935. The purchasing power of their incomes has not increased to the same degree, because the general level of retail prices of industrial goods was higher in 1937 than in 1935, when allowance is made for the proportion of consumption goods sold at ration prices in the earlier year.

APPENDIX No. 7

AGRICULTURAL YIELDS

THE following table shows the average yield in quintals (approximately 220 lb.) per hectare of a number of important crops and the approximate equivalent in bushels per acre. The figures for the quinquennium 1909-13 are taken from *Die Krise der Sozialistischen Landwirtschaft in der Sowjetunion*, by Dr. Otto Schiller (Berlin, 1933), and for the quinquennium 1931-35 from *Sotsialisticheskoe Stroitelstvo*, 1936.

It may be noted that in 1933 and subsequent years the Soviet method of estimating crop yields of grain was to calculate the quantity of grain in the standing crops and make an allowance of 10 per cent for harvesting losses. Since harvesting losses in the U.S.S.R. certainly average over 40 per cent, this method of calculation gave a higher statistical yield than was in fact actually harvested.

	1909-13		1931-35	
	Quintals per Hectare	Bushels per Acre	Quintals per Hectare	Bushels per Acre
Winter wheat .	8.7	13.0	9.0	13.4
Spring wheat .	6.2	9.2	6.6	9.8
Rye	7.5	11.9	8.7	13.8
Oats	8.0	15.0	8.7	15.8
Barley	8.6	12.6	8.6	12.6
Maize	10.1	15.0	10.4	15.5
All grains	7.5	11.8	7.9	12.0
Sugar beet	160.7	..	90.6	..
Potatoes	69.1	..	81.6	..
Flax fibre	4.0	..	2.3	..

Note.—The bushel being a measurement of volume and the quintal a measurement of weight, the ratio between quintals and bushels varies according to the difference in weight of a given volume of different grains.

APPENDIX No. 8

THE KOLHOZ STATUTES

MODEL statutes for Kolhozy were drawn up and issued at the beginning of 1935. While the normal organisation of the Kolhoz and the status of Kolhozniki were not materially altered, the rights and liabilities of the Kolhoz collectively and the Kolhozniki individually were defined and legalised.

The standard form of Kolhoz is the artel. The Kolhozniki in this type of Kolhoz form an association for holding and cultivating the land in common and for collectively owning all farm buildings, working livestock, machinery and plant. But dwelling-houses, a small allotment of land and a certain head of productive livestock may be in the possession or use of individuals. The land occupied by a Kolhoz remains in the nominal ownership of the State, but is transferred in perpetuity to the Kolhoz. No rent is payable to the State, and the Kolhoz may not alienate any portion of its land, except in so far as small holdings are allotted from the communal land to individual households.

The amount of land and the head of livestock in the private use and possession of each household varies according to the geographical region and the principal activity of the Kolhoz. In predominantly agricultural regions each household may own one cow, two calves, one or two breeding sows with progeny, up to ten sheep and goats, an unlimited quantity of poultry and rabbits, and up to twenty beehives.

In regions where stock farming is well developed alongside arable farming these quantities are increased to a maximum of three cows and an unspecified number of calves, three sows, twenty-five sheep and goats.

In the regions of small agricultural importance where

Appendices

the population is of a nomad or semi-nomad character, private ownership may extend to five cows, forty sheep and goats, three sows, and in addition one horse or milch mare for producing koumis, or two camels, or two asses, or two mules.

In purely nomad regions private herds may include ten cows, one hundred and fifty sheep and goats, ten horses and eight camels.

In respect to land, the household allotment in more or less intensive arable regions is from $\frac{1}{4}$ to $\frac{1}{2}$ hectare (0.6 to $1\frac{1}{2}$ acres), but may be increased to 1 hectare (2.5 acres) where local conditions permit. This is exclusive of the garden or allotment immediately surrounding the house.

The work of the Kolhoz is performed by its members in accordance with a scheme determined by the members themselves at general meetings. All members have to perform the tasks allotted to them, their individual shares in the divisible surplus of produce and money being proportionate to the number of days' work they perform. The accounting value of a day's work, however, differs in accordance with the type of work; thus simple and unexacting labour such as cattle herding and night watchman counts less than tractor driving, ploughing, etc.

The administration of the Kolhoz is in the hands of a President and Committee elected by a general meeting of members. The administrative staff consists of the President, who is credited with a day's work, generally counting as two units, for every working day, a book-keeper and possibly a correspondent and one or two other clerical workers, according to the size of the farm. These are often employees paid a fixed wage or salary, since many Kolhozy do not include among their members persons with the necessary clerical qualifications. Formerly Kolhoz Presidents were frequently proletarian Communists nominated or appointed from outside by local Party organisations. These as a rule knew little about farming and cared little for the success of the farm or the interests of the members. There was astonishing fluidity among these appointees and few stayed on one farm for any considerable period. Many Kolhozy changed their President several times in the year.

Appendix No. 8

To-day possibly a majority of Kolhoz Presidents are genuine members and old residents of the village.

The total amount of land and stock in the personal possession of Kolhozniki is considerable (there are about 18.5 million Kolhoznik households in all). It will therefore be realised that private enterprise accounts for a not inconsiderable proportion of the country's total agricultural produce. The Soviet Government was impelled by two considerations to grant these concessions. Firstly the collectivised peasants, when deprived of all personal property and initiative, became careless and apathetic. This was an important contributory cause to the harvest failures of 1931 and 1932 resulting in the famine of 1932-1933. Secondly, by allowing private allotments and private livestock, a considerable area of land is cultivated that for various reasons would have been neglected as Kolhoz land, and a considerable amount of rough grazing, refuse and by-products that would have been wasted under the collective system is utilised by the private owners of animals. In these ways the total quantity of food produced is materially increased. However, a large proportion of the younger generation of peasants, who have grown up without the tradition of the peasant farmer, tend to despise the aspirations and activities of the small holder, preferring to become tractor drivers, mechanics, soil experts and anything rather than mere farm labourers. Also, to dig a garden allotment or milk a cow after a day's hilarious tractor-driving is tedious and an anticlimax, especially if some other form of entertainment is available. It has therefore come about that the concession of private property to Kolhozniki, instead of being doled out as a favour, often has to be forced on reluctant recipients.

APPENDIX No. 9

SOVIET STATISTICS

UP to the year 1930 the State Planning Commission (Gosplan) issued a monthly review containing useful and generally reliable economic information. In 1930, however, Gosplan was purged of its non-Party experts and the Central Statistical Administration, which had ranked as a separate department, was placed under Gosplan and also purged. It was decreed that statistics had to "play a practical part in the war of communism against capitalism". Whatever statistics may be circulated confidentially among the leaders and chief officials in Government and Party, the published statistics to-day are neither objective nor reliable. In the first place no statistics of any sort are issued dealing with prices, currency, housing, cost of living and a number of other economic phenomena which are indispensable to a true evaluation of any economic system. The annual statistical summary, published by the Central Statistical Administration, is the chief and almost the only source of statistical information available to the ordinary individual. It devotes much space to industry and contains a few useful tables showing the annual volume of production of a few key products such as pig-iron, steel, cotton and woollen cloth, etc., but most production figures are expressed in hypothetical roubles having the purchasing power of 1926-27, a most unsatisfactory unit and one that allows scope for judicious manoeuvring. In any case prices are arbitrary, and the information that in 1937 the output of, say, furniture was planned at R.900 million means just nothing. If it is stated that the output in 1936 was R.678 million, it may be supposed that output in 1937 will be about 33 per cent more, but this cannot be taken for granted. The summary also contains some useful tables on agricultural yields, wages in general, and trade turnover,

Appendix No. 9

which can be accepted with certain reservations. It is, for instance, impossible to accept retail trade turnover figures at current prices as a true indication of increases in the actual supply of consumers' goods. Retail prices on the average consist to about 50 per cent of production and distribution costs to about 50 per cent of sales tax, which is tantamount to the Government's monopoly profit. During the planning era the incidence of tax increased very largely, thus inflating the money value of retail goods supplied to the population, while the actual volume expanded much more modestly. The wage tables give no hint at all regarding the differences between the remuneration of different sorts of labour. From occasional references in newspapers and publications it is clear that the difference between the highest and lowest industrial wages is exceedingly large.

It is impossible to say with certainty that Soviet statistics are deliberately falsified, but it is clear that they are presented in such a way as to give a far too optimistic picture of the real situation. Official conclusions are drawn from statistics that are in no way justified. At the conclusion of the first Five-Year Plan, Stalin himself announced in a formal report that the Plan for industrial production had been fulfilled 93·7 per cent. This was true only in so far as the value (at arbitrary prices of course) of actual industrial output in 1932 was 93·7 per cent of the planned value of industrial production in that year. It was admitted that in volume the output of a number of key products was considerably below the Plan. For instance—

	Actual Production in 1932	Planned Production in Final Year of the Plan
Coal, million tons .	64·4	75·0
Iron " " .	6·2	10·0
Steel " " .	5·9	10·4

The Plan was fulfilled very unequally, and it is nonsense to claim that over-production of one thing may be set off against under-production of another.

Further, it was, for example, claimed that the Plan for

Appendices

coal was 86 per cent fulfilled. But this claim was in fact not justified. The Plan provided for an increase from 35.4 million tons in 1927-28 to 75 million tons in the final year of the Pyatiletka, in other words an increase of 39.6 million tons. The actual increase was 29 million tons, or 73.3 per cent.

It is not improbable that some of the crises that have occurred in the Soviet economy have been due to, or at least exacerbated by, the Government or Gosplan itself being misled by false statistics issued by the Statistical Administration, either through carelessness or ineptitude or through fear of wrecking charges. Thus, it is believed that the results of the census taken at the beginning of 1937 were not published because they showed several millions less population than was consistent with the calculated net annual increase since the last census. From the official explanation that the census had been entirely bungled by the statistical officers concerned, it may be assumed that a number of persons in the Statistical Administration were severely disciplined for failing to find the missing millions.

The difficulties confronting the student and investigator into Soviet economy are complicated by the scantiness and unreliability of Soviet figures, but as no alternative is available they must be used, and it is the fault of the Soviet leaders themselves if unfavourable conclusions are the result of their omission to publish information on some aspects of the national economy and their too obviously tendentious treatment of most of the information that is published.

APPENDIX No. 10

THE ARTEL

THE artel is a very old Russian institution. Essentially it is a profit-sharing association of members, but, in Imperial times, an artel might be a permanent highly organised and capitalised concern or a mere temporary association of a few members for some specific purpose, such as to undertake a building contract. A good illustration of the former type was the Commissionaires' Artels in the big commercial centres. These had their own offices and office staff and possessed considerable funds, often invested in house property. To become a member the candidate had to bring unimpeachable testimonials, and deposit a substantial guarantee or caution money. The artel supplied bank messengers, doorkeepers, watchmen to all sorts of commercial offices, including even petty cashiers, an official peculiar to Russian business where so much use was made of casual labour such as independent carters, payment being made on the spot in cash instead of by cheque or monthly account. Through the hands of a petty cashier some thousands of roubles might pass in the course of a week : he might, for instance, be responsible for paying out the wages of the staff, and the reason for employing an Artelshchik was that his artel was responsible for any default. Payment for the man's services was made by the employer to the artel, which paid the man a fixed salary plus a share of the net profits of the artel. In theory the Soviet Artel is much more democratic and no fixed wages are paid, but it is said that in some cases the working members of an artel are really little more than paid employees of the founder of the enterprise.

GLOSSARY

THE transliterations adopted are those approved by the School of Slavonic and East European Studies in London University.

- Artel*. An association of workers for co-operative employment for wages or of craftsmen in producing articles for sale.
- Bakaleyа*. A grocery shop.
- Brak*. Spoilt or defective goods.
- Brakovat* (verb). To sort factory output into grades of quality ; to condemn flawed goods.
- Tsentrosoyuz*. The central administrative organ of the Consumers' Co-operative system. In effect Tsentrosoyuz has the same standing as a People's Commissariat and the President is a State official.
- Chief Administration—Glavnoe Upravlenie* (sometimes condensed into *Glavka*). A specialised department of a Commissariat.
- Dacha* (plural, *Dachi*). A summer cottage or villa, usually occupied by city families from May to September. Many Dachi are still privately owned, and owing to the housing shortage are inhabited all the year round.
- Desyatn*. The old Russian unit of land measurement, equal approximately to 2·7 acres.
- Galantereya*. Equivalent to haberdashery.
- Gastronom* (shop). Roughly corresponds to *delicatessen*.
- Glavtorg*. A Chief Administration in the People's Commissariat of Internal Trade exercising general control over a special class of Torgi or over a certain territorial area.
- Gosbank* (Gosudarstvenny Bank). The State Bank of the U.S.S.R.
- G.O.R.T.* (Gosudarstvennoe Otdelenie Rozhnichnoy Torgovli). State Department of Retail Trade.
- Kolhoz* (Kollektivnoe Hozyaistvo) (plural, *Kolhozy*). Literally a collective or co-operative economic enterprise. The term is mainly applied to collective farms, but co-operative fishing and hunting associations are also termed Kolhozy.
- Kolhoznik* (plural, *Kolhozniki*). Member of a collective farm.
- Krai* (see *Oblast*). A province containing one or more national autonomous areas.

Glossary

- Kulak.** Literally a fist, originally applied to a wealthy peasant employing farm labour and exploiting his poorer neighbours by lending money or farm implements on usurious terms. Under the Soviets applied to any peasant showing independence of character.
- Kustar** (plural, *Kustari*). Handicraftsman, usually a peasant. Formerly the Kustar generally worked at home with his family and possibly one or two hired helpers. Under the Soviets the Kustari are mostly assembled in artels and often work in well-equipped factories.
- Kustarny** (adjective). *E.g.* Kustarny products or Kustarny enterprise.
- Mezhraybaz.** Inter-district wholesale warehouse serving consumers' co-operative organisations in several adjacent Rayony.
- Mezhraysoyuz.** Inter-district union of consumers' co-operative societies.
- M.T.S.** Machine Tractor Stations. State enterprises providing machinery for the cultivation of collective farms.
- Nepman.** A private merchant or industrialist tolerated during the course of the New Economic Policy.
- Oblast** (see *Krai*). A province containing no autonomous enclaves.
- Otovarivanie.** The supplying of consumption goods at normal or ration prices to peasants in proportion to the quantity of produce they sell to the State or a State enterprise at the Government's fixed purchasing price. Thus cotton-growers in Central Asia received from the Government a given quantity of grain or flour at ration prices for every pud of raw cotton delivered. Otovarivanie ceased with the end of rationing.
- O.R.S.** (Otdelenie Rabochego-Snabzheniya). Department of Workers' Supplies. A Government organisation formed to establish and manage stores, canteens and restaurants in connection with industrial enterprises employing a large concentration of workers. Many factory O.R.S. ran their own dairy and vegetable farms for the benefit of the workers. Since derationing practically all factory O.R.S. have been dissolved and their shops, etc., taken over by State trading organisations. O.R.S. farms were at the same time distributed among the neighbouring Kolhozy.
- Pyatiletka** (from *pyat* = five, and *let* = a year). The five-year period of a plan.
- Pud.** A Russian weight equal to approximately 36 lb. Russian

Glossary

- weights and measures have been largely discarded in favour of the metric system.
- Prombank* (Promyshlenny Bank). The Industrial Bank; finances industrial investment from funds consisting of budgetary grants and levies on the profits of industrial enterprises. Exclusively a long-term institution.
- Prombaz* (Promyshlennaya Baza). A wholesale depôt and warehouse belonging to an industrial chief administration for the local sale of the products of its factories. Thus the chief administration of cotton industries maintains a large number of Prombazy throughout the country for the sale to local trading organisations of cotton goods.
- Raybaz*. A district wholesale depôt under a Raysoyuz (*q.v.*).
- Raymag*. A district shop run by a Raysoyuz.
- Rayon* (from the French *rayon*). Political territorial district roughly corresponding to a county. The smallest unit with local government.
- Raypo*. District consumers' co-operative society. These have practically disappeared, having been subdivided into Selpo (*q.v.*).
- Raysoyuz*. A district union of Selpo.
- Sbyt*. As verb, to market, to sell: as noun, sale, marketing, in Soviet usage applied to the commercial department of an industrial trust.
- Selmag*. Large village shop belonging to a Selpo.
- Selpo* (Selsky Potrebitelsky Kooperativ: plural, the same). Village Consumers' Co-operative. The primary organisation in the consumers' co-operative system.
- Selsoviet*. Village council.
- Soviet*. (1) Council. (2) Advice, counsel.
- Soyuz*. Union, association, league, alliance, etc.
- Torg* (literally bargain or bargaining). In Soviet terminology used to denote a trading organisation, *e.g.* Rospromtorg = Rostov trading organisation for industrial goods; Rospishchetorg = Rostov trading organisation for foodstuffs.
- Univermag* (Universalny Magazin). A shop selling a multiplicity of manufactured goods exclusive of foodstuffs. The term is applied indifferently to a village shop selling boots, sewing cotton, crockery, etc., and a large city department shop.
- Zagotovka* (literally laying in stores for winter, etc.). Usually applied to the collection or levying of agricultural produce by the Government.
- Zagotzerno* (from *Zagotovlyat* = to provide, and *Zerno* = grain).

Glossary

The State organisation for procuring grain throughout the country and distributing it to the flour mills, export organisation, etc.

Zemstvo. Elective local governing bodies under the Tsarist régime. Established after the emancipation of the serfs and largely concerned in organising rural education, instruction in agricultural science, health services, etc.

REFERENCES

- (1) Leon Trotsky in *The Revolution Betrayed*, p. 225.
- (2) The currency reform and the development of Soviet Banking system have been described by the present writer in *Soviet Money and Finance* (Macmillan, 1936).
- (3) *National and State Economy of the U.S.S.R. in 1922-23*, p. 658.
- (4) *Planovoye Hozyaistvo*, No. 6, 1936, "The Purchasing Funds of the Population and Retail Trade Turnover", by V. Chernavsky and S. Krivetzky. It should be explained that this sum is in current roubles, whereas the gross value of the total agricultural produce mentioned before was calculated in fictitious roubles having the purchasing power of the rouble in 1926-27.
- (5) For instances of this see *I was a Soviet Worker*, by Andrew Smith.
- (6) Figures taken from *The Development of Kólhoz Trade* (Gostorgisdat, 1936).
- (7) *Planovoye Hozyaistvo*, No. 4, 1933, p. 18.
- (8) Decree of the Council of People's Commissars No. 2026 of 23rd November 1936.
- (9) Decree of the Council of People's Commissars and the Central Committee of the Communist (Bolshevik) Party, 11th February 1936.
- (10) *The Development of Kolhoz Trade*, p. 67.
- (11) *Ibid.* p. 48.
- (12) Decree of the Council of People's Commissars, 31st August 1936.
- (13) *Planovoye Hozyaistvo*, No. 4, 1936, p. 125.
- (14) *The Development of Kolhoz Trade*, p. 106.
- (15) *Ibid.* p. 81.
- (16) *Planovoye Hozyaistvo*, No. 6, 1936, p. 109.
- (17) *Problems of the Reconstruction of State Trade in the Grocery and Provision Trade*, 1936, published by the Research Institute of the Commissariat of Internal Trade.
- (18) *Financial Programme for the U.S.S.R. for 1937*, p. 18.
- (19) *Planned Economy*, No. 6, 1936, p. 114.
- (20) *Ibid.* p. 112.
- (21) *The Second Five-Year Plan, 1933-37* (English translation), p. 643.
- (22) *Planned Economy*, No. 2, 1937, p. 99.
- (23) *Socialist Construction*, 1936, §10, "Personnel of Soviet Trade".
- (24) Professor Paul Haensel, *The Economic Policy of Soviet Russia*.

References

- (35) *Handbook of Retail Prices and Values in Moscow Province.*
- (36) Personal observation in Moscow shops in March 1937.
- (37) Given in *Light Industry* of 9th May 1937 to illustrate the "fall in prices" during the second Five-Year Plan.
- (38) *Problems of Supply, 1925*, pp. 10 and 11.
- (39) *Ibid.* p. 12.
- (40) *Planovoye Hozyaistvo*, No. 4, 1936, p. 112.
- (41) *The Development of Collective Farm Trade, 1936*, p. 138.
- (42) *Towards a New Stage in Socialist Construction, 1930*, vol. i. p. 280.
- (43) *Ibid.* p. 282.
- (44) *National and State Economy of the U.S.S.R., 1922-23*, p. 483.
- (45) "The Purchasing Power of the Population and Retail Turnover", in *Planned Economy*, No. 6, 1936.
- (46) *National and State Economy of the U.S.S.R., 1922-23*, p. 108.
- (47) *The Development of Collective Farm Trade*, N. I. Popoff (Gostorgisdat, 1936), p. 10.
- (48) Decree of the Council of People's Commissars, 27th February 1936.
- (49) *Planned Economy*, No. 4, 1936, p. 112.
- (50) *The Development of Collective Farm Trade*, p. 141.
- (51) *Ibid.* p. 140.
- (52) *Ibid.* p. 142.
- (53) V. Groman, *The National Economy of the U.S.S.R.* (Moscow, 1927), p. 18.
- (54) N. P. Oganovsky, *The Perspectives of Development of Agriculture in U.S.S.R.* (Moscow, 1924), p. 55.
- (55) *Ibid.* p. 38.
- (56) V. Revzin in *Socialist Reconstruction of Agriculture*, January 1937, p. 42.
- (57) E. A. Cabeau, *The New Course of Socialist Construction* (Moscow, 1930), vol. i. p. 293.
- (58) *Planned Economy*, No. 2, 1937, p. 96.
- (59) *The Second Five-Year Plan*, p. 287.

INDEX

- Accounting, 132
 Advertising, 203, 208, 221
 Agricultural Collections (*see also* Grain), peasant taxes paid in grain, 18; peasant contracts for supply of produce, 47 ff.; Committee of Collection, 50; decentralised collections, 51
 Artels, industrial co-operatives, 99; suppliers of luxury goods, 150

 Bakaleya (*see* Gastronom), 88
 Bank, relations with trading enterprises, 130 ff.; Prom-bank, 199
 Barter, 10; by peasants in 1932-33, 55; *otovarivanie*, 170
 Bureaucratism, 209

 Capital Investment, State control of, 198-9
 Collective Farms, as co-operative associations, 99; Socialism in, 266
 "Commercial" Trade, 55 ff.
 Commissariat of Food Industry, formation of, 62; shops belonging to, 243
 Commissariat of Supplies (*see* Commissariat of Trade), 61
 Commissariat of Trade, 15; of Internal Trade, organisation of, 62 ff.; of the R.S.F.S.R., 67
 Committee of Collections (*see also* Agricultural Collections), 175, 181
 Contracts, between manufacturing and trading organisations, 117 ff.

 Conventional Price Bureaus, 177
 Co-operative Societies, become State organisations, 9; independence restored, 16; urban trading discontinued, 71; structure of consumers' co-operative system, 72; wholesale organisations, 43; engaged in manufacturing, 70, 83; democratic constitution of, 76; in Tsarist Russia, 98; building co-operatives, 155, 156; co-operative University of Trade, 251
 Credit, to trading enterprises, 126; to co-operative system, 128, 129; control exercised by means of, 130, 136; total volume of, 137
 Currency (*see also* Money), inflation of, 10, 11, 13; stabilisation, 13; velocity of circulation, 285

 Decentralised Collections, 178 ff.; quantities and prices, 185
 Director's Fund, 199
 Distribution Costs, 202, 205

 Forced Labour, 327, 330

 Gastronom (special All-Union organisation for retail sale of food: *see also* Bakaleya), 88
 Goods Exchanges, 122, 157
 G.O.R.T. (State Department for Retail Trade), 38; shops, 239
 Grain, tax collections of, 18; State purchases of, 46, 168 ff.;

Index

- contracts for supply of, 47 ; compulsory deliveries of, 163 ; premium on voluntary sales of, 169 ; total harvests and marketable surpluses, 174 ; ratio of deliveries to gross crop, 292
- Income of Peasants, 291, 298
Incomes of Workers (*see* Wages)
Industry, decentralisation of, 110
Insab (*see* Shops)
- Kustar (peasant handicraft worker), producer of consumers' goods, 14 ; organised in artels, 83
- Luxury Goods, 219
- Machine Tractor Stations, scale of payment in kind, by collective farms, 165
Market, Free Peasant, 141, 296 ; government reorganisation of, 142 ; turnover, 144, 274
Market-places, 143, 144
Marketable Surplus of Agricultural Produce, 293
Mezhraybaz (inter-district co-operative wholesale depôts), 97
Milling Tax, 165
Money (*see also* Currency), restoration of, 12 ; the "Chervonetz", 13
- New Economic Policy (N.E.P.), inaugurated in March 1929, 12 ; free market under, 140
- Oblastsoyuz (Provincial Unions of Raysoyuz, *q.v.*), 73
O.R.S. (Department of Workers' supplies), 38, 39
Otovarivanie (*see* Barter)
- Planned Distribution, first stages of, 20, 21 ; in first Five-Year Plan, 61 ; planned, regulated and unplanned goods, 108 ff.
Planning, problems and methods, 107 ; 321 ff.
Preobrazhensky, advocate of deliberate inflation, 13
Prices, control of, by Government action, 19, 20 ; reaction of demand and supply on agricultural prices, 26 ; "commercial" prices, 58 ; in open peasant market, 142, 147 ; market and ration prices compared, 148 ; conventional prices, 177, 181 ; market and conventional prices, 185 ; wholesale prices, 191 ; single fixed retail prices, 194 ; price zones, 194 ; prices of commodities, 270, 272, 273, 278
Private Enterprise, under N.E.P., 13, 14 ; discriminatory taxation of, 21 ; trades and professions permitted, 151, 152 ; tailors and dress-makers, 248
- Rationing, chief reasons for, 26 ; first measures, 30 ; sections of the population entitled to rations, 31 ; numbers in receipt of rations, 32, 33 ; differentiation between classes, 34 ; standard rations, 35 ; cost of, 59 ; derationing of bread, 58 ; of industrial goods, 59
Raypo (District Consumers' Co-operative Society), 96
Raysoyuz (District Union of Co-operative Societies), 73 ; functions of, 94 ff. ; turnover capital of, 129

Index

- Sales Crisis in 1923, 18
- Sbyt (Commercial Department of a Trust), supersedes the Syndicate, 41
- Selpo (village consumers' Co-operative Society), 72, 124; number of shops belonging to, 91; membership, 93; insolvency of, 137; turnover of, 207; amalgamation of smallest units, 208
- Shop Employees, wages of, 249, 255; educational standard, 249; training institutions for, 251; holidays, 253; hours of work, 253
- Shops, numbers of, 37; in Torg system, 82, 122; specialised shop to meet high class demand, 86; Department stores (univermagy), 87, 241; special food shops, 88; specialised shops, 229, 230, 243, 244; ratios of population to, 231; Insab shops, 239; Torgsin shops, 239; shops belonging to industrial organisations, 243
- Soyuzprodmag (*see also* Gastronom and Bakaleya), State organisation for sale of food-stuffs, 89, 203
- State Bank, established in 1921, 13
- Stimulation Funds, 171, 297
- "Surplus Value", 259
- Syndicates, commercial organs of industrial enterprises, 15
- Taxes, money payments revived, 12
- Torg (State trading organisation), 15, 86, 87, 122; municipal and provincial organisations, 69; organised on chain store principles, 81; wholesale depôts of, 83; specialisation in large cities, 84; turnover capital, 129
- Torgsin (*see* Shops)
- Trade Turnover, value of, 285
- Trading Losses, 130, 134
- Trading Organisations (*see also* Commissariat of Internal Trade and Co-operative Societies, Wholesale Trade, etc.), local government departments of trade, 68; profits of, 137 ff., 201, 206 ff.
- Trusts, administrative organs of economic enterprises, 15
- Tsentrosoyuz (central organisation of Consumers' Co-operative Societies), 16; wholesale activities of, 44; internal organisation of, 74; functions of, 75
- Turnover Capital, 129, 137
- Turnover Period of Goods, 131
- Turnover Tax, 206, 286
- Ukoopspilka (Ukrainian Central Co-operative Organisation), 74
- Unemployment, 329
- Univermag (department shop), 87, 119, 122, 241 ff.; advertising by, 203
- Wages, differentiation of, 263 ff., 326; increases of, 269; purchasing power of, 270, 278; real wages, 275, 280; workman's budget, 276, 279; total sum of, 284; the nature of wages, 320
- Wholesale Trade, Prombaz (industrial wholesale depôt), 42, 43, 80, 81; wholesale departments in the Commissariat of Internal Trade, 65; Torg warehouses, 83

BY L. E. HUBBARD

SOVIET MONEY AND FINANCE

12s. 6d. net.

"The merit of this book is that it is the most comprehensive and up-to-date work on Soviet financial planning available in English, and is written by one who is thoroughly acquainted with Russia and her language."—*The Economist*.

"This is a very important book. Mr. Hubbard has brought to bear upon some of the most interesting economic issues raised by Soviet planning a happy combination of expert knowledge, both of Russia and of the theory and practice of banking. He writes, moreover, with a cold objectivity which is still too seldom found among economists who dabble in Soviet experience."—BARBARA WOOTTON in *The Economic Journal*.

"There is so much mystery shrouding the evolution of Soviet finance, its methods and objectives, that a book which lifts the curtain must prove welcome both to economists and to students of political evolution. Mr. Hubbard is well qualified to undertake this task."—Sir CECIL KISCH in *International Affairs*.

"The author approaches his subject in an admirably temperate and scientific spirit, equally far removed from uncritical eulogy and one-sided criticism. His conclusions are based on a solid foundation of tested facts and statistics. It is a book that no serious student of Soviet economy can afford to overlook."—*The Manchester Guardian Commercial*.

MACMILLAN AND CO. LTD., LONDON

NEW WORKS ON ECONOMICS

MATHEMATICAL ANALYSIS FOR ECONOMISTS. By R. G. D. ALLEN. 31s. 6d.

SOCIALISM VERSUS CAPITALISM. By A. C. PIGOU, Professor of Political Economy in the University of Cambridge. 4s. 6d.

THE MIDDLE WAY. A Study of the Problem of Economic and Social Progress in a Free and Democratic Society. By HAROLD MACMILLAN, M.P. 5s.

NATIONAL INCOME AND OUTLAY. By COLIN CLARK, University Lecturer in Statistics, Cambridge. 12s. 6d.

PERSONS AND PERIODS. By G. D. H. COLE. 12s. 6d.

THE SCIENCE OF SOCIAL ADJUSTMENT. By Sir JOSIAH STAMP. 7s. 6d.

FOREIGN BALANCES. By PAUL EINZIG. 8s. 6d.

THE ECONOMIC POLICY OF FRANCE. By the Hon. GEORGE PEEL, author of "The Financial Crisis of France." 8s. 6d.

INTRODUCTION TO THE THEORY OF EMPLOYMENT. By JOAN ROBINSON, author of "The Economics of Imperfect Competition," etc. 4s. 6d.

NEW MONEY FOR NEW MEN. By S. S. METZ. 8s. 6d.

COMMERCIAL BANKING LEGISLATION AND CONTROL. By A. M. ALLEN, Assistant Secretary to the Institute of Bankers; S. R. COPE, L. J. H. DARK, H. J. WITHERIDGE. 18s.

(All prices are net)

MACMILLAN AND CO. LTD., LONDON

Mr. L. E. Hubbard is an acknowledged authority on Soviet trade and finance. In this book, one of four that he has written on Soviet Industry and Labour (for the titles of the others see the back of this jacket), he has written an invaluable guide for those who want to understand how a planned economy really works. Based on a first-hand study of the available data, the book describes the series of State and co-operative trading organizations through which goods pass from the producing enterprise to the consumer. Quotations from the two leading financial papers indicate the accord given this book when it first appeared :

"No one interested in the subject can afford to disregard 'Soviet Trade and Distribution' by L. E. Hubbard," wrote the *Financial Times*.

"It is one of the first attempts to make a serious investigation of economic planning in the Soviet Union. This factual investigation is much the best work that has yet been done about the Soviet Union. It includes far more useful information than has ever been published before."—*Financial News*.

12735

12s. 6d. net