

**THE ECONOMIC POLICY
OF SOVIET RUSSIA**

THE ECONOMIC POLICY OF SOVIET RUSSIA

by

PAUL HAENSEL, D.LL.,

DR. OEC. 'PUB. HON. CAUSA, PROFESSOR IN THE UNIVERSITY
OF GRAZ, FORMERLY IN THE UNIVERSITY OF MOSCOW

LONDON
P. S. KING AND SON, LIMITED
ORCHARD HOUSE, WESTMINSTER
1930

PRINTED IN GREAT BRITAIN BY
RICHARD CLAY & SONS, LIMITED,
BUNGAY, SUFFOLK.

X . 58 . N3

G O .

8915

PREFACE

I LEFT Soviet Russia in 1928. For more than twenty-five years I have been associated with the University of Moscow, where I held the chair for Public Finance, also Professor and Dean at the School of Economics in Moscow for many years. In Tsarist times I was a Member of the Council (Board of Directors) of the State Bank of Russia.

During the Soviet rule since 1921 I was President of the Financial Section of the Institute of Economic Research attached to the Commissariat for Finance of U.S.S.R. In this capacity I took part in the work of the Commissariats (Ministries) for Foreign Trade, for Foreign Affairs and for Transportation, in the State Budget Committee, in the Custom Tariffs Committee and in other Soviet institutions.

In my lectures and in my work in these institutions I did not hesitate to criticize freely and impartially the Soviet Economic Policy. I have never been associated with any political parties or groups. I thought, therefore, that I might express my opinion and do some useful work with reference to the possible ways and means of the economic regeneration of the Russian people. However, when I was in London for temporary research work during my vacations in August 1928, I got the news that I had been deprived of my chair in Moscow University.

This is the fate of so many of my colleagues who, like myself, do not share communist teachings. Still, I was in a happier position abroad, as twelve Universities of four countries joined in their efforts to help me in the circumstances and offered me a temporary or permanent appointment or invited me to deliver public lectures.

In 1926 I had the great distinction of being elected honorary doctor by Munich University. In the same year the Council of the League of Nations invited me to become a Member of the Preparatory Committee of the World's Economic Conference, this invitation being private in char-

acter; nevertheless, the Soviet Government prohibited me from accepting it and refused to give me a passport, although officially the Commissariat for Foreign Affairs informed Sir Eric Drummond that they had nothing against this invitation.

At this time I received abundant and most valuable help from my foreign colleagues. I cannot sufficiently express my thanks for all the kindnesses shown to me. . . .

Now, for a few remarks about the contents of this book. I have tried to remain as impartial as possible. I have used only the latest official information and figures which I considered to be trustworthy.

It should be noted that everywhere the prices are expressed in chervonetz rubles. A chervonetz rouble (= 100 copecs) is equal to about two English shillings. At par it means 2s. 0½d., or £1 is equal to 9 rubles 46 copecs as in pre-war times. Since the stabilization of the rouble in 1925 the chervonetz currency in the home market has remained practically stable, and only in 1929 a noticeable depreciation of the rouble took place.¹ The export or import of chervonetz currency is strictly prohibited; therefore no comparison with the quotations abroad is possible.

The Soviet Government is flooding foreign countries with a great many official and semi-official publications in different languages extolling the communistic regime. I have tried to give an impartial picture.

The Soviet Russian experiment is carried out on one-sixth of the globe, and it affects harshly the economic and social life of all Europe. Unfortunately, so very little is known about it abroad. As a rule, foreigners are prevented from getting the right information. I hope that my book will help to give an idea of what is really going on in the vast country of the Soviets in the field of economics.

*University of Graz,
January, 1930.*

P. HAENSEL.

¹ The wholesale price-index on October 1, 1928, was 1·761, and on October 1, 1929, 1·817 (1913 = 1·000); the retail price-index was 1·999 and 2·150 respectively (cf. Chap. IX).

CONTENTS

	PAGE
PREFACE	V
<small>CHAP.</small>	
I. GENERAL SURVEY, ORIGINS OF BOLSHEVIST RULE AND THE INTRODUCTION OF THE "NEP" (= NEW ECONOMIC POLICY)	I
II. PRESENT SITUATION IN SOVIET RUSSIA	44
III. AGRICULTURE IN SOVIET RUSSIA AND THE ECONOMIC POSITION OF THE PEASANTRY	59
IV. SOVIET RUSSIAN INDUSTRY	83
§ 1. The Industrialization Problem.	
§ 2. The Financing of State Industry.	
§ 3. Conclusion.	
§ 4. The Planning of National Economy.	
§ 5. The Five-year Plan.	
V. THE ECONOMIC POSITION OF THE WORKING CLASS IN SOVIET RUSSIA	130
VI. INTERNAL STATE TRADE IN SOVIET RUSSIA	140
VII. THE SOVIET RUSSIAN MONOPOLY OF FOREIGN TRADE	146
VIII. TRANSPORTATION IN SOVIET RUSSIA	172
IX. PUBLIC FINANCE, CURRENCY AND THE RECENT ECONOMIC DIFFICULTIES	177

INDEX

- ABORTION, 6
Advertising, 145
Agricultural production, 15, 64
— tax, 181
Agriculture, 16, 20, 59, 179
Air traffic, 174
Alcoholic drinks, 138
Allied Republics, 1
America, 159
Amortization, 96
Area of Russia, 1
Army and Navy, 23, 27, 34, 55, 179,
181
Automobiles, 174
Aviakhim, 48
Avtodor, 48
"Bagmen," 32
Bank credit, 141
Banks, 37, 41, 94, 99, 124, 150, 164,
178
Bark, Mr., 21
Birth control, 6
— rate, 4
Blockade, 33
Budenny, 187
Budget, State, 113, 177, 180
Butter, 160
Capital, Private, 41
Capitalist class, 41
Cement, 160
Census, 7
Centrosoyuz, 30, 151
Cereals, 160
Class structure, 7
— struggle, 80
Clubs, 111
Coal, 13, 124, 157, 159
Collectivization, 186
Combines, 186
Communist International, 12
— Party, 1, 11
— — —, Political Bureau of, 1
Communists, 11
Concessions, Foreign, 170, 178
Consumers' cards, 144
Consumption per head, 125, 126
Contests, 104
"Contracting," 71
Control figures, 112, 115
Co-operation, 69
Co-operatives, 31, 40, 48, 70, 140,
142, 151, 186
Cost of living, 55
— of production, 90, 92, 105, 108
"Counter-revolutionary plots," 102
Credit, 116
Currency, 22, 32, 165, 184
Customs duties, 182
Death rate, 4
Debt, State, 84, 180, 181, 183
Discipline, 105
Divorce, 6
Domains, State, 78, 178
Drunkenness, 182
Duma, The, 15
Dumping, 119, 127, 153, 156, 158
Education, 10, 179, 181
Efficiency of Labour, 185
Eggs, 160
Elections, 46
Electrification, 14, 99, 179
Emigration, 3
England, 153
Entertainments, 111
Examinations, 53
Excess Profits Tax, 182
Exchanges, 51
Excise, 182
Expenditure, 179
Export, 16, 80, 146, 149, 150, 154,
159, 162, 165, 170
Factories, New, 120
Finance, Public, 21, 25, 34, 35, 177
Financing of State Industry, 93
Fiscal Year, 113
Five-days Week, 139
Five-year Plan, 120
Food, 138, 184
— cards, 51
— consumption, 55, 61
Ford, Henry, 128
Foreign Capital, 16, 83, 170
— Concessions, 170, 178
— Credit, 161
— Trade, 18, 152, 165

- Foreigners, 44, 128
 Forests, 12, 19, 99, 178
 Fuel, 13, 18
 Furs, 154

 Germany, 153
 Gold Fund, 25
 "Goods Famine," 88
 G.P.U., 56
 Grain, Procuring, 74, 75, 148
 Guides, 44

 Health, 4, 179
 Holidays, 106, 139
 Hotels, 45
 Housing, 134, 179
 Hydraulic Reserves, 13

 Illiteracy, 8
 Imports, 122, 148, 161, 163, 166, 167
 Income, 101
 Indirect Taxation, 182
 Industrialization, 83, 122
 Industries, Petty, 91
 Industry, 17, 83, 90, 109, 178, 179
 Inheritance Tax, 182
 Insurance of Workmen, 131, 180
 Internal Trade, 140
 Inventions, 105
 Investment, 85
 Italy, 164, 169

 Jews, 3
 Joint-Stock Companies, State, 140

 Kerensky, 26
Kulaks, 46, 71
Kustars, 39

 Labour, 29, 38, 185
 Landed Property, 14
 Law, 51
 Lena Goldfields, 170
 Lenin, 26
 Living Conditions, 135
 Loans, 48, 100, 178, 183
 Losses, 94
 Luggage, 165

 Marriage, 6
 Mass-demonstrations, 52
 Matches, 159
Mashrapom, 48
 Military Preparations, II, III, 129
 Mills, 68
 Mineral Resources, 13
 Monopoly of Foreign Trade, 127,
 146, 161
 Motor-cars, 174
 Museums, 45

 National Income, 127
 Nationalities, 2
 Nationalization, 27, 28, 31
 Natural Resources, 12
 New Economic Policy, 33
 New Factories, 120
 Norway, 164, 169

 Officials, 53, 54
 Oil, 154, 155
 Opposition of the Peasantry, 75
 Output, 88, 185

 Paper money, 22, 25, 35
 Parcels from abroad, 164
 Pavloff, 120
 Peasantry, 15, 26, 29, 34, 59, 60, 75,
 81, 186
 Pensions, War, 180
 Persia, 162, 170
 Petty Industries, 91
 Pig-iron, 123
 "Pioneers," 52, 58
 Planning, 112, 115, 118, 186
 "Plots, Counter-revolutionary,"
 102
 "Politbureau," 45
 Political Bureau, 1
 — Police, 44, 56
 Population of Russia, 2
 Postal Service, 175, 178
 Premiums, 161
 Preobrashensky, 34
 Press, The, 10
 Prices, 36, 38, 49, 66, 67, 93, 94, 108,
 137, 143, 151, 154, 184
 Private Banks, 36, 40
 — Capital, 41
 — Industry, 36, 39
 — Trade, 36, 38, 66, 68, 69
 Privation, 126
 Production, 87, 88, 91, 122
 Profits, 85, 93, 94, 96
 Prohibition, 182
 Propaganda, 11
 Provisional Government, 24, 26
 Public Finance, 21, 25, 34, 35

 Quality of production, 104
 Queues, 51

 Railways, 18, 21, 172, 185
 Red Terror, 29
 Religion, 58, 138 n
 Reserve Funds, 180
 Revenue, 177
 River Transport, 172
 Roads, 174
 Royalties, 95, 178
 Rural Population, Excess of, 81

- Rural Population, Influx into cities of, 82
 Russia, Area of, 1
 —, Emigration from, 3
 —, Nationalities of, 2
 —, Population of, 2
- Salaries, 54, 84
 Salt, 160
 Savings Banks, 183
 Schaeffer, Mr., 123
 Scholars, 57
 Schools, 106
 Seeds, 72
 Seven-hour Day, 105, 106
 Shortage, of Food, 184
 Six-hour Day, 106
 Skilled Labourers, 106
 Socialistic Method, 126
 Social Relief, 179
 Speculation, 41
Spati, 44, 55, 56
 Starvation, 33
 State Bank, 37
 — Budget, 113, 177, 180
 — Capitalism, 127
 — Domain, 78, 178
 — Farms, 73, 78
 Sugar, 159
 "Syndicates," 140, 141
- Tariffs, 168
 Taxation, 22, 32, 39, 42, 74, 100, 177, 181
 Tilling Implements, 77
 Timber, 154, 157
 Trade, 49, 141, 144, 178, 179
 Trade Unions, 47
 Transportation, 18, 172, 178, 179
Tved, 31
 Trotzky, 27, 29
 Trusts, 37
 Tsarism, 23
 Turkey, 162, 170
- Unemployment, 82, 106, 132, 180
 Uninterrupted Week, 105
- Vehicular Traffic, 174
 Village Correspondents, 47
 Vodka, 182
- Wages, 48, 90, 92, 104, 130
 Waifs and Strays, 180
 War Communism, 30, 31
 — Pensions, 180
 Wireless, 176
 Workmen, 90, 91, 128, 130, 135
 Work-unit, 31

BOOKS TO READ

SOME ECONOMIC FACTORS IN MODERN LIFE. By Sir JOSIAH STAMP, G.B.E., D.Sc. Demy 8vo. 286 pp. 10s. 6d.

Some Economic Factors: Aesthetics—Inheritance—Invention—Industrial Co-operation—Amalgamation—Stimulus. The Measurement of Economic Factors: Statistical Methods—Human Nature in Statistics.

Daily Telegraph: "It is always an intellectual pleasure to read Sir Josiah Stamp's essays and addresses on economic themes. In his new volume, as in those which preceded it, one sees an acute and fearless mind grappling with difficult problems and arguing them out dispassionately. The author is well versed in economic theory, but, unlike most professed economists, he strives to relate theory and practice, and he never forgets the human element."

GERMANY UNDER THE DAWES PLAN. By DOCTOR MAX SERING, Professor of Political Science, University of Berlin. Demy 8vo. 240 pp. 10s. 6d.

In this book, Professor Max Sering, Germany's great agricultural economist, deals with the history, structure and working of the Dawes Plan. His facts, figures and outspoken opinions will appeal not only to economists, but to politicians of all parties.

Professor Sering talks straight to Great Britain and France, straight to America, and . . . straight to his own country.

RUSSIAN CURRENCY AND BANKING, 1914-1924. By S. S. KATZENELLENBAUM, Professor of Economics in the First State University of Moscow, Member of the Board of Directors of the State Bank of the Union of Soviet Socialist Republics. Demy 8vo. 198 pp. 9s.

In publishing this treatise in English a double aim is kept in view. On the one hand, it is desired to make the British public acquainted with the changes that have taken place in the last few years in the currency and credit system in Russia; on the other to make known to those interested in theoretical problems the views of the author regarding the laws governing the depreciation of paper currency.

A REVIEW OF ECONOMIC THEORY. By EDWIN CANNAN, Emeritus Professor of Political Economy in the University of London. Demy 8vo. 460 pp. 16s.

In this book Professor Cannan has been faithful to the principle which he followed at the London School of Economics—the principle that general economic theory can best be made intelligible by following its development from its simplest beginnings. The story told in his "Theories of Production and Distribution" is now retold, but in a much shorter form, so that room is found not only for starting the history of these theories at their birth and carrying it down to the present time, but also for a similar history of the theory of value, and for a chapter on "Aspirations and Tendencies," in which the drift of economic progress is discussed.

P. S. KING & SON, LTD.,
14 Great Smith Street, Westminster.

BOOKS TO READ

THE WORLD'S POPULATION PROBLEMS AND A WHITE AUSTRALIA. By H. L. WILKINSON. Demy 8vo. 350 pp. with many Maps and Illustrations. 18s.

This book has been written with the object of bringing before the reader the various problems which have arisen, and will arise, as a result of population increasing at the present high rate which, if it continues, will add another 2,000 millions of people to the world's population before the end of another century. The possibilities of some countries absorbing the natural increases of their people are discussed with a view to localising the parts of the world where overcrowding must take place; and as all the difficulties in adjusting populations by migrations are practically exemplified in the case of Australia, with its vast under-populated lands and immigration restriction laws, the latter part of the book is devoted to a discussion of the "White Australia" policy.

RUMANIA'S NEW ECONOMIC POLICY. By Professor Dr. VIRGIL MADGEARU, Rumanian Minister of Finance. Demy 8vo. 80 pp. 5s.

An analysis and description of the framework of the entirely new economic order brought into being through the legislative reforms and administrative measures introduced by the Government of which Iuliu Măniu is the head. These radical changes were recognised by impartial inquiries into the economic structure of the country as an inexorable necessity.

Manchester Guardian Commercial: "A readable account of the 'new time' in Rumania by one of those most intimately connected with its development. Not politicians and economists alone, but merchants and manufacturers interested in European trade will find a study of it profitable."

EDUCATIONAL POLICY IN SOVIET RUSSIA. By N. HANS, Ph.D., late Director of Education of the City of Odessa, and SERGIUS HESSEN, Ph.D. (Freiburg), late Professor of Education, Petrograd. Crown 8vo. 250 pp. 7s. 6d.

The authors of this book are actuated by a desire to supply impartial information based on official Soviet sources and their personal knowledge of Russian education. Both took an active part in Russian educational politics and both lived under the Soviet regime. The book gives a detailed account of the Communist theory and practice in education, and covers the period from 1917 up to 1930.

NATIONALITY WITHIN THE BRITISH COMMONWEALTH OF NATIONS. By E. F. W. GEY VAN PITTIUS. Demy 8vo. 250 pp. 10s.

The object of this treatise is to analyse critically British nationality in all its phases; with that aim in view, an examination of all important legislation has been presented. It has especially been attempted to deal fairly with Dominion legislation, which, it is thought, has not so far, in treatises on British nationality, been given sufficient consideration.

P. S. KING & SON, LTD.,
14 Great Smith Street, Westminster.