

# WESTERN CLARION

A Journal of  
CURRENT  
EVENTS

Official Organ of  
THE SOCIALIST PARTY OF CANADA

HISTORY  
ECONOMICS  
PHILOSOPHY

No. 909

TWENTIETH YEAR.

Twice a Month

VANCOUVER, B. C., FEBRUARY 16, 1924.

FIVE CENTS

## The Main Problem of Present Russian Economics

BY FRIDA RUBINER, (Moscow)

### Trotsky's "Shears"

THAT Russian economics are on the steady upgrade is a fact which even the most rabid enemies of the Soviet republic cannot deny. The traffic service improves visibly; in places it has reached 100% of the pre-war level. Industry develops more and more, both as regards quality and quantity. Big industry, now as before in the hands of the state, is making steady progress. But Russia is an agrarian country par excellence, and her economy can only develop along sound lines when progress is equal in every direction. Since the Autumn of this year, incontestable signs of an economic crisis are to be observed, expressed in a lack of markets. This crisis has been mainly caused by the disparity existing between the prices of agricultural products and those of industrial articles.

During the years of civil war, the leading question was the preservation of bare existence amidst the struggle and its emergencies, bread was naturally the dearest article. And during the years of famine and failure of crops, the prices for corn products were relatively higher than those for industrial products. Since September last year these conditions have been reversed. Since this time the prices of industrial articles have constantly risen, and the price of bread has comparatively fallen. This divergence increased until the end of October 1922, then the curve of industrial products sinks somewhat—until about the middle of November—and then rises again uninterruptedly until the beginning of February 1923; about this time the price divergence came to a standstill which lasted until the middle of March. From here onwards the curve undergoes various vacillations, rises and falls, reaches its lowest point about the beginning of July of this year, since when it has continued to rise. Comrade Trotsky, speaking on political economy at the 12. Party Conference of the Russian Communist Party, held in March of this year, dealt in detail with the question of this price divergence. By means of graphic illustration he demonstrated the disparity between the prices of industrial articles and agricultural products. If the relation between industrial and agrarian prices before the war be represented by a straight line, the industrial and agricultural prices now form, two different lines, one tending upwards, the other remaining below the straight prewar line. Before September of last year the relation was reversed, that is, the line of the industrial articles was below that of the agrarian products. The resultant diagram gives the outline of a pair of shears, the two points of which draw more and more apart as the prices diverge.

Comrade Trotsky's "shears" are thus the representation of the deviation of industrial development from agricultural development, at present the main problem occupying the whole of Russian political economics.

The significance of these "shears" in actual practice may easily be seen; it signifies that the peasant—even when he exerts the utmost of his powers for intensification of work and extension of the area cultivated—finds that his products have decreased in buying power. The peasant who could buy an arshin of calico for 3.5 lbs. of flour before

the war, could not purchase an arshin of calico for less than 24 lbs. of flour in the summer of 1923. At the present time a coat or pair of trousers costs him on an average, 168 pud of rye whilst he could obtain these for 16 pud before the war. In districts rich in grain, where the crops have been specially good and the corn extremely cheap, the disparity is even more striking. The Ukrainian peasant has to give a pud of rye for a small package of tobacco, and so forth.

The result of this tremendous disparity between industry and agriculture is naturally that the peasantry is unable to buy anything. Light industry, for instance the textile industry, which pays such an important role in Russia, has made great progress within the last two years; but the home market, the vast tracts of country in Russia, cannot absorb the production, because the buyers, the Russian peasants, have not kept pace in the prices of their products with the prices of textile articles.

The most important political slogan of Soviet Russia during the last few years is that of the "Smutschka"—to employ the term coined by comrade Lenin—the alliance between the city proletariat and the peasantry. But it does not suffice for this "Smutschka" to be of a political nature only, before all it must be economic. The alliance, the union between the industrial proletariat and the peasantry, is naturally greatly endangered by the divergence in prices.

The following situation results: On the one side a trustified and syndicated state industry, banks, trade unions, a proletariat enjoying the eight hour day, and whose conditions of living improve daily in many material and cultural respects—and on the other side a poor peasantry, emerging ignorant and stupefied from Czarism, working with the primitive methods of their forefathers, and receiving a mere pittance for the work performed. It need not be emphasized that such conditions are impossible in a country where political power is exercised in the interests of the people, and where power is exercised in the interests of the toiling masses. It is not surprising therefore that a far-reaching discussion should be going on in the Russian press at present on comrade Trotsky's "shears," and on the measures to be adopted for the removal of the disparity between industry and agriculture.

Besides the constant—one might almost say organic—causes of the disparity between industrial and agrarian prices, due to the backwardness of Russian industry and technics, there are a number of other causes of a purely Soviet nature.

Up to now the Russian factories have not been working at their full capacity. The whole of the machinery in the factories is not yet running, and where it is running all possibilities are not fully exploited. The consequence is that the factory, adjusted to this or that output and requiring proper maintenance, by no means reaches its full quota of production. This is bound to have direct effect on the price of production.

The past Summer was a period of intense activity in repairing and improvement in Russian economics. The factories which had lain idle for years, and whose equipment had been neglected, were put

in order again. Alterations, painting, repairs, and refitting fully occupied many undertakings for months. The costs of this restoration work again increased the price of the product, for the principle that an enterprise must pay has been insisted upon since the introduction of the New Economic Policy, and the adherence to this principle renders it impossible for the repairs to be otherwise covered.

This principle of profitability, proclaimed with the introduction of the "NEP," is however, exaggerated at times by state industry. It has been ascertained that the economic administration of state enterprises has sometimes raised the prices of goods higher than the market could sustain, merely for fear of a deficit. The administration of the undertaking, the trust, calculates the prices for goods in such a manner that before all no deficit can arise.

The comparatively excessive bill-credits granted by the banks to industrial undertakings has been pointed out, these credits having enabled extensive stores to be accumulated; and another objection raised is that the goods take an unnecessarily long and tortuous path from the factory to the consumer. The price swells more and more, as the goods proceed from the factory to the trust, the syndicate, the central co-operative, the local co-operative, and finally to the shop, on their road to the consumer. One arshin of calico, priced by the "Centrosoyuz" (central co-operative) at 32 copeks, with an advance of 1 to 1½ copeks (in gold) for the country, has attained a price of 60 to 70 copeks before reaching the peasant.

The question of the reorganization of industry, and of the cheapening of industry, is now one of the most important problems of the economic life of Soviet Russia. The reorganization of industrial administration is a step in this direction. Russia, which is passing through a period of primitive accumulation of capital, and which possesses no foreign credits, is dependent on her own powers. The fundamental premise of her existence is that every part of her political economy develops equally towards a sound condition. If the two points of the "shears" are to approach each other again, industry must either become cheaper or agriculture dearer. There is no lack of suggestions in the latter direction—even to suggestions as to a compulsory state rise in prices for agricultural products. The export of corn, and the appearance of Russian agricultural products on foreign markets will have the effect of raising the prices of Russian agricultural products. And hand in hand with this there is a general improvement and advance towards sound economics in Russian agriculture, of which the latest great agricultural exhibition in Moscow afforded the most striking proof.

The discussion on the "shears," and the endeavours of the Soviet government in this direction, bear conclusive witness to the fact that Soviet Russia has overcome the period of anarchist conditions in her economics, and is on the road to the establishment of a perfectly ordered system of economics, held and controlled by the State, and pursued in the interests of the working masses.

—"Inprecorr," (Vienna).