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**Class  
Struggles  
in the  
USSR**



Second Period: 1923-1930

[Section 1 -- Preface,  
Introduction, and Part 1]

NOTE: *The translation of this book into English has given the author the opportunity to check a number of his references and, as a result, to revise parts of the text.*

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*Key to abbreviations, initials, and Russian words used in the text*

Artel	A particular form of producers' cooperative
Cadet party	The Constitutional Democratic Party
CLD	See STO
Cheka	Extraordinary Commission (political police)
Glavk	One of the chief directorates in the Supreme Council of the National Economy or in a people's commissariat
Gosplan	State Planning Commission
GPU	State Political Administration (political police)
Kulak	A rich peasant, often involved in capitalist activities of one kind or another, such as hiring out agricultural machinery, trade, moneylending, etc.
Mir	The village community
Narkomtrud	People's Commissariat of Labor
NEP	New Economic Policy
NKhSSSRv	National Economy of the USSR in (a certain year or period)
NKVD	People's Commissariat of Internal Affairs
OGPU	Unified State Political Administration (political police)
Orgburo	Organization Bureau of the Bolshevik Party
Politburo	Political Bureau of the Bolshevik Party
Rabfak	Workers' Faculty
Rabkrin	See RKI
RCP(B)	Russian Communist Party (Bolshevik): official

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	name of the Bolshevik Party, adopted by the Seventh Party Congress in March 1918
RKI	Workers' and Peasants' Inspection
RSDLP	Russian Social Democratic Labor Party
RSDLP(B)	Russian Social Democratic Labor Party (Bolshevik)
RSFSR	Russian Socialist Federal Soviet Republic
Skhod	General assembly of a village
Sovkhoz	State farm

Sovnarkhoz	Regional Economic Council
Sovnarkom	Council of People's Commissars
SR	Socialist Revolutionary
STO	Council of Labor and Defense
Uchraspred	Department in the Bolshevik Party responsible for registering the members and assigning them to different tasks
Uyezd	County
Volost	Rural district
VSNKh	Supreme Economic Council
VTsIK	All-Russia Central Executive Committee (organ derived from the Congress of soviets)
Zemstvo	Administrative body in country areas before the Revolution

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### ***Introduction to the "second period"***

The purpose of this volume is to show the movement of the contradictions leading to the economic and political crisis that opened at the beginning of 1928 and culminated, from the end of 1929, in the complete abandonment of the New Economic Policy (NEP) which had been inaugurated in 1921.<sup>[1]</sup> This abandonment corresponded to a radical alteration of political line. The decisive moment of this alteration was called by Stalin himself the "great turn" or "great change."<sup>[2]</sup>

The analyses that follow relate to the contradictions that led to this abandonment, to the NEP itself, and to the "great change" that marked the real ending of it.

Only as clear a view as can be obtained of the interweaving and transformation of the contradictions characteristic of the Soviet formation between 1923 and 1929 can enable us to appreciate the concrete conditions under which the USSR entered, in 1930, a new period of collectivization and industrialization, that of the Five-Year Plans. That new period will be studied in a subsequent volume.

#### ***I. The NEP as a policy of alliance between the workers and the peasants***

The NEP is often discussed as though it were a mere "economic policy." The very name given to it ("New Economic Policy") suggests such an interpretation, and the measures taken initially in order to implement it seem to have aimed mainly at restoring a certain amount of "freedom of trade" and

leaving the peasants a margin of initiative much wider than they had enjoyed during "war

communism."

At the beginning of 1922, at the time of the Eleventh Congress of the Bolshevik Party, Lenin was still saying: "The chief thing the people, all the working people, want today is nothing but help in their desperate hunger and need."<sup>[3]</sup>

Nevertheless, over and above immediate appearances (which were also a reality), and the confusion caused by the expression "New Economic Policy," the NEP was *very much more* than an "economic policy."<sup>[4]</sup> It was also very much more than a policy of "concessions" made to the peasantry and to some Russian and foreign capitalists.

Actually, the NEP was something other than a mere "retreat," the metaphor that was first used to define it. It was an *active alliance between the working class and the peasantry*: an alliance that was more and more clearly defined by Lenin as intended not just to ensure "restoration of the economy but also to make it possible to *lead the peasant masses along the road to socialism*, through the aid -- economic, ideological, and political -- brought to them by the proletariat.<sup>[5]</sup>

The NEP as an active alliance between the peasantry and the proletariat in power was a special form of the dictatorship of the proletariat, a form corresponding to the specific conditions prevailing in Soviet Russia in the 1920s.

The special features of the class alliance which the NEP aimed to establish should not cause us to forget that this alliance was in strict conformity with the fundamental principles of Marxism. Marx opposed Lassalle, for whom, in relation to the working class, the other social classes constituted "one reactionary mass." In a passage written in June 1919 -- long before the formulation of the NEP -- Lenin stressed that the dictatorship of the proletariat does not mean a dictatorship of the working class over the masses in general, but is an alliance between classes. He declared that whoever "has not understood this from reading Marx's *Capital* has understood nothing in Marx, understood nothing in Socialism . . ."<sup>[6]</sup>

After recalling that the dictatorship of the proletariat is *the continuation of the class struggle in new forms*, Lenin added:

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The dictatorship of the proletariat is a specific form of class alliance between the proletariat, the vanguard of the working people, and the numerous non-proletarian strata of the working people (petty bourgeoisie, small proprietors, the peasantry, the intelligentsia, etc.) or the majority of these strata, an alliance against capital, an alliance whose aim is the complete overthrow of capital, complete suppression of the resistance offered by the bourgeoisie as well as of attempts at restoration on its part, an alliance *for the final establishment and consolidation of socialism* [my emphasis -- C. B.].<sup>[7]</sup>

For Lenin the NEP was thus neither a mere "economic policy" nor a mere "retreat": it was a *special form of the dictatorship of the proletariat*, requiring respect for a certain number of political orientations and fundamental principles.

The *necessity of this form* under the conditions of Soviet Russia was one of the lessons that Lenin drew from "war communism." That experience had shown that it was imperative to replace the attempted "frontal attack" characteristic of the years 1918-1920 by a *war of position*. This "war" could lead to the triumph of socialism provided that the ruling party clearly perceived that the terrain it stood upon at the outset was one of real social relations which were still capitalist, and provided that it set itself the task of helping to bring about *the conditions needed if these relations were to be controlled and transformed, by drawing the peasant masses into this new struggle, which was a struggle for socialism*.

In his closing speech at the Eleventh Congress of the Bolshevik Party, delivered on April 2, 1922, Lenin was particularly explicit on this point. On the one hand, he showed that the phase of "retreat" which had at first characterized the NEP (and which had opened at the beginning of 1921) was at an end, that a stop must be put to that "retreat," though not to the NEP itself. On the other hand, he emphasized two principles: first, the *new advance* must be cautious (in conformity with the requirements of positional warfare), and, secondly and especially, this advance must be made *together with the peasantry*.

The following formulation is particularly significant: "The

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main thing now is to advance as an immeasurably wider and larger mass, and *only together with the peasantry*, proving to them by deeds, in practice, by experience, that we are learning and that we shall learn *to assist them, to lead them forward*."<sup>[8]</sup>

The two key expressions in this formulation are: (1) "to advance," which shows that in 1922, as Lenin saw it, the NEP must make it possible to *go forward* (and not merely to "restore the productive forces"); and (2) "only together with the peasantry" which implies that the advance (the march toward socialism) must be made *together with the peasant masses*, whom the Party must "learn to assist."

In January 1923 Lenin gave concrete definition to one of the forms that this advance toward socialism should assume so far as the peasantry was concerned: "If the whole of the peasantry had been organised in co-operatives, we would by now have been standing with both feet on the soil of socialism." In the same passage Lenin stressed again that, under the dictatorship of the proletariat, a general development of cooperatives could lead to socialism provided that it resulted not from economic and political coercion, but from the will of the peasant masses themselves, which accounts for this remark: "The organisation of the entire peasantry in co-operative societies presupposes a standard of culture among the peasants . . . that cannot, in fact, be achieved without a cultural revolution."<sup>[9]</sup>

The phrase quoted is of decisive importance, even though in this particular passage the content of the expression "cultural revolution" remains rather vague.

However, the way in which the NEP actually developed did not depend exclusively on the Party's rallying to the principles proclaimed. What was essential was the *concrete content* of this "rallying," the mode of intervention in the class struggles which it determined, and the Party's practical capacity to *put into deeds* the measures it resolved upon. It was all that which constituted the *reality* of the policy followed during the NEP, and which had an influence -- greater or less, from case to case -- on the process of reproduction and transformation of

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social relations that took place between 1923 and 1928, and culminated in the general crisis of the years 1928 and 1929.

The analysis of the requirements and the limitations of the NEP made by the majority of the Bolshevik Party leadership was far from stable and consistent. It varied from time to time and was not the same for all members of the CC.

Each interpretation appeared as the result of the combining of two fundamental tendencies concerning the significance to be accorded to the NEP. At different moments, *one* of these tendencies was more or less predominant; and this applied both to the Party majority itself and to the positions taken up by one and the same Party leader.

One of these tendencies led to the NEP being reduced to a mere "economic policy," a "retreat," to which one had to resign oneself for the time being, until the situation should make it possible to "get rid of the NEP"<sup>[10]</sup> and resume the offensive. This tendency implicitly assumed that no *real offensive* could be undertaken until the NEP had been abandoned.

The other tendency -- the one that was in closer conformity to Lenin's own line of thought<sup>[11]</sup> -- declared that the NEP was above all a *specific form of the alliance between the workers and the peasants*, and that this form was capable of modification, especially in response to the rallying of the peasant masses to the cooperatives and to collective production. The interpretations in which this attitude was dominant did not consider that it was necessary to "get rid of" the NEP in the near future, but merely to *transform* it.

Predominance of the first of these two tendencies meant, if taken to extremes, looking on the NEP as a capitalist road of development, from which followed the conclusion that it would have to be abandoned as soon as conditions made this possible.

Predominance of the second tendency meant, on the contrary, agreeing that the NEP made development along the *socialist road possible*, provided that the Party took the appropriate measures. This interpretation thus did not present as

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mutually irreconcilable pursuit of the NEP and advance toward socialism. It did not, however, deny that this advance might include elements of *subordinated capitalist development*, the effects of which must be gradually subjected to control and then transformed by the class struggle.

Over and above all hesitations and temporary fluctuations, the way the NEP was predominantly interpreted by the leadership of the Bolshevik Party was governed by an historical development. The interpretation that prevailed in the first historical period (until 1925) saw in the NEP *essentially a policy of class alliances that was relatively lasting*. It tended, however, to ascribe to this alliance a content that was *mainly economic*. One must emphasize that this was only a *tendency*, and did not rule out the introduction of measures aiming directly to change the political relations between the Bolshevik Party and the peasantry - - such as the policy of "revitalizing" the rural soviets.

In a second phase -- beginning at the end of 1925, when it was proclaimed that the "restoration period" had been completed (this was not true, since at that time the productive forces of agriculture had not yet been fully "restored") -- the idea developed to an increasing extent that the NEP was essentially provisional in character. In practice this idea found expression in a *growing gap* between *statements of principle*, which affirmed positions that were basically unchanged, and the *measures concretely adopted and implemented*. Actually, these measures represented to an ever greater degree a violation, *on the plane of political practice*, of some of the requirements of the NEP, especially as regards relations with the peasant masses. What was going on, therefore, was a *gradual abandonment of all that the NEP stood for as a policy of active alliance between the proletariat and the peasantry*. Thus, what appeared in 1928-1929 to be a "crisis of the NEP" was, in reality, a crisis caused by nonapplication of the NEP -- a crisis of the worker-peasant alliance.

The changes affecting the predominant interpretation of the NEP by the Bolshevik Party enable us to understand the nature of certain decisions taken by the Party during the years

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1923-1929, but they are far from supplying an adequate explanation of them. On the one hand,

a considerable number of decisions were taken (especially from 1928 on) under the pressure of immediate difficulties. They were more or less improvised, and the changes in the way that the NEP was interpreted were then brought in, more in order to furnish retrospective justification for decisions already taken than as a factor determining these decisions.

On the other hand, and especially, these changes in the predominant interpretation of the NEP need to be explained themselves. This explanation can be found only by analyzing the changes that took place in the Bolshevik ideological formation and by relating these changes to their material basis; the successes and failures of the policy followed, the changes in relations of strength between the classes, and the general movement of the economic and social contradictions that were subject to control to a greater or lesser degree.

## ***II. The NEP as an "economic policy" and its results down to 1927***

The most immediate aim of the NEP was to rescue the country from the famine and economic chaos in which it was sunk after four years of imperialist war followed by three years of civil war and foreign intervention. At the beginning, these economic tasks were also directly political tasks.

What mattered for the Soviet government was, first and foremost, to take the measures needed if the essential branches of production were quickly to recover their prewar levels, and then to surpass these levels, taking account of the new social and political conditions resulting from the October Revolution. By achieving this aim the Soviet government scored a political victory. It showed its power to save the country from the tremendous difficulties into which it was plunged at the end of the civil war. Thanks to the measures taken, and, above all, to the immense effort and labor put in by

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the workers and peasants, the results obtained were exceptionally great.

### *(a) Agricultural production*

In 1926-1927 agricultural production took a leap forward. Its value, in prewar prices, reached 11.17 milliard roubles, which meant an advance of over 100 percent on 1921-1922 and 6 percent on 1913 -- in comparison with 1925-1926, the previous year, when the advance was 5 percent.<sup>[12]</sup> In 1926-1927 the gross yield of grain was more than 25 percent in excess of that in 1922-1923: it came to about 76.4 million metric tons, as against 74.5 in 1925-1926.<sup>[13]</sup> At that moment, however, the level of the prewar grain harvest (82.6 million metric tons was the average for the years 1909 to 1913<sup>[14]</sup>) had not been fully attained; but a number of other branches of agricultural production were progressing, despite the inadequacy and obsolescence of the equipment available on most farms.

The years between 1921-1922 and 1926-1927 thus saw a remarkable advance in agriculture. However, this advance was very uneven between one region and another and between different branches of agriculture. Furthermore, after 1925-1926, agricultural production tended to stagnate. This slowing-down was to have important political consequences.

### *(b) Industrial production*

During the NEP, industrial production, too, made remarkable progress. Production in 1926-1927 was, in terms of volume, three times that of 1921-1922. However, the progress achieved made up mainly for the previous decline; and industrial production in 1926-1927 was only 4 percent more than prewar, whereas it was 15.6 percent more than in the preceding year.<sup>[15]</sup>

If we take the processing industry alone, the progress made was very substantial. In 1927 the index for this branch of production (with 1913 as 100) stood at 114.5. This progress

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continued, moreover, during the two subsequent years. In 1929 the index for this branch stood at 181.4, which put the USSR at the head of all the countries of Europe for growth in production by manufacturing industry as compared with prewar.<sup>[16]</sup>

If we compare the progress made by the different branches of industry (manufacturing and extractive), we find that the rates of progress were highly uneven. In 1926-1927 production of coal and oil surpassed the prewar level to a marked degree. Iron and steel lagged behind. As for production of cotton goods, it exceeded the prewar figure by 70 percent.<sup>[17]</sup>

The progress in industrial production of consumer goods did not show the same signs of slowing down as became apparent in agriculture. When we compare it with the increase in population, we see that, taken as a whole, it had progressed at a faster rate: between 1913 and 1926 the population grew by 7 percent, reaching the figure of 147 million, 18 million of whom lived in towns; whereas the index of industrial production of consumer goods reached 120 in 1928 (100 being, in this case, 1914).<sup>[18]</sup>

### *(c) The development of exchange*

One of the immediate aims of the NEP was a rapid development of exchange between town and country (a development which formed the material basis for the alliance between the workers and the peasants). It was an aim to be attained not only through increased production but also through the establishment of economic relations satisfactory to the peasants -- who, under "war communism," had furnished supplies to the towns while receiving hardly any products in return.

The NEP was, in fact, marked by an extensive development of commodity exchange, by restoration of the role of money, by the existence of a vast "free market," and by the influence of price movements upon the supply of and demand for goods and by their influence on the orientation of some investments. Nevertheless, the years beginning in 1921 also saw the de-

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veloping activity of a group of state organs whose operations aimed at safeguarding expanded reproduction, to some extent, from the *direct influence* of commodity relations, through the increasing role played by *planning*, centralization of fiscal revenue, and the carrying out of *investment programs*.

The figures available do not enable us to estimate precisely how exchange evolved in comparison with 1913. It is certain, however, that the amount of agricultural produce supplied to the towns and urban trade by the peasants, in order to obtain the money that they needed to pay their taxes, was much less in 1926 than in 1913. Thereafter, the bulk of the selling done by the peasants was intended to *pay for their purchases of industrial goods*.

Taken as a whole, the trade turnover in 1926-1927 was 2.5 times what it had been in 1923-



1924. Even if we allow for the fact that during this period prices increased by about 50 percent, the overall volume of exchange increased by more than 60 percent in three years. Besides, these figures do not include the very big increase in sales made by the peasants in the urban markets, sales which between 1922-1923 and 1924-1925 multiplied by 3.3 (at current prices) and constituted at the later date more than one-third of the retail trade turn over.<sup>[19]</sup>

Another proof of the substantial increase in the volume of exchange is provided by the rapid advance in the tonnage carried by the railways, which was multiplied more than threefold between 1922 and 1927, the year when it exceeded the level of 1913 by 5 percent.

These few pointers serve to demonstrate the extent of the economic recovery accomplished between 1922 and 1927. The progress in most branches of production and exchange continued, moreover, after 1927, so that the contrast between this advance and the crisis experienced in the sphere of "procurement" of grain stands out all the more strikingly.

To account for this crisis and the way it developed we shall need to study the contradictory forms assumed by the worker-peasant alliance. This study is all the more necessary because the importance and the role of these contradictions are usually much underestimated.

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### ***III. The consolidation of the worker-peasant alliance and the contradictions in the Soviet social formation in 1923-1929***

The consolidation of the worker-peasant alliance between 1923 and 1927 was based primarily upon the constructive work carried out under the leadership of the Bolshevik Party. This work was done in the main, as we have seen, in the sphere of production and exchange, but it was a great deal wider in scope than that.

In the sphere of education, there was an unprecedented increase in the numbers of people attending school. The figure for pupils in primary and secondary schools increased, in round figures, from 7.9 million in 1914-1915 to 11.5 million in 1927-1928.<sup>[20]</sup> As compared with 1922-1923, the increase in numbers was 1.4 million in the towns and 2.8 million in the countryside.<sup>[21]</sup> True -- and I shall come back to this point -- the content and methods of the teaching given were far from corresponding fully to what was needed for the building of socialism and to what was implicit in the role that the workers and peasants were supposed to play in that task. Nevertheless, the quantitative progress achieved was remarkable, and real efforts were made to establish a system of education linked with practical work in production.

In the sphere of reading by the masses, great progress was realized. Thus, the number of books in the public libraries, in 1927, was 43.5 million in the towns (as against 4.7 million in 1913), and 25.7 million in the country areas (as against 4.2 million in 1913).<sup>[22]</sup> This progress was all the more significant because, on the whole, what was published after the October Revolution was marked by a new, revolutionary spirit, and because the controversies of that period were wide-ranging enough to permit the expression of such diverse trends of thought, dogmatic tendencies and a stereotyped style were largely avoided. All the same, we must not lose sight of the fact that, despite what had been achieved, only a little over one-half of the inhabitants between nine and forty-nine years of age could read and write when the census of 1926 was taken.

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In the sphere of health, the number of doctors increased from 20,000 in 1913 to 63,000 in 1928,<sup>[23]</sup> despite the substantial emigration of doctors between 1918 and 1923. The number of practitioners present in the rural districts increased rapidly, but in proportion to the number of inhabitants, still remained much lower than in the towns. Improvements in material and sanitary conditions brought about a fall in the death rate from 21.7 percent in 1924 to 18.8 percent in 1927.

The consolidation of Soviet power and of the worker-peasant alliance had, of course, a *political basis* -- in particular, the special attention that the Bolshevik Party gave to the peasant question (in spite of the serious limitations imposed upon its activity by the Party's weak presence among the rural masses). This consolidation was bound up with the development of the mass organizations of the working class (mainly, the trade unions) and of the peasantry (mainly, the rural soviets and the agricultural cooperatives).<sup>[24]</sup>

The consolidation of Soviet power and of the worker-peasant alliance took place, inevitably, under contradictory conditions. It is the way in which these contradictions developed, became interconnected, and were dealt with that provides the explanation for what the NEP was, how it was transformed, and why it culminated in a "crisis" expressing its abandonment.

The basic contradiction was one that opposed the proletariat to the bourgeoisie. During the NEP this contradiction presented itself particularly in the form of the contradiction between the private sector and the state and cooperative sector, for the latter was, in the main, directed by the Soviet state, itself directed by the Bolshevik Party, the instrument of the dictatorship of the proletariat. In 1928 this sector contributed 44 percent of the national income, 82.4 percent of the gross value of industrial production, and accounted for 76.4 percent of the turnover of the retail trade enterprises. On the other hand, only 3.3 percent of the gross value of agricultural production came from this sector.<sup>[25]</sup> As we shall see, the decisive role played by the private sector in agriculture, and the considerable one played by private trade (combined with the growing contradictions in the policy followed by the Bol-

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shevik Party from 1926 on), partly explain the crisis that marked the years 1928 and 1929, and the distinctive features of that crisis.

However, the contradictions between the proletariat and the bourgeoisie assumed other forms as well, and these we must analyze -- especially those which opposed the working class to the managers of enterprises, both "private" and state owned, in particular when the latter obstructed the workers' initiative. This contradiction became acute during the second half of 1928.

During the years 1923-1929 an important role was played by the contradiction which opposed -- more or less sharply at different times -- the peasantry to the Soviet government. In 1929 this contradiction became a decisive one, owing to the way with which it was dealt. It became interwoven with other contradictions, principally that which made the peasantry a contradictory unity, divided into *kulaki* (rich peasants), *bednyaki* (poor peasants), and *srednyaki* (middle peasants).

The vital significance of the supplying of grain to the towns meant that the impact which the development of these contradictions had upon "grain procurement"<sup>[26]</sup> acquired decisive importance. Reciprocally, it was on this plane that a series of measures were taken that might either consolidate or disturb the worker-peasant alliance. Owing to the way in which they were put into effect, under conditions that we must analyze, the measures taken from 1928 on led progressively to complete abandonment of the NEP.

#### ***IV. Grain procurement, its fluctuations, and the state of the worker-peasant alliance***

The term "procurement" refers to the *operations for purchasing agricultural produce* carried out by the state's economic organs and by the officially recognized network of cooperatives.

The regular functioning of procurement was decisively im-

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portant. Politically, its smooth progress constituted the outward sign that one of the material foundations of the worker-peasant alliance was being consolidated. Economically, this smooth progress ensured the supplies needed by the towns and by industry. It contributed to a certain degree of price stability, and to the balance of payments in foreign trade. In the last-mentioned connection, indeed, grain procurement played a role of central importance, for exports of grain were one of the principal sources from which the foreign exchange was obtained for financing imports, especially those that could help industry to develop.

During the NEP, procurement was carried on in competition with the purchasing activities of the "private sector." In principle -- and this was an essential aspect of the NEP from the standpoint of the worker-peasant alliance -- procurement had to be effected on the basis of the prices at which the peasants were willing to sell, and had to involve *only such quantities as the peasants were ready to deliver*. The principles of the NEP implied that procurement must be a form of *marketing* and not a form of requisition or taxation at the expense of the peasantry. And that was, in fact, how procurement worked down to the end of 1927.

Procurement was highly important for the peasantry, to whom it *guaranteed stable outlets* for their produce. It also constituted *one of the bases for economic planning*, since correct realization of economic plans largely depended on satisfactory functioning of the operations for purchase of agricultural produce.

In principle, the intervention of the procurement agencies on a sufficiently large scale enabled these agencies to *exert overall control over the prices* at which this produce was marketed -- which meant also controlling the prices that prevailed in "private" trade. This intervention thus constituted, if it was carried out under proper conditions, an *instrument for implementing a price policy in conformity with the needs of the worker-peasant alliance*. During the first years of the NEP, the Soviet government tried to practice such a price policy. It did not always succeed, however, for reasons to which we shall have to return.

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Finally, it should be added that the development of procurement was conceived not merely as an instrument to secure increasing control over the market, but also as a means of gradually ousting private trade. The struggle to oust private trade was one of the forms of the class struggle during the NEP: it aimed to strengthen the *direct economic ties* uniting the peasantry with the Soviet government.

At the Eleventh Party Congress, in 1922, Lenin had stressed that, in order to strengthen the worker-peasant alliance, the Communists appointed to head the central state and cooperative trading organs must *beat the capitalists on their own ground*. "Here is something we must do now in the economic field. We must win the competition against the ordinary shop assistant, the ordinary capitalist, the merchant, who will go to the peasant without arguing about communism."<sup>[27]</sup>

Lenin explained that the task of the industrial and commercial organs of the Soviet government was to ensure *economic linkage with the peasantry by showing that it could satisfy the peasants' needs better than private capital could*. He added: "Here the 'last and decisive battle' is impending; here there are no political or any other flanking movements that we can undertake, because this is a test in competition with private capital. Either we pass this test in competition with private capital, or we fail completely."<sup>[28]</sup>

These principles ratified by the Eleventh Party Congress, were adhered to in the main until 1927. The increasing role played by the state and cooperative sector in the general sphere of trade therefore testified to its vitality, to its increasing capacity to carry out procurement in the true sense of the word. The reader must be given an idea of this sector's overall development by showing *what its share was in commercial operations as a whole*. Here are some figures.

On the eve of the final crisis of the NEP (1926-1927), *wholesale trade* was already largely concentrated in the state and cooperative sector. The state's organs dealt with 50.2 percent of it, as against 5.1 percent covered by private trade; the balance of 44.7 percent was handled by cooperative trade, which was itself subject to directives from the state's organs.<sup>[29]</sup>

Concentration of wholesale trade under the direct control of

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the Soviet government continued to progress after 1927, but this progress was thenceforth increasingly due to the application of regulatory measures -- which nevertheless did not suffice to prevent a series of contradictions from developing in the sphere of trade.

In *retail trade* the position held by the state and cooperative agencies was less clearly dominant than in wholesale trade, but in 1926-1927 they were responsible for the greater part of this, too. At that time they contributed 13.3 percent and 49.8 percent, respectively, of the retail trade turnover, leaving 36.9 percent to private traders. In 1928 and 1929 the share held by the latter fell to 22.5 percent and then to 13.5 percent.<sup>[30]</sup>

Despite the big role played by state and cooperative trade, it did not succeed in accomplishing all the aims assigned to it by the Bolshevik Party and the Soviet government, especially as regards *prices* and the quantities that it was expected to buy or sell. We shall see this in detail when we come to examine how the final crisis of the NEP developed.

Let us note for the moment that a considerable contradiction appeared between private trade and state and cooperative trade in the matter of prices. Private traders resold at prices higher than those charged by the state and cooperative organs, and so were able to offer the peasants better prices for their products; this had a harmful effect on the procurement operations that the state endeavored to carry out on the basis of stable prices. This contradiction stimulated the adoption of administrative measures directed against private trade, but such measures often seemed to the peasants to be reasons why they were losing money, or being deprived of opportunities to make more money.

In any case, in 1926-1927, state and cooperative trade had succeeded in attaining a predominant position without having had recourse, thus far (at any rate, on any large scale), to measures of prohibition.

According to the directives laid down by the Party in a resolution adopted at the end of 1927 by the Fifteenth Congress,<sup>[31]</sup> state and cooperative trade had to follow the "price policy" decided by the Party, to enable the Soviet state to

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carry on an active policy in the buying and selling of produce, and to *subordinate commerce to the objectives of the plan*.

In reality, state and cooperative trade did not at that time succeed in gaining the control over commercial operations that was expected of it. This became especially clear in the crucial sphere of grain procurement. Here, difficulties arose in the most striking way and with the most serious consequences -- a situation which we must now proceed to examine.

(a) *The progress, and then the crisis, of procurement*

The "procurement crisis" that began in 1927-1928 concerned, first and foremost, grain -- a group of products which played an *essential role* in the feeding of the townspeople and in Soviet exports at that time. It is therefore to the evolution of *grain procurement* that we must pay attention.

It will first be observed that in 1926-1927 procurement involved 10.59 million metric tons. Like the harvest of that year, it was much bigger than that of the previous year (which had been 8.41 million metric tons<sup>[32]</sup> and had been carried out with some difficulty.

In 1927-1928 the harvest was less abundant than in the previous year, amounting to 73.6 million metric tons,<sup>[33]</sup> or 2.8 million less than in 1926-1927 and 0.9 million less than in 1925-1926. Procurement on a slightly smaller scale than in 1925-1926 was to be expected: actually, *the reduction was substantial, and it took place in two phases*, a point that deserves attention.

At first there was a *moderate reduction* : between July and October 1927 procurement involved 3.74 million metric tons, as against 3.96 million metric tons in the same months of the previous year, or a reduction of 5.4 percent -- less in value when the reduction in the harvest is taken into account. Then, *between November and December, matters took a dramatic turn*. During those two months procurement accounted for no more than 1.39 million metric tons, which meant *a reduction*

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*of nearly 55 percent on the corresponding period of 1926 1927.*<sup>[34]</sup>

Actually, the reduction was not surprising, given the shrinkage in the size of the harvest. Nevertheless, *this shortfall in procurement jeopardized the supply of food to the towns*. It also jeopardized -- and this was no less important for the Bolshevik Party -- realization of the objectives of the *procurement plan*, which was itself connected with the *export plan*. *Procurement targets had been increased by 1.7 million metric tons over the figure for the preceding year,*<sup>[35]</sup> *despite the reduction in the harvest*. The Party was therefore impelled to react fast.

(b) *The "emergency measures" and their immediate consequences*

The way in which the Party and the government reacted to the serious fall in the amount of grain procured resulted from a relatively simple analysis of the situation -- or rather from an oversimplified analysis which took account of only one aspect of the contradictions developing in the countryside, an aspect which (as will be seen) was not, in fact, the principal one.

Generally speaking, the Bolshevik Party considered that the reduction in procurement was

due mainly to holding back of grain by the rich peasants, to a sort of "kulaks' strike."<sup>[36]</sup> Having analyzed the situation in this way, the Party leadership took the view, at the beginning of 1928, that this "strike" must be answered with restraints and requisitions. These were what came to be called the "extraordinary" or "emergency measures," terms intended to emphasize the temporary character of the measures taken.

In themselves the "emergency measures" need not have done fundamental violence to the principles of the NEP (which implied that recourse should not be had to requisitions), *for they were supposed to apply exclusively to kulaks guilty of illegal hoarding and speculation.* Their "legal basis" was Article 107 of the Penal Code, adopted in 1926. They

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were regarded as being one of the forms of the class struggle aimed, as the Fifteenth Congress resolution put it, at "restricting the exploiting tendencies of the rural bourgeoisie."<sup>[37]</sup>

If the emergency measures had in fact been applied merely to the quantity of grain that could be seized from the kulak farms, they would not have enabled the procurement agencies to realize their plan, which had very high targets.

In practice, therefore, *the emergency measures turned into something quite different from a struggle against speculation by kulaks.* They constituted a measure of "economic policy" aimed at ensuring, at all costs, transference to the state's granaries of a quantity of grain as near as possible to that provided for in the procurement plan. In order that this plan might be realized, the state organs and the local Party cadres were given very strict instructions. The cadres were threatened with penalties in the event that the procurement proved inadequate. As a result of the pressure brought to bear on them, the local officials were led to requisition quantities of grain very much larger than those they could find on the farms of the kulaks alone. Thus, the emergency measures hit not only the kulaks but also, and above all, the middle peasants and even some of the poor peasants.<sup>[38]</sup> Mikoyan, who was in charge of the administrative apparatus entrusted with procurement (the Commissariat of Trade), actually noted that *the bulk of the wheat "surplus" was held by the middle peasants,* and that the wheat confiscated from them was taken by means of *measures that were officially denounced as "harmful, illegal and inadmissible."*<sup>[39]</sup> However, the local organs of the Bolshevik Party insisted on the necessity, if the procurement targets were to be attained, of seizing the grain belonging to the middle peasants. A Party circular issued in the North Caucasian Region (*Krai*) gave the following guidelines:

While continuing to drain the surplus grain from kulak households, and employing whatever means are necessary to encourage them to sell their surplus to the state, we must bear in mind that the main bulk of the grain reserves is, nevertheless, in the hands of the middle peasants. For this reason, the February

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procurements will be made mainly at the expense of the *serednyaks* in the villages, that is to say they will be amassed in small quantities.<sup>[40]</sup>

Adoption of these practices gave rise to a crisis in numerous regions and provoked discontent on the part of wide strata of the peasantry, who thought that a return to the methods of "war communism" was going on.

The Party's General Secretariat received disturbing reports about the way in which the emergency measures were being applied, and the reactions they were arousing among the peasantry. On February 13, 1928, Stalin sent out a circular to all Party organizations summarizing the situation which had led to the emergency measures being adopted and

admitting that mistakes had previously been committed by the Party, including the CC.<sup>[41]</sup> He welcomed the results obtained by the emergency measures, so far as the amount of grain procured was concerned, but denounced "distortions and excesses" that had been committed in the villages and that might "create new difficulties." Stalin gave as examples of such excesses "compulsory subscription to the agricultural loan, organisation of substitutes for the old interception squads, and, lastly, abuse of powers of arrest, unlawful confiscation of grain surpluses, etc." concluding that "a definite stop must be put to all such practices."<sup>[42]</sup>

These warnings resulted in a certain falling-off in the quantity of grain procured during March. Nevertheless, the CC meeting at the beginning of April adopted a resolution stressing the need for a rapid return to procurement procedures that conformed to the requirements of the NEP.<sup>[43]</sup>

The pressure on the peasants, then, was lightened still further, but this relaxation was soon accompanied by a *sharp decline in procurement*. For April it amounted to no more than 246,000 metric tons, as compared with a monthly average of 1,446,000 metric tons in the previous three months of 1928 and procurement of 438,000 metric tons in April 1927.<sup>[44]</sup>

The Bolshevik Party leadership regarded this decline as excessive. During the next two months the emergency mea-

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sures were applied afresh, and more severely than before. They even affected the poor peasants (*bednyaki*) to an increasing extent. The Party tried to organize these *bednyaki* for a struggle against the kulaks, while at the same time requiring that they surrender their own grain reserves, so as to set an example -- otherwise, sanctions would be applied to them as well.

In the spring of 1928 the attempts to organize *bednyaki* and *batraki* (agricultural laborers) came to nothing. At the beginning of the winter a section of the poor peasants and the laborers *had* helped carry out requisitions from the kulaks, but they had then been given an incentive to help in this task and to organize themselves: 25 percent of the produce confiscated was assigned *to them*. When spring came the situation was different: now, *the procurement organizations were to centralize all the grain*, the better to achieve the targets they had been given.

In this new situation it was observed that the influence of the kulaks over the other strata of the peasantry, far from diminishing, increased.<sup>[45]</sup> From an immediate point of view that was narrowly economic and statistical, the results attained by the application of the emergency measures could nevertheless be regarded as "favorable." The agricultural campaign (July 1, 1927, to June 30, 1928) terminated, indeed, with a total procurement that came close in amount to that of 1926-1927 -- 10.38 million metric tons, as against 10.59 million -- despite a markedly smaller harvest. This immediate "statistical" result was of secondary importance, however. Much more important were the middle- and long-term consequences of the procurement crisis and the application of the emergency measures.

Already in 1928 it became evident that these included serious negative aspects, both economic and political: the whole set of *relations between town and country* had been disturbed, and, above all, *the worker-peasant alliance* had been damaged, since it had proved impossible to apply the emergency measures only to kulaks guilty of speculation.

A situation was being created in which it was getting harder

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and harder for the Party to do without emergency measures. To be able to do without them the

Party would have had to analyze thoroughly the developments that were under way, including those connected with the form of the industrialization process then being initiated. It would also have needed to possess political resources enabling it to restore relations of trust with the peasantry, and the political and ideological resources necessary to work out and introduce *a different form of industrialization*.<sup>[46]</sup>

But these conditions were not present. Far from renouncing the emergency measures, the Party reverted to use of them in 1928-1929. The negative consequences entailed by these measures were repeated in aggravated form. This led to grave tension, both economic and political. In 1929 the tension was such that mere continuation of the emergency measures would have brought matters to a dead end. A situation was developing that led to *complete abandonment of the NEP*,<sup>[47]</sup> to the "*great change*" at the end of 1929. And that carried the Soviet formation into a new era full of violent contradictions.

During the 1930s there took place an accelerated industrialization, a rapid increase in the numbers of the proletariat, and the accession of many workers to positions of authority and responsibility in the political, economic, and administrative spheres. At the same time, however, the consequences of the rupture of the worker-peasant alliance made themselves felt. This rupture resulted from a collectivization "from above" characterized by the fact that, except for a minority, the entry of the peasants into the *kolkhoz* system did not reflect an enthusiastic conversion to collective farming.

The rupture of the worker-peasant alliance weakened the dictatorship of the proletariat. It entailed a decline in proletarian democracy, with a strengthening of hierarchical relations and an authoritarian style of leadership. It was accompanied by a substantial fall in grain production and stockbreeding and a grave crisis in food supplies.

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### ***V. The process of abandonment of the NEP***

The complete abandonment of the NEP did not reflect (as concrete analysis shows) the carrying through of any preconceived "plan." Nor did this abandonment take place in response to the "mere requirements of the development of the productive forces" or to those of an "economic crisis." If there was indeed such a crisis, it was only the effect of a *political crisis*, a *crisis in class relations*.

The turn that was made in 1929, a turn of immense historical importance, resulted basically from an *objective process* of class struggles and contradictions that were not subjected to control. A certain number of "decisions" taken by the Bolshevik Party were features of this process, but were only *subordinate factors* in it. They were incapable of really directing the course taken by the process, and their social and political "effects" were, generally speaking, very different from those that had been expected.

Only by clarifying the contradictions and conflicts which form the driving force of this historical process can we understand its course and its characteristics, *and draw lessons from it*. Such clarification calls for analysis of the *economic and social relations* that characterized the NEP, together with *the social forces whose action brought about the transforming of these relations*.

This analysis has been attempted in the pages that follow. It deals first with the general conditions of reproduction, and then with the movement of the social contradictions that developed in the countryside and in the towns. This movement was, primarily, the result of *the activity of the masses engaged in class struggle*, but it was based upon the *existing conditions of*



*production and reproduction.* The direction that it took was determined by the way that the different classes *saw* their interests and their role. The role played by the way classes saw themselves was particularly important in the case of the proletariat and its vanguard, the Bolshevik Party, and this is why space has been given to examination of the debates

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within the Party and the Party's decisions, and to analysis of the Bolshevik ideological formation and the changes it underwent. Nevertheless, the outcome of these debates, the nature and consequences of the decisions taken by the Party, and the changes in its ideology cannot be *explained* if we confine our analysis to developments taking place in the *superstructure* of the social formation. On the contrary, a genuine explanation requires that what happened in the superstructure be *related to the general movement of the class struggles and to the process of reproduction and transformation of social relations as a whole.*

The complexity of the relations and forces which have to be reckoned with is considerable, as is the complexity of the forms under which these relations and forces conditioned each other and acted one upon another. The following analysis is therefore focused upon what seems essential. It aims only to illuminate the most important aspects of *a historical process the significance of which remains topical in the highest degree.*

### Notes

1. On the inauguration of the NEP, see volume I of the present work, pp. 477 ff. [p. 21]
2. Stalin, *Works*, vol. 12, p. 124. [Transcriber's Note: See Stalin's "[A Year of Great Change](#)". -- DJR] [p. 21]
3. Lenin, *CW*, vol. 33, p. 304. [Transcriber's Note: See Lenin's [Eleventh Congress of the R.C.P.\(B.\)](#). -- DJR] [p. 22]
4. The expression "economic policy" is equivocal, anyway: any policy that affects the conditions of production and exchange also affects class relations, and is therefore always an intervention in the class struggle. [p. 22]
5. See pp. 484-496 of volume I of the present work. [p. 22]
6. Lenin, *CW*, vol. 29, p. 380. [Transcriber's Note: See Lenin's "[Foreword to the Published Speech 'On Deceiving the People with Slogans About Liberty and Equality'](#)". -- DJR] [p. 22]
7. *Ibid.*, vol. 29, p. 381. [p. 23]
8. *Ibid.*, vol. 33, p. 326 (my emphasis -- C.B.). [p. 24]
9. *Ibid.*, vol. 33, p. 474. [Transcriber's Note: See Lenin's "[On Co-operation](#)". -- DJR] [p. 24]
10. The expression "get rid of the N.E.P." was used by Stalin at the end of 1929, in his speech of December 27 to Marxists

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specializing in agrarian problems. In this passage Stalin did not say that the NEP had to be abandoned forthwith. He spoke of this as happening in a future which he left indeterminate. Meanwhile, he said, "We adhere to the N.E.P.," explaining that this did not imply any retreat and that "it serves the cause of socialism" (Stalin, *Works*, vol. 12, p. 178 [Transcriber's Note: See Stalin's "[Concerning Questions of Agrarian Policy in the U.S.S.R.](#)". -- DJR]). In reality, as we shall see, the measures taken during the winter of 1929-1930 signified abandonment of the NEP. [p. 25]

11. Even in 1929-1930, when the NEP was being abandoned in practice, this

- conception continued to be the one theoretically upheld by the Bolshevik Party. Hence the paradox that as late as 1931, when nothing was left of the NEP, the Party was still asserting that it had not been abandoned but was being pursued (see below, [note 20](#), p. 480). [p. [25](#)]
12. Figures calculated from E. Zaleski, *Planning for Economic Growth in the Soviet Union, 1918-1932*, p. 386. Zaleski's figures are drawn from various Soviet sources. They are, of course, only rather approximate estimates. [p. [28](#)]
  13. These figures are given in most of the statistical sources for the period: see in particular, S. Grosskopf, *L'Alliance ouvrière et paysanne en URSS (1921-1928): Le Problème du blé*, pp. 113, 346. In 1927-1928 the yield fell to 73.6 million metric tons (*ibid.*, p. 338). [p. [28](#)]
  14. Estimate by V. G. Groman, *Entsiklopediya russkogo eksporta*, vol. I, p. 175. The harvest of 1913 was estimated at 96.7 million metric tons by G. M. Krzhizhanovsky, in *Desyat let khozyaistvennogo stroitelstva SSSR 1917-1927*, p. 34, quoted by Grosskopf, p. 113. [p. [28](#)]
  15. See *Gosplan SSSR, Pyatiletny Plan*, vol. I, p. 15. These indices relate to industry as a whole, and are calculated on the basis of prewar prices. [p. [28](#)]
  16. In 1929, the apogee of the cycle of years preceding the great between-the-wars crisis, the indices for production by manufacturing industry were 142.7 in France, 117.3 in Germany, and 100.3 in the United Kingdom (see *Industrialisation and Foreign Trade*, p. 134). [p. [29](#)]
  17. See S. N. Prokopovicz, *Histoire économique de l'URSS*, p. 282. [p. [29](#)]
  18. *Narodnoye khozyaistvo SSSR v 1961 g.*, pp. 7, 169. [p. [29](#)]
  19. See Prokopovicz, *Histoire économique*, pp. 459-460, and B. Kerblay, *Les Marchés paysans en URSS*, p. 112. [p. [30](#)]
  20. See *Narodnoye khozyaistvo 1958 g.*, p. 806. [p. [31](#)]

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21. *Ibid.*, p. 814. [p. [31](#)]
22. *Ibid.*, p. 851. [p. [31](#)]
23. *Ibid.*, p. 880. [p. [32](#)]
24. These developments will be analyzed in this book. [p. [32](#)]
25. *Narodnoye khozyaistvo 1958 g.*, p. 57. [p. [32](#)]
26. On "procurement," see below, [p. 91](#). [p. [33](#)]
27. Lenin, *CW*, vol. 33, p. 275. [p. [35](#)]
28. *Ibid.*, vol. 33, p. 277. [p. [35](#)]
29. See *Kontrolnye tsifry na 1927-1928 gg.*, pp. 77-88. [p. [35](#)]
30. *Sotsialisticheskoye Stroitelstvo SSSR (1935)*, pp. 552-553. [p. [36](#)]
31. See *K.P.S.S. v rezolyutsiyakh i resheniyakh*, vol. 2, p. 342. [p. [36](#)]
32. See A. Mendelson, ed., *Pokazateli konyunkturi*, p. 51. [p. [37](#)]
33. See Table 199 on p. 338 of Grosskopf, *L'Alliance ouvrière*. [p. [37](#)]
34. Percentages calculated from the figures given in the work mentioned in note 32. [p. [38](#)]
35. On January 1, 1928, the rural procurement plan for 1927-1928 had been fulfilled only 39.3 percent, whereas on the same date a year previously it had been fulfilled 63.7 percent. (See M. T. Chernov, "Opyt khlebozagogotovok 1929-1930 g.," in *Ekonomicheskoye Obozreniye*, no. 1 [1930], p. 30, quoted in Grosskopf, *L'Alliance ouvrière*, p. 334). [p. [38](#)]
36. During the winter of 1925-1926, when there had been a momentary decline in procurement despite a good harvest, the same interpretation tended to be given to this phenomenon: at that time, however, it did not lead to the same measures as were introduced in 1927-1928, and the effects of the initial decline in procurement were quickly overcome. [p. [38](#)]
37. See *K.P.S.S. v rezolyutsiyakh*, vol. 2, pp. 250-255. [p. [39](#)]

38. Grosskopf, *L'Alliance ouvrière*, p. 336. [p. [39](#)]
39. Mikoyan in *Pravda*, February 10, 1928. [p. [39](#)]
40. Circular from the Krai Party office, North Caucasia, taken from the Central Party Archives. See G. A. Konyukhov, *KPSS v borbe s khlebnymi zatrudneniyami v strane (1928-1929)*, p. 152, quoted in M. Lewin, *Russian Peasants and Soviet Power*, p. 222. [p. [40](#)]
41. See Stalin, *Works*, vol. 11, p. 16. [*Transcriber's Note*: See Stalin's "[First Results of the Procurement Campaign and the Further Tasks of the Party](#)". -- DJR] [p. [40](#)]
42. *Ibid.*, vol. 11, p. 19. [p. [40](#)]
43. See *K.P.S.S. v rezolyutsiyakh*, vol. 2, pp. 372 ff. [p. [40](#)]
44. True, during the first quarter of 1926, procurement had brought in only 841,000 metric tons (calculated from figures in the work quoted in [note 31](#)). [p. [40](#)]
45. Already in February Mikoyan had spoken of "hesitation" on the

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part of the *bednyaki*. A few months later it was being admitted that many of them had even turned toward the kulaks (see Bauman's article, "Uroki khlebozagotovok," in *Bolshevik*, nos. 13-14 [1928], p. 74). [p. [41](#)]

46. Meaning a less centralized, less "modern" kind of industrialization, calling for smaller financial resources and fewer imports, and relying to a greater extent on local resources and on the initiative of the worker and peasant masses. [p. [42](#)]
47. On this point, see below, p. 107. [p. [42](#)]

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## *Preface*

My purpose in the present volume is to continue my analysis of the process of transformation of the Soviet social formation through the years 1923-1930, defining the way in which successes and failures were intermingled in that period, and so prepared the subsequent victories and defeats experienced by the working class and the masses of the people in the USSR.

In order to accomplish this task it is necessary to establish what the social relations were in which the agents of production were integrated, and to reconstitute as clearly as possible the fundamental class struggles of the period being considered.□ One must also take into account the diverse forms in which actual social relations were perceived by the masses and also by the members and leaders of the Party. Finally, we have to establish the significance and social implications of the theoretical notions and political platforms around which a series of conflicts took place.

This analysis must therefore deal with a complex objective process developing on several different levels, and entailing changes each of which proceeded at its own pace, even though all were interlinked and affected each other. This compels us to renounce any sort of idealistic approach claiming to "expound" the history of the USSR as the "realization" of a certain set of "ideas" -- whether those of Marx, of Lenin, or of Stalin.

In other words, only a materialist treatment of the process of transformation of the Soviet social formation will enable us really to understand this process and draw lessons from it.

Such a treatment is all the more essential today because a series of writings filled with open hostility to Marxism, and

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mainly inspired by the works of Solzhenitsyn, are directed to presenting the history of the USSR as the "outcome" of the ideas of Marx, Engels, Lenin, and Stalin. This idealist approach is, moreover, the "counterpart" of another one, similar though with different "aims," expressed in writings of predominantly apologetic character which present the history of the USSR as the "outcome" of the decisions of the Bolshevik Party and the Soviet state, and which furthermore assume that, generally speaking (that is, leaving aside a few "mistakes" which are considered to have been more or less rapidly corrected), these decisions were directly dictated by "Marxist principles," resulting from analyses carried out in light of these principles.

A feature common to these idealist treatments of the history of the Soviet formation is that they relegate to the background (when they do not purely and simply ignore them) the movement of the objective contradictions, the various forms assumed by class struggles, and the role played by ways of seeing reality that were inherited from the past and affected the aspirations of the masses and the views of the leaders alike. For a materialist analysis of the transformation process of the Soviet formation all these factors need to be reckoned with.<sup>[2]</sup>

A materialist analysis also requires that we refuse to compare the history of the USSR with any ideal "model" from which it is supposed to have "deviated" at a certain moment, so that *from that moment* everything "took the wrong turning."

It is therefore indispensable to analyze the Soviet social formation *in its originality*, so as to understand the *unique* character of the gigantic upheavals that it has experienced. Reckoning with the *specific features* of the history of the USSR does not debar us (quite the contrary) from *drawing lessons from it for other countries and other periods*, since this history, in its singularity, possesses a universal bearing for the simple reason that the universal *does not exist* otherwise than in the form of the particular. But this universal bearing

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can be grasped only by means of a *concrete analysis* of the movement of the contradictions, especially of those that developed on the plane of ideology.

The pages that follow will not "present chronologically" the development of the contradictions of the period 1923-1930. *Attention will be focused on the moment when these contradictions converged*, giving rise, in 1928-1930, to a crisis which appeared as a "*general crisis of the NEP*." We shall see, moreover, that some vital aspects of this crisis were connected with the way in which the New Economic Policy was implemented, and with the ambiguous forms assumed by its gradual abandonment. In any case, analyzing this crisis will enable us to perceive a series of contradictions as they manifested themselves in their most acute form, and to trace the way that they had developed and become intermingled in the course of the preceding years, so that light is thrown upon both the *conditions that brought the crisis of 1920-*

*1930 to a head* and also the *class consequences* of this crisis.

The contradictions analyzed in this volume concern, in the first place, the working class. We have to see how the conditions under which this class produced (that is, the characteristics of the processes of production and reproduction) were changed, but have also to describe the forms taken by the rise in the level of consumption by the industrial workers, by the various relations of distribution, and by the way in which the workers were organized. Special attention has been given to the ways whereby the workers (and other social classes, too, especially the bourgeoisie -- both the old one and that which was in process of formation) made their presence felt in the ideological and political "machinery" through which the working class could either develop its own initiative, or find its activities being oriented in one direction or another. The successes won during the years under consideration, no less than the setbacks suffered, had a considerable influence on the form taken by the crisis of 1928-1930 and its outcome.

Likewise analyzed in this volume are the social relations in which the peasantry and its various strata were integrated, the

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struggles that developed within the peasantry, and the contradictions that set the peasant masses against certain decisions of the Soviet government.

The contradictions analyzed often present themselves as economic ones. It is therefore appropriate to bring to light the social relations which both manifested and concealed themselves in the form of prices, wages, and profits, and the class significance of the movements of industrial and agricultural prices, movements which involved, to some extent at least, the fate of the *alliance between the workers and the peasants*.

Our analysis deals fundamentally with political contradictions, but these cannot be reduced (as is too often attempted merely to the conflicts between the various oppositions and the majority in the Political Bureau. Actually, these contradictions were also internal to the political line laid down by the Party leadership, a line that included contradictory elements which played a far from negligible role in the development of the crisis of 1928-1930. Moreover, this political line frequently contradicted the *actual practice* of the cadres of Party and State, and the *consequences* of this practice reacted, sooner or later, upon the political line, leading to its transformation.

Special attention must be given here to the limited means at the disposal of the Bolshevik Party for putting many of its decisions into effect. This limitation was a product of history. It was connected with the Party's inadequate presence among the peasantry (who formed the overwhelming majority of the Soviet people), and with the hardly proletarian character of many parts of the state machine,<sup>[3]</sup> and so with the type of relations established between these parts of the state machine and the working people.

However, the limits restricting the activity of the Bolshevik Party and also the possibilities for mass initiative were due not only to political factors, but were also determined by the development of a certain number of *ideological relations*. We must therefore analyze quite closely the *Bolshevik ideological formation and its transformations* (which were themselves

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inseparable from those taking place in the social formation as a whole). We shall see that some of the conceptions which played an increasing role in the Bolshevik Party, and which were also present among the masses, often led to the existence of some of the developing contradictions being hidden from view, to incorrect interpretation<sup>[4]</sup> of those contradictions whose existence

was recognized, or to the adoption of decisions that were more or less inadequate, in the sense that they failed in their purpose and weakened the positions of the Soviet proletariat.

The characteristic features of the Bolshevik ideological formation reflected, in the first place, the limited experience which the Bolshevik Party and the Soviet proletariat could then draw upon. They were connected also with the conflicts that developed in the Party before October and during the years 1917-1923, and so with the *contradictions in the ideological formation of that period*. Finally, and above all, they resulted from the changes undergone by that ideological formation in face of the *new problems* that arose and the changes in *class relations* within the Soviet formation itself.

The process of change in the Bolshevik ideological formation produced contradictory effects. On the one hand, it led to an enrichment of Marxism, to a clearer perception of the political and economic tasks that the Soviet government had to tackle. On the other, and at the same time, it contributed -- owing, especially, to the weakness of the Party's ties with the peasant masses -- to the strengthening of conceptions that departed from revolutionary Marxism. It should be noted, too, that these conceptions could in some cases be given illusory "title-deeds of legitimacy" through a mechanistic interpretation of some formulation or other employed by Marx himself.

As we shall see, a significant example of this was the role that the Bolshevik Party gave to the formulations used by Marx in his writings of 1846, in which "society" appears as an "expressive totality" where the aggregate of social relations seems to be determined by the technological conditions of production. This happened with the well-known phrase: "The

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hand-mill gives you society with the feudal lord: the steam mill, society with the industrial capitalist,"<sup>[5]</sup> which can be interpreted in a narrowly economist-technicist sense.

A relatively large amount of space is given at the end of this volume to the problems posed by the changes in the Bolshevik ideological formation. These problems have, indeed, a considerable bearing. Analysis of them enables us to understand better how and why a certain number of contradictions that developed in the Soviet social formation were imperfectly grasped, so that the inadequate treatment they received resulted in a series of unsought consequences that were increasingly difficult to control.

What is said on this subject implies in the most direct fashion a lesson that is of universal application. Some of the conceptions alien to revolutionary Marxism that were present in the Bolshevik ideological formation became, during the 1930s, "established truths" which influenced a number of the parties belonging to the Communist International. These parties were thus induced, in historical conditions differing from those of the USSR, to commit mistakes that were *similar* to those committed by the Bolshevik Party.<sup>[6]</sup>

Analysis of the contradictions and transformations of the Bolshevik ideological formation is still relevant to present-day concerns. Even now, some of those who with justification claim to be Marxist-Leninists have not clearly recognized what may be mistakes in certain formulations adopted by the Bolshevik Party which played a negative role, in the transformation process of the Soviet social formation, by weakening the leading role of the working class.

The identification of revolutionary Marxism with some of the formulations or theses which, though accepted by the Bolshevik Party, were alien to Marxism, continues to do harm to the cause of socialism in another way. Thus, what the Bolshevik Party said, especially from the end of the 1920s on, about the "socialist" significance of state ownership and about the decisive role of the development of the productive forces as the "driving force of social changes" is repeated today by the Soviet revisionists. By reiterating these formulas they

claim to prove their "loyalty" to Marxism-Leninism. Other opponents of socialism employ similar identifications, and the results ensuing from the theses to which they relate, in order to reject what the Soviet revolution has accomplished and reject, also, the teachings of revolutionary Marxism, without which it is impossible to carry forward to victory the struggle for socialism.

At the heart of the analyses that follow, therefore, lies the question of the relation between the process of change affecting the Soviet social formation and that which affected the Bolshevik ideological formation. This is a question of capital importance which I have been able only to begin to deal with here. Perhaps my essay may serve as the starting point for "setting right-way-up" the problem referred to by means of the mistaken expression "the personality cult." What is meant thereby really took shape only in the 1930s and can therefore be analyzed only in my next volume. Nevertheless, it is not without value to make a few methodological observations on the subject straightaway.

In the first place, it must be said that, in order to deal rigorously with this question, on the basis of historical materialism, one needs to analyze *first of all* the transformation process of the *Soviet social formation* and its articulation with that of the *Bolshevik ideological formation*. The question of Stalin cannot be presented correctly unless it is situated in relation to this *dual process*. Historically, Stalin was the product of this process, not its "*author*." To be sure, his role was considerable, but the line followed by his acts and decisions cannot be separated either from the *relations of strength between classes*, or from the *means* available to the Bolshevik Party, or from *the ideas that were predominant in the Party and among the masses*. It is by taking strict account of all these objective determining factors that one can *analyze* the activity of the Bolshevik Party, and so of Stalin, and *understand* how this activity contributed to maintaining some of the conquests of October, consolidating Soviet power, and, *at the same time*, undermining some of these conquests by allowing the development of practices and social relations which greatly

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weakened the leading role of the Soviet proletariat and profoundly shook the alliance between the workers and the peasants. But only *concrete analysis* applied to the *specific forms of the changes undergone by the Soviet social formation* can enable us to tackle these questions correctly.

Such a concrete analysis shows also to what extent Stalin was, above all, in most cases, the man who concentrated systematically the views of the leading circles of the Party and some of the aspirations of a section of the Soviet masses. The nature of these views and these aspirations was not the same at all moments in the history of the Soviet formation, and therefore the "question of Stalin" can be tackled correctly only by "periodizing" it.

In any case, in the following pages I am not concerned with these problems, since treatment of them is necessarily *subordinate* to a preliminary analysis of the process of change through which the Soviet formation has passed.

## Notes

Our knowledge of these struggles can, alas, only be very incomplete. The most  
1. significant factors can, of course, be grasped by reference to the published

documents, by interpreting the speeches of the Soviet leaders and the decisions adopted by the Party. But a more thorough knowledge of the struggles and of the state of mind of the masses, and especially of the different strata composing them, will not be achieved until later, when archives which are at present closed to researchers are opened to them, and, above all, when, through a mighty mass movement of concern to know their past, the Soviet people themselves come to participate in the reconstitution of their own history. Meanwhile, only the most outstanding developments can be appreciated -- which is already a great deal. [p. 11]

2. In J. Elleinstein's book, *Histoire du phénomène stalinien* (English-language translation, *The Stalin Phenomenon*), we find an idealist approach and positions characteristic of mechanical materialism intermingled. The developments experienced by the

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USSR are shown as the result of a certain conception of socialism "adapted" to the specific historical conditions of Russia -- to the low level of the productive forces in that country at the start of the Revolution and to the initial situation of its masses. Elleinstein writes of "a people in rags and without education" (English translation, p. 32) and the burden of "Tsarist tradition and Orthodox ritual" (ibid., p. 56). It is on this "historical terrain, very different from that of France" that a specific "type of socialism" is said to have developed (French edition, p. 247; not included in the English translation). A "myth of origin" thus does duty for analysis of a complex process of transformation. Rejection of this myth does not mean, of course, denying that the effects produced upon the Soviet social formation by a number of *contradictions that were not brought under control* (effects the bearing of which is universal, and therefore capable of appearing elsewhere than in the Soviet Union) did take on *forms that were specifically Russian*. However, what matters when we are trying to draw lessons from the history of the Soviet Union is the content of universal implication to be found in the changes that that country has undergone: this is why we need to grasp them in their *specific forms* (which are to be "associated" with the specific Russian "terrain"), but also to go beyond the particularity of these forms. [p. 12]

3. We need only recall what Lenin had to say on the matter: "The apparatus we call ours is, in fact, still quite alien to us, it is a bourgeois and tsarist hotchpotch . . ." (Lenin, *CW*, vol. 36, p. 606 [*Transcriber's Note*: See Lenin's "[The Question of Nationalities or 'Autonomisation'](#)". -- DJR]). On this point see volume I of the present work, p. 329. For lack of mass action to revolutionize this "apparatus," its characteristic features could not be radically altered. [p. 14]
4. The most telling example of a mistaken interpretation is provided by the attempt made to account for the "bureaucratic distortions" of the state machinery by attributing these exclusively to the predominance of small-scale production. Actually, these distortions were also connected with the development of centralistic political relations (which was why they got worse during the 1930s, when small-scale peasant production was tending to disappear), a development that was not combated by the Bolshevik Party since it considered that the forms of centralization characteristic of capitalism corresponded to the requirements for domination by society over the processes of production and reproduction. [p. 15]
5. Marx, [The Poverty of Philosophy](#), in Marx and Engels, *Collected Works*, vol. 6, p. 166. [p. 16]

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6. Of course, if a particular Communist Party was influenced by some of the mistaken theses upheld by the Bolshevik Party and the Comintern, the reason for this must be sought in the social practice of this Party, in its relations with the various classes of society, in its internal structure, and in its greater or lesser capacity to generate criticism and self-criticism, drawing up the balance sheet of its own experience and learning lessons therefrom. [p. 16]



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***Part 1***  
***The development of commodity and money relations and of planning in the NEP period***

Analyzing the phase of boom followed by crisis with which the NEP came to its end requires that we take into account, for the whole of this period, the development of two types of social relations: on the one hand, *commodity and money relations*, and, on the other, the *political relations* resulting from *economic planning* which *modified the conditions* of reproduction of commodity and money relations.

The latter type of relations did not "disappear" during "war communism": their fundamental condition for existence was still present, for social production had not ceased to be the result of "mutually independent acts of labour, performed in isolation," so that its products could "confront each other as commodities,"<sup>[1]</sup> despite all the "bans" issued against commodity exchange.

More generally, during "war communism" as during the NEP, the length of *immediate labor time* remained the decisive factor in the production of social wealth, social production was still based on *value*, and the *increase of wealth depended on surplus labor*: the producer had therefore not yet appropriated "his own general productive power," as Marx put it in the *Grundrisse*.<sup>[2]</sup>

Lenin recognized this reality when he called upon the Bolshevik Party to adopt the NEP. What the Bolshevik Party did, in fact, between 1921 and 1923, was to *recognize the existence of commodity, money, and capitalist relations*,<sup>[3]</sup> and to create the conditions for these relations to reproduce themselves and, thereby, to reveal themselves clearly; for the transforma-

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tion and destruction of these relations necessarily has to pass through that phase.

Hence the putting into effect of a series of decisions, of which the principal ones concerned the restoration of a limited private sector in industry and trade,<sup>[4]</sup> and, above all, an effort aimed at reconstituting open commodity and money relations.<sup>[5]</sup> This made possible accounting in money terms, and required the presence of a currency that should be as stable as possible.

At the same time, the Bolshevik Party was concerned to help birth the political, ideological, and economic conditions for the *transformation* and then the eventual *disappearance* of these same commodity, money, and capitalist relations. A preliminary stage in this direction was the

establishment of a *planning apparatus* which should function *so as to subject the reproduction of commodity and money relations to conditions and political relations imposed by the organs of the dictatorship of the proletariat.*

### Notes

1. Marx, *Capital* (London), vol. I, p.132. This point has already been made in volume I of the present work, p. 462. [p. 49]
2. Marx, *Grundrisse der Kritik der Politischen Ökonomie*, p. 705. In this passage Marx shows that the transformation of the system of the productive forces which begins with the automatizing of production brings about a "monstrous disproportion between the labour time applied and its product," and also a "qualitative imbalance between labour, reduced to a pure abstraction, and the power of the production-process it superintends," with the human being coming to

relate more as watchman and regulator to the production-process itself. . . . He steps to the side of the production-process instead of being its chief actor. . . . In this transformation, it is neither the direct human labour he himself performs, nor the time during which he works, but rather the appropriation of his own general productive power, his

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understanding of nature and his mastery over it by virtue of his presence as a social body -- it is, in a word, the development of the social individual which appears as the great foundation-stone of production and of wealth. And when this is so, "as soon as labour in the direct form has ceased to be the great wellspring of wealth, labour-time ceases and must cease to be its measure," which puts an end to the role played by exchange value and surplus labor.

We must obviously guard against a "technicist" interpretation of these formulations. When Marx says that the role played by exchange value, surplus labor, and accumulation of the product of the latter must come to an end, he does not say that this role will come to an end by itself. An essential factor in the process of transformation expounded by Marx is man's *understanding of nature and mastery over it "as a social body,"* and this understanding and mastery proceed by way of a *political and ideological revolution* which dictates a different relation between men and their labor, a relation that sees this labor as what it is, namely, directly social labor. Hence the importance, when the workers have taken political power, of the development of *Communist labor*, which is one of the modes of transformation of the forms of appropriation and distribution (see Lenin's remarks on this point, quoted in volume I of the present work, pp. 198-202 [*Transcriber's Note*: The relevant texts from Lenin are "[A Great Beginning](#)", "[From the Destruction of the Old Social System to the Creation of the New](#)", "[From the First Subbotnik on the Moscow-Kazan Railway to the All-Russia May Day Subbotnik](#)", "[Our Foreign and Domestic Position and the Tasks of the Party](#)", and "[Report on the Tax in Kind, Delivered at a Meeting of Secretaries and Responsible Representatives of the R.C.P.\(B.\) Cells of Moscow and Moscow Gubernia](#)". -- DJR]). [p. 49]

3. See on this point Lenin, *CW*, vol. 33, pp. 97, 312 [*Transcriber's Note*: See Lenin's "[Seventh Moscow Gubernia Conference of the Russian Communist Party](#)" and "[Eleventh Congress of the R.C.P.\(B.\)](#)". -- DJR], and volume I of the present work, pp. 500, 508. [p. 49]

The private sector of industry and trade which operated at the beginning of the

4. NEP included both individual craft and trading enterprises and capitalist ones. During "war communism," though the activity of all kinds of craftsmen had

not been formally prohibited, it had often been paralyzed through lack of raw materials and means of transport. With the improvement in the general economic situation resulting from the adoption of the NEP, craft activity was resumed. The revival of the rural crafts played a big role in the development of agricultural production.

As regards private capitalist enterprises, and those craft enterprises whose activity had been formally suspended, legal measures were taken in the summer and autumn of 1921 with a view to enabling them to expand their production to a certain extent. A decree of July 7, 1921, authorized "free exercise" of craft occupations and the carrying on of small enterprises employing no more than twenty workers, in the case of those without mechanical

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power, or ten workers if they used mechanical power. A decree of December 10, 1921, restored to their former owners some of the small businesses which had been nationalized but were not actually operating. A decree of May 22, 1922, enlarged the right to set up private commercial and industrial enterprises. This right was granted to any person, whether acting alone or in association, as a company or a cooperative, "so as to develop the productive forces" (Article 4) -- on condition that the right was not "used in a way contrary to the economic and social aim assigned to it" (Article 1). Besides this, it was provided from the start of the NEP that certain state-owned enterprises could be leased out to private capitalists, or granted as concessions to foreign capital if it seemed that their production might thereby be increased more quickly. (See E. H. Carr, *The Bolshevik Revolution*, vol. 2, pp. 299 ff., and Prokopovicz, *Histoire économique*, pp. 274 ff.)

During the first years of the NEP (broadly speaking, until the Fourteenth Party Congress, in December 1925), the predominant idea was that private enterprises were bound to disappear eventually, "by themselves," that is, through competition by state-owned enterprises which, once they were well organized, would provide goods at lower prices than the private ones.

At the beginning of 1925 an extension of possibilities of development for private industry was still regarded as acceptable. In May a decree gave official permission, under certain conditions, to the private sector to employ as many as 100 wage earners per enterprise, while the leased enterprises could employ several hundred: an example is the Moscow factory called "Proletarian Labor," a private firm producing metal goods and employing over 650 persons in October 1925. (See Y. S. Rozenfeld, *Promyshlennaya Politika SSSR*, p. 494, and the supplement to *Planovoye Khozyaistvo*, no. 12 [1925], p. 7, quoted by E. H. Carr, *Socialism in One Country*, vol. I, p. 359.)

As will be seen, the economic role of the private capitalist sector in industry remained on the whole fairly limited, but the situation was different where trade, especially retail trade, and the crafts were concerned (see below, pp. 187 ff). [p. 50]

5. This effort applied also to the production units of the state sector, where, as we shall see, "business accounting" or "financial autonomy" (*khozraschet*) was introduced (see below, pp. 268 ff.). [p. 50]

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## ***1. The reconstitution of a monetary and financial system***

Under "war communism" the currency played only a relatively secondary role.<sup>[1]</sup> A large proportion of those products which were not consumed by their producers were in that period directly allocated to particular uses by the political authority. This applied to what was produced by the factories and also to that part of the production of the individual peasant farms which was requisitioned. However, much buying and selling went on clandestinely, either by way of barter or by exchanging goods for monetary tokens. The state itself did not stop issuing new notes, though their purchasing power fell lower and lower with every passing month.

When the civil war and intervention ended, the constraints of "war communism" were no longer accepted by the peasant masses. They demanded the cessation of requisitioning, establishment of a stable fiscal system, freedom of trade, and the reintroduction of exchange by means of money, which corresponded to the form of production then prevailing in agriculture. Acceptance of these demands by the Soviet government was one of the principal aspects of the NEP.

Initially (at the beginning of 1921), requisitioning was replaced by a tax-in-kind, the amount of which was fixed in advance (unlike the amount requisitioned), so that the more the peasants produced the more produce they had at their disposal. The total revenue from this tax-in-kind was to be such that it would meet the needs of the army and the cost of part of the state machine. As for the agricultural products needed by industry and for foreign trade, they were to be supplied in the main through exchanges of products between the peasants and the state institutions. At the beginning of the NEP the favored form of these exchanges was still barter, and

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only that part of the peasants' production which was not either consumed by themselves or absorbed by the tax or by "products exchange" with state institutions could be *sold* freely by them in their local markets.

It very soon became apparent that the barter transactions between the state organs and the peasants were not going well. In October 1921 the former were given permission to buy agricultural produce, that is, to pay for it with *money*. At the same time the Soviet government increased its cash receipts by introducing new *taxes which were also payable in money*. Finally, in 1923, the agricultural tax was itself changed from a tax-in-kind to a money tax.<sup>[2]</sup> Thenceforth, *commodity and money relations* formed the essential link between agriculture and the state, between agriculture and industry, and between the different units of industrial production, even when these belonged to the state.

The process of *reconstituting commodity production* thus entailed a parallel process of *reconstituting the circulation of money*, for, as Marx said, money comes into being "spontaneously in the course of exchange."<sup>[3]</sup> So long as social production takes place in a private form, the social nature of the wealth produced tends to be incarnated in money.<sup>[4]</sup>

## ***I. The process of reconstituting the Soviet monetary system***

A study of the process whereby the Soviet monetary system was reconstituted is highly instructive. It reveals the subordination of this process to the prevailing social conditions as a whole and to the various forms assumed by the class struggle. It also enables us to perceive the

contradictions that governed subsequent changes in the monetary system. Only the most important facts will be mentioned here.

When the NEP began, the monetary tokens in circulation were issued directly by the state, by the Narkomfin (Commissariat of Finance). The illusions of "war communism" re-

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quired that they be called not "currency notes" but "settlement notes." These notes, for which the everyday name was "*sovznak*," were issued in large quantities (inflation being regarded by some as a means of "doing away with" money). In 1921 it became clear that the *sovznaks*, whose purchasing power was rapidly sinking, could not fulfill functions which must from now on be those of a currency.

On November 3, 1921, the Soviet government decided to substitute new notes for the old ones -- the new notes to be regarded as "currency notes" and no longer as "settlement notes." The existence of a currency was thus officially acknowledged, though Soviet citizens went on talking in terms of *svoznaks*.

For lack of sufficient budgetary receipts the state continued to issue large quantities of notes (in 1922 60 percent of budgetary receipts was due to the issue of new notes) and the purchasing power of the new rouble fell so sharply that in March 1922, 200,000 new roubles were needed to pay for (on the average) what had cost only 60,000 in October 1921 (and which corresponded roughly to one prewar rouble).<sup>[5]</sup>

The budget for 1921-1922 was then drawn up in terms of the "goods-rouble," a unit of account which was supposed to represent a fixed amount of *purchasing power* (as compared with prewar prices). Each month the Narkomfin calculated the purchasing power of the currency in circulation in relation to the goods-rouble. The number of monetary units that a debtor had to pay (e.g., the wages due from enterprises to their workers) was *revalued in accordance with the depreciation of the currency thus recorded* (for the wage earners this measure signified the establishment of a *sliding scale of wages* ).

The development of payments in money by state enterprises meant that the latter had to be provided with the monetary resources that they needed for their operations. To this end, a resolution of the VTsIK, dated October 12, 1921, decided that the state bank (*Gosbank* ), which had closed in January 1920, should be reopened.<sup>[6]</sup> The new state bank began functioning on November 16, 1921.<sup>[7]</sup> It operated on the basis of *khozraschet*, i.e., financial autonomy,<sup>[8]</sup> and therefore had to cover its

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expenditure by its receipts. Its capital was provided by the state and its chairman appointed by Narkomfin. The bank's resources were at first slight: 200 milliard roubles of that period. It could grant only very short-term loans, and those at high rates of interest (between 8 and 12 percent a month).

The pace at which the currency continued to depreciate led the Gosbank's experts (among whom there were a number of former bankers, financiers, and industrialists) to prepare a report in which they set out proposals in conformity with the canons of "financial orthodoxy." This report called for extension of "free markets," priority financial aid to light industry (the branch best capable of bringing about a rapid development of internal trade), review of the conditions governing the way that the foreign trade monopoly worked, an attempt to obtain loans from abroad, and a return to the gold standard. If these proposals had been adopted, the Soviet economy would soon have been reintegrated into world economy, occupying a subordinate

position as producer of certain raw materials and agricultural products.<sup>[9]</sup>

These proposals were rejected by the Eleventh Conference of the Bolshevik Party (December 1921), which, however, emphasized the need, in order to strengthen the worker-peasant alliance, to develop exchanges between agriculture and industry by means of a *stable currency*. The conference's resolution on the reestablishment of the national economy stated that it was necessary to undertake "the restoration of a currency based on gold" and that "the first step to be taken in this direction is the firm implementation of a plan aimed at limiting the issue of paper-money."<sup>[10]</sup>

In March 1922 calculation in goods-roubles<sup>[11]</sup> was given up. Thereafter, the state's receipts and expenditures were calculated in *gold roubles*. The actual payments were, of course, made in paper money, but the quantity of paper money corresponding to a certain sum in gold roubles was evaluated by reference to the rate at which Gosbank bought gold on the market.<sup>[12]</sup>

In fact, although it fell relatively in 1922, the budget deficit financed by currency issues continued to be considerable, and

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the decline in the purchasing power of the old currency went on until this currency was withdrawn in 1924. A new monetary unit was then made legal tender, with a gold backing, and issued from the beginning of 1923 by Gosbank: namely, the *chervonets* rouble.

The *chervonets* rouble enjoyed great stability for several years. Soviet Russia was at that time *the first country in Europe which, after taking part in the First World War, had succeeded in restoring a relatively stable currency*, an achievement that was obviously not due to merely technical reasons.

## II. The currency reform

The *chervonets* (which corresponded to ten gold roubles, or 7.7423 grams of refined gold) circulated at first alongside the old paper rouble, which continued to depreciate quickly. Actually, the *chervonets* became the principal medium of payment. In January 1924 the Thirteenth Conference of the Bolshevik Party noted that four-fifths of the currency in circulation consisted of *chervonets* roubles.<sup>[13]</sup>

The situation had become ripe for the currency reform, which was decided on by a decree dated February 4, 1924 two weeks after Lenin's death.

### (a) The decree of February 1924

By virtue of this decree, Gosbank had supreme control over the issue of the currency that was thenceforth to be legal tender and which was secured on the gold held by Gosbank. The former *sovznaks* were withdrawn from circulation at the rate of 50,000 *sovznaks* of 1923 for one new gold rouble. The state treasury, which had up to then issued notes to cover the budget deficit, lost this right of issue and could thenceforth put out only small denominations, to an amount not exceeding one-half of the *chervonets* issue of Gosbank.<sup>[14]</sup>

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In 1924 the new currency enjoyed the confidence of the peasants, at least so far as current

transactions were concerned. However, the loans which the Soviet government tried to raise in the rural areas met with only limited success.<sup>[15]</sup>

(b) *The class consequences of the monetary system established in 1924*

From the standpoint of class relations and the effects of the class struggle upon the political line of the Bolshevik Party, one of the essential aspects of the monetary reform of 1924 was the effective linking of the new currency with gold.

This linkage meant that *Gosbank had to intervene in the market to maintain the rouble's rate in relation to gold and to foreign exchange at the official parity*, which entailed a number of consequences.

Thus, Gosbank needed to possess reserves of gold and foreign exchange sufficient to be able to act effectively upon the market. This dictated an *export policy aimed at keeping these reserves at an adequate level* and tended to strengthen the position of the rich peasants, who were regarded as those best able to produce grain for export. On the other hand, efforts at industrialization had to be relatively restricted, in so far as industrial development was not capable of quickly supplying exportable goods, but, on the contrary, necessitated imports of equipment. The interests of the rich peasants thus tended to be favored more than those of the peasantry in general and those of industry and the working class. On an international level, the Soviet Union tended to settle down in the role of a country supplying agricultural products.

Maintaining the exchange rate of the rouble at official parity in relation to gold and foreign currencies also dictated a restrictive policy where credit and budgetary expenditure were concerned. Consequently, financial and credit policies could not be adapted first and foremost to the *internal needs* of the economy as these had been defined politically by the Bol-

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shevik Party. Economic, financial, and budgetary policy was to some extent subject to the pressure of the world market, as exercised through the "demands" of the functioning of the gold standard.

The currency reform of 1924 corresponded to a political orientation which was that of the bourgeois "experts" of Gosbank and Narkomfin. The Bolshevik leaders clearly did not grasp the full implication of this political orientation. Some of them even thought it possible to rejoice in the integration of the Soviet Union into the European market. This was the case with Sokolnikov, then commissar of finance, who said: "As members of the European community, despite the special features of our political position and although a different class is in power here, we have become integrated into the European mechanism of economic and financial development."<sup>[16]</sup>

(c) *The subsequent changes in the monetary system*

From 1925 on the concrete meaning of the currency reform decided on in the previous year began to become apparent. Gosbank was now obliged to throw significant quantities of gold and foreign currency onto the market in order to keep the exchange stable.<sup>[17]</sup> This situation was due to the development of increasing contradictions between the "demands" of the functioning of the gold standard and those of a rapid development of industrial production.

At the beginning of 1925 the CC of the Bolshevik Party did in fact take measures aimed at *depriving Gosbank and Narkomfin of supreme control over budgetary policy*. For this purpose a commission for the USSR budget was set up, under the chairmanship of Kuibyshev,<sup>[18]</sup> which upheld a policy of budgetary and credit expansion directed toward activating the development of industry.

Implementation of this policy soon became incompatible with "support" for the rate of exchange of the rouble. In March 1926 *it was decided that Gosbank must stop selling gold and*

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*foreign currency* in order to keep the rouble at par.<sup>[19]</sup> Without saying so, the government thus *broke with the currency reform of 1924* which had, in practice, tied the rouble to gold.

In July 1926 the export of Soviet currency was forbidden, and in March 1928 its import as well. Thereafter, the rouble was a *purely internal currency* with a rate of exchange fixed by a government commission. The few financial centers which, in 1924, had begun to quote the *chervonets* rouble now ceased to do so.<sup>[20]</sup>

The rouble functioned as authentic paper money. It was still the embodiment of the social nature of the wealth produced. It was not a "labour voucher" such as Marx had said might exist during the first phase of communism -- for what is characteristic of such vouchers is that "they do not circulate." Later on, this currency was to go on functioning under conditions that remained basically the same as during the NEP, which meant that fully socialized production still had not come into being.<sup>[21]</sup>

*(d) The political implications of the abandonment of the gold standard and the return to a paper currency*

The abandonment of a currency secured on gold and the return to a paper currency had important political consequences. It meant that financial and credit policy, and also import and export policy, were no longer *as directly* subject to pressure of the international markets as they had been before. It was now possible to tackle more actively the problem of financing industrialization.

Moreover, abandonment of the gold standard made the stability of the currency depend essentially on the way relations between the political authority and the different social classes evolved. Actually, this stability was not dependent merely on "technical measures" (that is, on adjustment of the quantity of money and its speed of circulation to the requirements of production and distribution), but also on a *political and ideological relation* between those who held the currency and

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the political authority that issued it. This relation took the form of "confidence in the currency." As we know, the monetary role performed by a *token of value* can be maintained "only if its function as a symbol is guaranteed by the general intention of commodity owners." In the case of paper money, this "general intention" acquires its "legal conventional existence" in the establishment of a "legal rate of exchange."<sup>[22]</sup>

The existence of a "legal rate of exchange" does not suffice in the least to guarantee the stability of the currency; in order that this stability not be challenged, it is necessary that the "general intention" of those who hold currency and commodities be maintained. In a class-



divided society this "intention" can be preserved only if the class which is in power firmly carries out its leading role. When its performance of this role flags, the "legal rate of exchange" cannot save the currency from depreciating, nor, in certain circumstances, can it prevent the emergence of exchanges effected by means other than legal tender.

It was precisely the conjunction, toward the end of the NEP period, of economic and monetary measures that lacked coherence, together with the sharpening of class contradictions (especially in the sphere of relations between the Soviet government and the peasantry) that upset the working of the monetary system. The leadership of the Bolshevik Party did not expect this to happen. They thought that the economic and political conditions obtaining in the Soviet Union constituted a lasting and powerful "guarantee" of the stability of the currency; this was not really the case, as was shown particularly by the evolution of prices and exchanges.<sup>[23]</sup>

The Bolshevik Party's illusions regarding the capacity of the Soviet government, under the conditions of the NEP, to control production, exchange, and prices by means of economic and administrative measures reflected an underestimation of the economic and social contradictions and of the decisive role of the ideological and political class struggle. From 1928 on, reality came into harsh conflict with these illusions -- which nevertheless were destined to reproduce themselves in new forms.

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### ***III. The budgetary system***

The restoration of a basically balanced budgetary system constitutes another important aspect of the economic reestablishment process of the first years of the NEP. There was a material basis for the restoration, namely, the remarkable boom in industrial and agricultural production. There was a political basis, too, namely the confidence of the worker and peasant masses in the Soviet government. This confidence was expressed in the way the agricultural tax was paid -- with a minimum of coercion. (In any case, at the beginning of the NEP, the administration was hardly represented in the rural areas.)

The restoration of the budgetary system also had an economic and juridical basis, namely, the consolidation of the huge state-owned sector of industry and commerce, which furnished no small proportion of the budget's receipts. The budget was balanced in 1923-1924,<sup>[24]</sup> and this was an essential factor in the stabilization of the currency. In 1924-1925 there was a budget surplus, and this happened in the following years as well, during which time budgetary receipts and expenditure increased very rapidly.<sup>[25]</sup> In 1924-1925 the economic boom was such that the forecasts of budgetary receipts and expenditure were revised upward several times. The rapid expansion of budgetary receipts continued, attaining in 1927-1928 the figure of over 4.58 milliard roubles (not including revenue from the transport and postal services), compared with expenditure of 4.38 milliard. This was 75 percent more than the figure for receipts in 1925-1926.<sup>[26]</sup> In the same period, budget expenditure on industry and electrification increased even faster, by 173 percent.<sup>[27]</sup> These sums represented, moreover, only a fraction of the total amount of capital investment in the two sectors mentioned, which in 1927-1928 came to nearly two milliard roubles.<sup>[28]</sup>

### ***IV. The banking system***

The rapid recovery in industrial and agricultural production, the development of commercial exchanges, the equally

rapid expansion of the budget and of investment were accompanied by restoration of a banking system. This served to tap and redistribute monetary resources, ensure the availability of funds for enterprises, grant them credits, and manage a substantial share of the investment fund.

*(a) The establishment of a new banking system*

The banking system thus set up (which was to continue and develop its activity even when the NEP had been replaced by the policy of Five-Year Plans) embraced, besides Gosbank, which was responsible for issuing currency and looking after the current bank accounts of the state enterprises, also a series of specialized banks: Prombank (the bank for industry), Elektrobank (the bank in charge of financing electrification), Tsekombank (the bank which financed municipal enterprises), and the Agricultural Bank. The network of *credit cooperatives* and the *savings bank* completed the system. It was closely linked with the services of the Commissariat of Finance. It constituted a vast state apparatus employing thousands of functionaries and experts, who were usually of bourgeois or petty-bourgeois origin. The weight and influence of these experts made themselves felt more than once during the NEP period: this was an aspect of the class struggle that the Bolshevik Party was especially ill-prepared to deal with.<sup>[29]</sup>

While budgetary policy was strict, that was not always true of policy relating to credit and the issuing of currency. Thus, there was a rapid expansion in the amount of money in circulation, mainly connected with the size of the bank credits made available to the economy. Part of these credits corresponded to increased economic activity and therefore covered a real need for circulating funds; but another part, especially after 1925, served to cover investments that would be productive only in the middle or long term. The funds paid out increased the amount of money in circulation and incomes, and ended by exerting inflationary pressure. This situation developed contradictions that were to be felt with particular acuteness from the autumn of 1927 on.<sup>[30]</sup>

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*(b) The illusions connected with the functioning of the banking system*

To the illusions engendered by the restoration of a monetary system whose functioning was supposed to be completely controllable by the state, there were soon added similar illusions connected with the existence of a powerful banking system which was supposed to play a central role in directing the country's economic development.

During the first years of the NEP, the banking system was essentially conceived as serving to exercise more effective control over the allocation of credit. Thus, a resolution adopted by the CC at the end of April 1924 declared: "It is indispensable to organise a committee of banks, whose task should be the organisation of bank credit and the avoidance of duplication, the preliminary examination of directive plans of credit, the fixing of co-ordinated discount rates, and the appropriate distribution of banking facilities among different regions and branches of industry."<sup>[31]</sup>

The committee of banks advocated in this resolution was formed in June 1924. It included representatives of the principal Soviet banks of the period.<sup>[32]</sup> Gosplan also participated in this committee, which was responsible for drawing up credit plans for submission for the

government's approval. In a few years the banking network included thousands of branches and managed milliards of roubles of credit.

The idea then took shape that *credit plans* would make it possible to draw up real *economic plans*. Krzhizhanovsky, the chairman of Gosplan, said at the beginning of 1925 that "credit and planning are blood-brothers in a single system of socialisation." As for Kamenev, he hailed the "new commanding height" of the economy, in which he saw a "decisive factor in the regulation of the economy."<sup>[33]</sup>

Such formulations as these could seem correct so long as the structure of production had undergone no profound changes. They became sources of grave illusions as soon as the size of investments made it necessary to pay special attention to liquid assets and to the use made of different categories of prod-

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ucts. In 1927, however, the CC considered that the existence of a state banking system linked with state-owned industry (which supplied the bulk of industrial production) and with a powerful state and cooperative commercial network made possible genuine economic planning.

These illusions found expression in a resolution adopted by the plenum of the CC held on February 7-12, 1927, after it heard a report presented jointly by Mikoyan and Kuibyshev. This resolution declared that the conditions had now been created for solving the problems of developing industry and agriculture, increasing accumulation and real wages, steadily strengthening the socialist elements in the national economy, and restricting the role played by private capitalists. *The resolution stressed the idea that the solution of all these questions revolved around the problem of prices.* Thus, the problem of prices appeared as the essential factor in the consolidation of the worker-peasant alliance,<sup>[34]</sup> while the other aspects of the class struggle were overlooked.

In the February 1927 issue of the Party's official journal, *Bolshevik*, Mikoyan set out the thesis that a new stage of the NEP had been reached: according to him it was no longer the market but the "organised sector" that played the decisive role in determining prices.<sup>[35]</sup>

In May 1927 the same journal expressed the view that "the alleged contradiction between industry and agriculture" had ceased to matter.<sup>[36]</sup> These claims were carried farther in an article published in a journal specially concerned with agricultural and peasant questions, which asserted that "the Soviet state has brought the grain market under control to the point where no untoward event or mistake in calculation can henceforth threaten our plans for construction."<sup>[37]</sup>

To an increasing extent the Party's thinking was thus dominated by the illusion that the system which had been established since 1924 would make possible control of the most complex economic developments, including those that were directly connected with class contradictions. This illusion was all the more remarkable in that its claim to control was founded upon the working of those economic apparatuses

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which were farthest separated from the masses. The masses were kept in ignorance, moreover, even of measures that affected them as directly as the prices fixed by the state. These prices were told only to the administrative and commercial organs and to the merchants; they were not made public.

At the end of 1927 this illusion regarding the possibility of controlling the development of the economy -- and even the contradictions between classes -- through proper functioning of the

administrative and banking system suffered its first blow with the outbreak of the crisis in the state's procurement of grain.<sup>[38]</sup> The secrecy surrounding decisions directly affecting the masses was then denounced as a hindrance to the exercise of "pressure of organised public opinion in the form of Party Soviet, trade-union and other organizations, and in the press."<sup>[39]</sup> However, these criticisms of the "excessive secrecy" surrounding the economic and administrative machinery did not put an end either to this secrecy or to the illusions held regarding the powers possessed by this machinery of state.

Actually, these illusions reflected a conception which had matured between 1924 and 1927 and become deeply rooted in the Party. This conception ascribed a decisive role to the *activity of the state's economic organs* and emphasized in a one-sided way a development of industry based mainly upon investments directly controlled by these organs. It was a conception radically alien to the formulations put forward by Lenin in his last writings, especially in those reviewing the lessons of the first five years of Soviet power.

As we know, Lenin saw the NEP as a road which could lead to socialism provided that the Party put in the forefront the ideological and political class struggle and thereby correctly resolved the contradictions.<sup>[40]</sup> In order to do that, the Party must help the working masses to *transform economic relations* through becoming aware of the demands of socialism and developing economic and political practices that would enable them to build *collective forms of production and distribution* and to exercise a more thorough and effective *control* over the state apparatuses for which the mass organizations must eventually substitute themselves.

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The conception of the NEP which became increasingly established from 1925 on was in contradiction with this view. It assumed, in effect, that the NEP could lead to socialism mainly through "good management" of the economy by the economic and administrative apparatuses (possibly subject, if necessary, to a certain amount of "pressure" from below). Here were a set of illusions constituting an aspect of what R. Linhart has called "an ideal N.E.P."<sup>[41]</sup>

These illusions, which were connected with practices increasingly remote from the requirements of the NEP, and, in the first place, of the worker-peasant alliance, resulted from the class struggle, from shifts of dominance within the Bolshevik ideological formation,<sup>[42]</sup> and were reinforced by the very nature of the economic relations that prevailed at that time. These relations, which were essentially commodity, money, and capitalist relations, determined the forms in which the real relations were concealed and inverted, those forms which Marx analyzed in *Capital*.<sup>[43]</sup>

The illusions which thus took shape were reinforced by the way the Soviet economy operated at that time -- presuming formal subordination of the state-owned enterprises to the political authority, whereas in fact this subordination was extremely limited, precisely because of the slight extent to which the masses controlled the working of the economy. All this made economic reality particularly "opaque."<sup>[44]</sup>

The existence of the illusions just described was to render still more "unexpected" the outbreak of the crisis that began in 1928, accounting for the sudden political turn made in 1929 and the lack of real preparation for the changes then introduced.

#### ***V. The weak degree of control of the monetary and financial system***

Until the beginning of 1925 the Bolshevik Party's control of the monetary and banking

system was relatively weak. The integration of the rouble into the European financial system<sup>[45]</sup>

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imposed a number of constraints upon monetary policy and also on credit, investment, and foreign trade policies.

The abandonment of the gold standard removed these constraints from without to a fairly large extent, but they were replaced by others. Among these was the need to strengthen the confidence of the masses in the Soviet currency, a confidence that depended especially on the results of the functioning of the Soviet economy for the working people.

In this sphere the changes that took place in the Bolshevik ideological formation, and the practices connected with these changes, played a very negative role.

Down to 1925 relative priority had been given to satisfying the needs of the masses, including the peasants, and this ensured a more or less regular supply of goods for the population and comparatively stable retail prices.

Between January 1, 1924, and January 1, 1925, the price index maintained by the Bureau of Labor Statistics showed a rise that was relatively slight, given the conditions of the time: about 8 percent. In the following year the rise recorded was only 6.6 percent.<sup>[46]</sup> Between January 1, 1926, and January 1, 1928, the retail price index even fell a little (by 5.8 percent over the two years) as the rise in retail prices in the private sector (6.8 percent) was offset by their fall in the state and cooperative sector (8 percent).<sup>[47]</sup>

And yet, from July 1927 on, price control slackened. On the one hand, some of the stores were no longer regularly supplied with goods (this was especially the case with the stores situated in country districts, which found themselves receiving fewer and fewer industrial goods), and there occurred what was called a "goods famine," so that the prices quoted for goods which could not actually be bought were meaningless. On the other hand, and as a consequence of this development, retail prices in private trade began to rise. If the level in July 1927 may be taken as 100, these prices stood at 115.3 in July 1928 and at 150.7 in July 1929.<sup>[48]</sup> The rise in price particularly affected agricultural products of general consumption: thus, between 1926-1927 and 1928-1929, market prices increased by 220 percent for rye, 222 percent for potatoes, 68

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percent for milk, etc.<sup>[49]</sup> In this sphere, too, frequent shortages added to the difficulties encountered by consumers.

After the middle of 1927 the monetary system and the price system were less and less under control. In the last analysis, this loss of control corresponded to a slackening in control of the development of the class struggle. The loss of control (the forms of which will be analyzed in the following chapters) was expressed especially in an increase of money incomes without any adequate counterpart in increased production of consumer goods, so that there was a rapid increase in the fiduciary circulation, which rose from 1,668 million on January 1, 1928, to 2,773 million on January 1, 1930, an increase of 66 per cent.<sup>[50]</sup>

The rising prices, the decline in the supply of goods to the population -- especially the peasant masses -- the reappearance of inflation, etc., showed that practices were developing which implied *de facto abandonment of the NEP* and the continuance eventually resulted in its complete abandonment. Among these practices was a policy of accumulation and allocation of investments which led to lasting imbalances that bore more and more heavily on the peasantry.

A new political line was gradually establishing itself and becoming embodied in the economic plans then being drawn up. We must now consider the planning organs which were concerned in this, but without forgetting that the content of the plans was, ultimately, the result of a *policy*, an effect of the class struggles.

### Notes

1. See volume I of the present book, pp. 388, 461. [p. 53]
2. See M. Dobb, *Soviet Economic Development since 1917*, pp. 125-139. [p. 54]
3. Marx, *A Contribution to the Critique of Political Economy*, p. 49. [p. 54]
4. See on this point Marx, *Capital* (Moscow), vol. III, p. 560. [p. 54]
5. See E. H. Carr, *The Bolshevik Revolution*, vol. 2, p. 348. [p. 55]
6. *Ibid.*, pp. 346-347. [p. 55]
7. This was the Gosbank of the RSFSR; two years later it became

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the Gosbank of the USSR (see *Sobranie Uzakonenii*, no. 81 [1923], art. 786). [p. 55]

8. See below, pp. 268 ff. [p. 55]
9. See Carr, *The Bolshevik Revolution*, vol. 2, p. 350. [p. 56]
10. *K.P.S.S. v rezolyutsiyakh*, vol. I, p. 589. [p. 56]
11. See above, p. 55. [p. 56]
12. See *Sobranie Uzakonenii*, no. 26 (1922), art. 310; and no. 31, art. 377; see also Carr, *The Bolshevik Revolution*, vol. 2, p. 355. [p. 56]
13. *K.P.S.S. v rezolyutsiyakh*, vol. I, p. 795. [p. 57]
14. See *Sobranie Uzakonenii*, no.32 (1924), art. 288; no. 34, art. 308; no. 45 art. 433; E. H. Carr, *The Interregnum*, p. 133, and *Socialism*, vol. I, pp. 475-476. [p. 57]
15. The checking of inflation made it possible to reduce interest rates to a substantial degree. The rate for long-term loans granted to peasants was, in 1924, 8 percent per year, and this fell to 6 percent in 1925. The loans raised by the state bore interest at 5 or 6 percent. The subscribers to these were mainly rich or well-to-do peasants (see Carr, *Socialism*, vol. I, pp. 469-474). [p. 58]
16. *Sotsialisticheskoye Khozyaistvo*, no. 5 (1924), p. 6. [p. 59]
17. See Carr, *Socialism*, vol. I, p. 481. [p. 59]
18. See V. Dyachenko, *Sovetskie finansy v pervoy faze razvitiya sovetskogo gosudarstva*, vol. I, p.426; *Sobranie Zakonov*, no. 17 (1925), arts. 127, 128; no. 38, art. 282; no. 71, art. 520. [p. 59]
19. See Carr, *Socialism*, vol. 1, p. 487. [p. 60]
20. See A. Baykov, *The Soviet Economic System*, pp. 102-103. [p. 60]
21. In volume II of *Capital* Marx imagines a society in which production has been "socialised," and writes that, this being so,

society distributes labour-power and means of production to the different branches of production. The producers may, for all it matters, receive paper vouchers entitling them to with draw from the social supplies of consumer goods a quantity corresponding to their labour-time. These vouchers are not money. They do not circulate." (*Capital* [Moscow], vol. II, p. 358.)

It will be observed that the "socialisation" mentioned here goes far beyond mere ownership by the state. It implies a thoroughgoing transformation of the ideological and political relations, enabling the producers associated on the scale of society to subject production to a *plan which is genuinely the result of their joint activity* (and not that of an administrative instance

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separated from them and imposing upon them tasks which it has itself determined). [p. 60]

22. Marx, *Contribution to the Critique of Political Economy*, p. 116. [p. 61]
23. See for example, above, pp. 67 ff. and below pp. 150 ff. [p. 61]
24. Until 1930 the financial year ran from October 1 to September 30. Thereafter, the financial year and the ordinary year coincided. [p. 62]
25. On these questions see Carr, *Socialism*, vol. I, pp. 456 ff., and E. H. Carr and R. W. Davies, *Foundations of a Planned Economy (1926-1929)*, vol. I, pt. 2, pp. 974-975. [p. 62]
26. Carr and Davies, *Foundations*, vol. I, pt. 2, p. 975. [p. 62]
27. See Baykov, *The Soviet Economic System*, p. 95. [p. 62]
28. Carr and Davies, *Foundations*, vol. I, pt. 2, p. 979. [p. 62]
29. It must be stressed that, if experts of bourgeois origin were able to influence the running of the monetary and banking system, this was because they were integrated into structures which made possible the reproduction of the relations and practices of which they were the "carriers." Subsequently, the presence of "specialists" of proletarian origin in the financial and monetary organs was not to prevent the continued reproduction of bourgeois relations and practices, for the political line being applied had not radically transformed the structure of these organs. [p. 63]
30. Between January 1, 1924 and January 1, 1928, the total amount of money in circulation increased fivefold, growing from 322 to 1,668 million roubles (Baykov, *The Soviet Economic System*, p. 104). Between 1925-1926 and 1927-1928 the amount of money in circulation increased by about 42 percent, whereas the national income, in constant prices, increased by only about 14 percent (Carr and Davies, *Foundations*, vol. I, part 2, pp. 976, 977). This contributed to the increase in prices which will be described at the end of the chapter. [p. 63]
31. Quoted from Carr, *Socialism*, vol. I, p. 473. [p. 64]
32. See A. Z. Arnold *Banks, Credit and Money in Soviet Russia*, pp. 266, 284-285. [p. 64]
33. *Planovoye Khozyaistvo*, no. 1 (1925), pp. 19, 30-31. [p. 64]
34. See *K.P.S.S. v rezolyutsiyakh*, vol. 2, pp. 224-227, especially p. 225. [p. 65]
35. *Bolshevik*, February 15, 1927, pp. 18-27. [p. 65]
36. *Ibid.*, May 1, 1927, p. 9. [p. 65]
37. *Bednota*, May 13, 1927. [p. 65]
38. See above, pp. 37 ff. [p. 66]

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39. *Voprosy Torgovli*, nos. 2-3 (November-December 1927), p. 67, quoted in Carr and Davies, *Foundations*, vol. I, pt. 2, p. 679, n. 2. [p. 66]
40. See volume I of the present work. [p. 66]
41. R. Linhart, "La NEP, quelques caractéristiques de la transition soviétique," in *Etudes de planification socialiste*, pp. 156 ff., especially pp. 185-186. [p. 67]
42. See Part 4 of the present volume. [p. 67]
43. Marx, *Capital* (London), vol. I, pp. 165, 180. See also C. Bettelheim,

- [Economic Calculation and Forms of Property](#) (London), pp. 51-57. [p. 67]
44. See also, on this point, R Linhart's remarks in "La NEP," pp. 195-196. We shall see later that, in the sphere of industry, "production conferences" were supposed to ensure a better awareness of reality, but the actual conditions in which these conferences were held seriously restricted their practical effect. [p. 67]
45. See above, pp. 57-59. [p. 67]
46. Figures calculated from Baykov, *The Soviet Economic System*, p. 96. [p. 68]
47. Figures calculated from A. Mendelson, ed., *Pokazateli konyunktury*, quoted in Carr and Davies, *Foundations*, vol. I, pt. 2, pp. 964-965. [p. 68]
48. Ibid. In the case of agricultural products sold in the private sector, the rise was even more acute, with the index moving from 100 to 204.5 in two years. [p. 68]
49. Ibid. [p. 69]
50. Baykov, *The Soviet Economic System*, p. 104. [p. 69]

## ***2. The development of the machinery and procedures of economic planning***

As we know, the NEP was not characterized merely by open development of commodity relations, possibilities of activity (within certain limits) granted to individual and private capitalist enterprises, and "financial autonomy" for state owned enterprises. Together with these orientations and these measures, others were adopted which were aimed at countering the danger that development might take place along an "ordinary capitalist road." To this end, organs were set up to coordinate the different branches of economic activity and to work out plans.

The existence and functioning of these organs was not at all sufficient to eliminate the dangers of *capitalist development*, dangers that could be removed only by the application of an appropriate *political line*, but they did create, within the NEP framework, some of the *preliminary conditions* for progress by the Soviet economy along the *socialist road*, and this was why Lenin ascribed great importance to their establishment.

The principal function of the planning organs was *political*. They prepared and accompanied *the government's interventions* in the process of reproducing and transforming the *material and social* conditions of production. These organs served as the fulcrum of a specific form of political practice, namely, *planning*. In a class-divided society like that of the NEP (and the one that succeeded it), *planning has a class content*. It is affected by class struggles and affects the way that these struggles proceed. The interventions determined by planning are of a *juridico-political* nature. They take place amid the contradictions of social reproduction. They mobilize in a concentrated way the political and ideological forces of the ruling power in order to lead *the processes of production* in a certain



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direction and to alter their distinctive features, and so the *forms of the processes of appropriation and distribution*.

For "planning" to take place it is necessary that the interventions in production and reproduction actually have an effect, and that they be *coordinated as regards their guiding principles*. Such coordination is the *purpose aimed at*, but it is far from always achieved. *In the absence of adequate real coordination*, the direction actually given to the social process of production and reproduction may differ from what is "desired" by the political leadership. From the political standpoint, however, what is decisive is the *real process*, not what is imagined.

The political interventions connected with planning do not directly modify the nature of the immediate production relations, but only the conditions for their expanded reproduction. The place of the agents of production in relation to each other and to the means of production is only *indirectly modified* by planning -- for example, when it favors the expansion of a particular *form of production* (to which certain means of production are allocated by right of priority) while paralyzing another form, which it cuts off from some or all of the material means of production (or even the labor power) that it needs for its reproduction. A real upheaval in the relative positions of the agents of production always results, however, from class struggle, from the activity of the producers, and the changing of the actual conditions of production.

The political interventions connected with planning, and which affect the *reproduction* of social relations, may be carried out either *directly* or *indirectly*. One of the forms of *indirect intervention* (which was typical of the NEP but did not disappear along with it) is that which operates in the sphere of money and prices. For example, an evolution of the "terms of trade" to the disadvantage of agriculture (by a fall in the prices of its products relative to those of industrial goods) brings about a *transfer of values* to industry and the state sector, and so accelerates the expanded reproduction of the means of production at the disposal of this sector, and of the *production relations* characteristic of this sector.

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Even when the Soviet government intervenes in the reproduction of social relations within the setting of a plan, the fact of these interventions cannot be directly equated with progress along the *socialist road*: it all depends on the type of change in social relations induced by the interventions. Contrary to what has often been stated, *all planning is not necessarily socialist*: it can and often does, accompany various forms of state capitalism. The *socialist character of planning* depends, therefore, primarily on the *class character of the ruling power*, but also on the content of the plans, the intention they express to create the conditions for *increasing control by the working people over social reproduction*.

The planning organs were established at the beginning of the NEP. Their increasing activity in the second half of the 1920s resulted from the actual conditions under which the Soviet economy was functioning at that time. These conditions exerted an especially strong influence when the period of restoration of industry (the reactivation of inherited equipment) drew to a close and the reconstruction period began (at the end of 1925).

From that moment, indeed, the question of the *allocation of accumulated capital* arose in acute form. This allocation would decide which industries would be given priority development and also the *technology* they would employ. It thus had a bearing on the *division of labor*.

When capital circulates "freely" between the various branches of production, the question of "priorities" and of the "technical" forms assumed by economic development is "settled" by the overall and differential action exerted by class struggles on levels and differences of wages, by

the striving for the maximum rate of profit, by the tendency for this rate to be equalized between the different branches, and by the relations of strength between the various industrial and financial groups. Under the pressure of these forces, accumulated capital is distributed in a determined way between the different branches, and invested in techniques which are also determined, in accordance with the capital available to the capitalists and with their estimates of future prospects. The

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nonrealization of these estimates, which is inevitable given the very conditions under which capitalist expanded reproduction then takes place, determines the form assumed by economic crises.

The existence of a state-owned industrial sector constitutes a considerable obstacle to the reproduction of this mode of distribution of capital between the different branches, but it is not an absolute obstacle. The various industries comprising the state sector can be left "free" to borrow, either from one or more investment banks or on a "finance market."<sup>[1]</sup> Furthermore, they can fix their prices, which to some degree determines their power to finance themselves or to repay loans. This type of accumulation was not entirely ruled out during the first years of the NEP: the *khozraschet* of industrial and banking enterprises facilitated it.

Nevertheless, the centralization of the industrial sector, the substantial size of the principal existing enterprises (and, even more, of those that the Bolshevik Party wished to develop), and fear (lest "market anarchy" and economic crises should return) formed major obstacles, in the 1920s, to this form of accumulation.

Above all, *the political will of the Soviet government to build socialism* was irreconcilable with a form of accumulation that implied "autonomous" development of the various industries and reproduction of capitalist forms of management. The existence of a state-owned industrial sector, together with the intention to build socialism, thus determined the setting-up of planning organs (with the allocation of accumulation funds as one of their tasks) and the extension of the activity of these organs.

In the "war communism" period<sup>[2]</sup> the Soviet government had tried to guide production in accordance with the priorities dictated by the civil war. At that time the VSNKh functioned mainly as the organ responsible for centralized direction of *current operations*. When the NEP began, a new organ appeared -- the state planning commission, or Gosplan, which was responsible primarily for the preparation of *long-term and middle-term plans*. In addition, some other organs were given planning tasks during the NEP.

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### **I. The VSNKh<sup>[3]</sup>**

Though the VSNKh was chiefly concerned with current operational plans under "war communism," a resolution of the Ninth Party Congress (1920) entrusted it with the preparing of a "single production plan for Soviet Russia as a whole and for the Soviet republics allied with Russia." This plan was to cover "the next historical period."<sup>[4]</sup>

At the start of the NEP the role of the VSNKh tended to diminish, owing partly to the creation of Gosplan,<sup>[5]</sup> but also to the development of the financial autonomy of enterprises and the role played by Gosbank and Narkomfin.

From 1925 on the problem of industrialization arose ever more sharply, and the role of the VSNKh increased again. This organ now intervened to a substantial degree in the drawing up of various plans, and established an administrative structure aimed at preparing plans for the economy as a whole, including agriculture and transport. Actually, owing to its close links with the leaders of industry, the VSNKh also gave expression to what they wanted -- the development of the industrial sectors under their authority. The enlargement of the "planning" activities of the VSNKh is thus to be seen as connected with the increasing role that the leaders of industry tended to play from 1925 on. This enlargement caused conflict with Gosplan and contributed to rendering more confused the discussions that took place concerning problems of industrialization. Something will be said about this later.

## ***II. Gosplan***

Gosplan (the State Planning Commission) was, in principle, the organ responsible for drawing up plans. Established on February 22, 1921, it succeeded Goselro, which had worked out a plan for electrification.<sup>[6]</sup> It was not an organ for taking decisions. Like the VSNKh, its task was merely to prepare drafts which were submitted to the *organs of government, which alone had the power to take decisions and put them*

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*into effect.* This situation was expressed in the subordination of Gosplan to the Council of People's Commissars (Sovnarkom) and the Council for Labor and Defense.

During the NEP period, Gosplan's activity often followed lines contradictory to that of the VSNKh. Whereas the latter body was closely linked with the leaders of industry, the Gosplan experts were more concerned with the problems of agriculture and of overall economic equilibrium, which meant that they were closer in interest to the financial organs -- Gosbank and Narkomfin.

At the outset, Gosplan had only about forty members, mostly economists and statisticians, seven or eight of whom were Party members; the rest were bourgeois specialists.<sup>[7]</sup> At the beginning of 1927, Gosplan's staff numbered 500, many of whom were former Mensheviks, but decisive responsibility was in the hands of Party members, notably Krzhizhanovsky, who had headed Goselro.<sup>[8]</sup>

During the second half of 1925, Gosplan worked out the first annual plan for the national economy. This plan had no binding power, as was shown by the name given to it: "control figures." Covering the year 1925-1926, it was actually a modest document of about 100 pages intended to guide the various People's Commissariats in drawing up their own operational programs. The Presidium of Gosplan itself emphasized the approximate nature of the document it had produced: when it was drawn up, a great deal of needed information was lacking.

The control figures for 1926-1927 were already more soundly based than the first set, but, as before, they were not obligatory. However this time, when the CLD (which had supreme oversight of economic decisions) ratified the control figures, it announced that if the operational plans of an administrative organ conformed to the forecasts given in the control figures, there would be no need to obtain the CLD's ratification of these plans.

The control figures for 1927-1928 made up a detailed document of 500 pages. They had been compiled in close collaboration with the sectoral and regional planning organizations. A decree of June 8, 1927, strengthened, in principle,

the predominant role of Gosplan in the drawing up of plans, and a decision of the CC in August 1927 provided that thenceforth the control figures, once ratified, were to constitute *actual directives for the elaboration of operational plans and of the state budget*.<sup>[9]</sup> From that time on, operational plans were drawn up along with the control figures.<sup>[10]</sup>

These facts show that the NEP, although involving development of commodity and money relations and increased financial autonomy for state enterprises, entailed no renunciation of endeavors to secure centralized and planned direction of the economy. On the contrary, an important aspect of the NEP record was the establishment of planning organs which, in principle, made possible better coordination of the development of the different branches of the economy.

The uncertainties of the political line decided on by the Bolshevik Party at the end of 1925 -- at the very moment when the problem of the scope of the industrialization process to be launched, and of the forms it should take, was coming on to the agenda -- favored a proliferation of these organs. They drew up "draft plans" that were profoundly contradictory -- acting, in fact, as "supports" for different social forces and political tendencies which were then dividing the Party. As examples we can take the existence within Gosplan of an industrial section which in 1926 drew up a particularly generous investment plan, and the creation within the VSNKh of a special organ, Osvok, which became, in practice, independent of the VSNKh, and served for a certain period as a support for the "united opposition."<sup>[11]</sup>

### **III. Osvok**

Osvok (*Osoboye soveshchanie po vosstanovleniyu osnovnogo kapitala*, "special commission for the restoration of fixed capital") was created by the Presidium of the VSNKh in March 1925. At once it set about preparing its own version of a *five-year plan*, and formed sections and committees for the

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purpose. Under the chairmanship of P. I. Pyatakov (one of the leaders of the "united opposition," who was to be expelled from the Party in 1927 but was readmitted after a few months of exile), Osvok acted quite independently of the VSNKh, and had numerous ex-Menshevik economists, as well as non-Party engineers and scientists working for it.<sup>[12]</sup>

In the absence, however, of any effective participation by the masses in the working out of the plans, and of a firmly defined *political line* (the lack of which was revealed by the scope assumed by the economic controversies of the period and the *rapid and divergent changes of content in the resolutions adopted by the Party's leading organs*), the documents emanating from Gosplan, the VSNKh, and the other organs responsible for preparing them set targets that were unrealistic and often mutually incompatible. In them were reflected the increasingly contradictory and ill-analyzed tendencies prevailing in the Bolshevik Party.

Under these conditions, the economic plans produced did not enable more effective control to be established over the contradictions: on the contrary, given their mistaken orientations and incoherences, the attempts that were made to "apply" these plans at all costs merely aggravated the contradictions. In this sense, too, as we shall see, the crisis that opened in 1927-1928 was not an economic crisis but a political one -- the result of inadequacies and incoherences which were themselves the outcome of extremely complex class struggles.

This situation was especially reflected in the frequent "revision" of the industrial programs, "revision" that was obviously bound up with changes in the economic and political conjuncture and the way in which this was seen by the Party. This aspect will be illustrated by an examination of the forecasts for industrial investment in the year 1926-1927 and the Party's decisions on the matter.<sup>[13]</sup>

These "revisions" aggravated the economic imbalances, and caused the resulting shortages to fall more and more heavily upon the peasantry. This was one of the forms assumed, in practice, by the increasing abandonment, from 1926 on, of the requirements of the NEP. The "general crisis" of the

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NEP was brought about by this abandonment and the resulting aggravated contradictions.

This abandonment and the forms it assumed call for explanation. In order to arrive at such an explanation we need to analyze the entire set of social relations and class contradictions that developed during the 1920s. Given the decisive role played by the peasantry, this analysis must begin with the position in the countryside.

### Notes

1. This market is largely constituted by state enterprises which are in a position to grant loans to each other, or to subscribe to bonds issued by one or more of their number. During NEP these possibilities were available to the state enterprises. [p. 76]
2. See volume I of the present work, pp. 152 ff. [p. 76]
3. The book by Eriedrich Pollock, *Die Planwirtschaftlichen Versuche in der Sowjetunion 1917-1927*, first published in 1929 and republished in 1971 in Frankfurt, gives a very good account of the planning organs of the NEP period and what they did. [p. 77]
4. Ibid., pp. 233-234. [p. 77]
5. See volume I of the present work, p. 153. [p. 77]
6. See volume I of the present work. [p. 77]
7. Pollock, *Die Planwirtschaftlichen Versuche*, p. 236. [p. 78]
8. *Planovoye Khozvaistvo*, no. 10 (1925), p.9; *Plenum Byudzhethnoy Komissii Ts.I.K. SSSR*, p. 400; and Carr and Davies, *Foundations*, vol. I, p. 2, pp. 802-803. [p. 78]
9. For the control figures for these years see *Planovoye Khozvaistvo*, no. 11 (1929), pp. 167-168; *Sobranie Zakonov*, no. 37 (1927), art. 373; *K.P.S.S. v rezolyutsiyakh*, vol. 2, pp. 252 ff. [p. 79]
10. From 1931 the document prepared in this way became, once it had been ratified, what was called "the annual plan" (see Dobb, *Soviet Economic Development*, p. 324). [p. 79]
11. See below, Part 4 of this volume. [p. 79]
12. Carr and Davies, *Foundations*, vol. I, p. 2, pp. 844-845. [p. 80]
13. See below, p. 386. [p. 80]

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<a href="#">From Marx</a>	<a href="#">Other</a>	<a href="#">Reading</a>	<a href="#">On to Section 2:</a>
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