

# The Evolution of Economic Structure in Soviet Russia

**T**HE passing of election fever, and the revival of objective interest in Russia, together with the forthcoming report of the Trade Union Delegation, justify the following brief historical sketch of developments in the economic structure of Russia since 1921.

The New Economic Policy that was instituted in 1921 was introduced primarily for the benefit of the peasants. The theses in which it was enunciated by the Russian Communist Party Conference in April of that year, applied directly only to the peasants: the first substituting a fixed agricultural tax for the system of forced requisition in grain, and the second establishing the right of the peasants to the unrestricted sale of their surplus produce. Only indirectly, by the implications of that second thesis, was the right of general free trade conceded, and it is safe to say that had they fully realized the meaning of that clause, many who participated in the conference would have been still more reluctant than they were to agree to it.

Yet, in the simple formula of the right of the peasants to sell their surplus produce, was involved the complete reorganisation of Soviet Russia's economic system. Until 1921, trading was illegal, though it went on. Industry and agriculture were theoretically linked together by a centralised State system of exchange. The peasants gave over, perforce, all their surplus grain to the State, which maintained therewith the State industries. The industries also handed over all their produce to the State, which distributed it over the country to the army, the workers, and, more rarely, the peasants. Such was the theory according to which the Communists hoped to organise a progressive Communism. In practice, it led to an extremely centralised form of State control, which, in conjunction with other, more objective circumstances led to the gradual collapse of industry, and the non-production of industrial goods. The peasants, perforce, fulfilled their side of the bargain, but the industries were unable to fulfil theirs. The natural result was dissatisfaction among the peasants, leading finally to the peasants' insurrections in 1921, and the necessity for change in policy in order to meet the growing discontent.

The granting of freedom of trade to the peasants necessarily implied the giving of the same right to industry. The "Centralism" of the early years had already been superseded in some measure by decentralised control, under Provincial Councils of People's Economy, and this movement was carried much further. Industry was roughly divided into two categories: (a) those of a national significance; into this category coming most of the heavy industries, the mining and steel works; and (b) those which under the new conditions would be more dependent on the open market for the sale of their goods: e.g., textiles and other light industries producing articles of general necessity. These latter had to organise on the strictly economic basis of production for profit; and, in the first reaction from the old Centralism, the principle was applied to each factory unit without regard to the possibility of competition between one factory and another. Thus, decentralisation was carried to its illogical extreme, and forced by economic considerations, each factory or workshop began to organise itself with a view to capturing the market in its own line of goods.

It was quickly realised that this policy was leading directly to the unnecessary, and, from the Communist's point of view, positively harmful practice of cut-throat competition between one factory and another. Steps had to be taken to eliminate that possibility as far as was practicable; and the policy of trustification of industry was adopted. Trusts were organised, consisting of groups of factories and works allied by the similarity or interdependence of their productions, or, more rarely, by local considerations of contiguity. At the head of the

trust was placed an administration in whose hands was the decision of all questions of quantity or quality of production in each factory, who purchased raw material and marketed finished articles, and organised the group of factories as a unit of production for profit. In addition, the trust administration was empowered with the appointment or dismissal of the director and his assistants in each factory or workshop, although, once appointed, the director was given a free hand to organise the internal affairs of the factory as he saw fit, in conjunction with the workers.

The administration of the trust was appointed directly by the higher, responsible State organ: the provincial, Republic, or Supreme Council of People's Economy, in consultation with the Trade Unions concerned. It was appointed for a fixed period, and was held responsible only to the State department or its sub-commissions. The net profits, after sums were set aside for amortisation and depreciation, for reserve capital, industrial development, and bonuses to workers, etc., were to go to the local or State budget, according to the status of the trust.

This general form, worked out during the first years of the trustification period has undergone no radical modification, but rather has been developed and widened in its application, until now almost all units of production, whether in light or heavy industries, are organised in trusts. In few cases does any one trust cover the whole of any one industry or form of production. Where an industry is scattered over the country it is trustified according to local considerations. This has given rise in some cases to further associations of trust in syndicates for the purpose of purchasing raw materials and the sale of finished products. The syndicate is a much looser and more optional form of organisation, and has little administrative authority, as it exists primarily for the advantage of the trusts themselves, and is not at all a compulsory form of association imposed by the State.

The work of supervision and control of this great machinery of industry has necessarily given occasion for the organisation of a much more complicated State machinery to deal with it. The Council for People's Economy, the Government department directly responsible for the machinery of industrial production, has become an organisation of prime importance in the life of Russia. The problem of smooth and successful control and administration has led to a constant revision of its previously existing departments, and the formation of new ones, as well as the organisation of all kinds of congress conferences, consultations of experts, etc., to cover every ramification of industrial life. In these directions the Soviet Government is continually experimenting, and the necessity for having the most active minds in the State in the service of industry has not been altogether ignored.

Before leaving the subject of the management of productive industry, a few words must be said concerning workers' control. It must be realised at once that direct workers' control exists only over the administrations of the units of production—the factory, the mine, or the workshop. From the beginning of the first revolution in 1917 factory and workshop committees had been organised with a view to workers' control, and after the October revolution they played a most important role in the life of each factory. In most cases they became the factory administration, and it has to be admitted that the practice of unmitigated workers' administration, in conjunction with the extreme centralisation of the State industrial administration, was far from being an unqualified success. With the change in policy in 1921 and the organisation of trusts, involving the appointment of the director from above, the function of the factory committees was changed from that of

administration to that of control in their capacity of local units of the Trade Unions. As such they watch over all questions affecting the workers—wages, conditions of labour, etc.—and also through them are appointed the workers' representatives to the various factory commissions for production, organisation, etc., and the workers' representatives to the factory administration, working with the director for the general interests of the factory.

There remains also the direct method of workers' control through the influence of the Trade Unions, which have representatives on the various administrative organs of the Government, from the highest to the lowest. In all questions affecting the workers' interest the Unions have to be reckoned with, and their opinions taken into consideration. In the lower organs of industrial administration they are a very active means of preventing too exclusive a devotion to profit-making at the expense of the workers.

For the first three years of the New Economic Policy the Soviet Government concentrated on the production aspect of Russia's economic life and tended to ignore the distributive aspect. Until the economic crisis of autumn, 1923, there had been no special machinery, equivalent to the Council for People's Economy, in the sphere of organisation and control of distribution. A Commissariat for Internal Trade was in existence as a sub-commission to the Council for Labour and Defence, but its activities were severely restricted, and it had no administrative authority. But the economic crisis brought the Communists up against some nasty facts. They discovered that while industry was over eighty per cent in the hands of the Government, distribution was over eighty per cent in the hands of the private trader. As a result profits were going largely into the pockets of the latter, and had the process continued the value of State ownership of production would have been almost nil.

Measures were taken to meet the situation, among the first being the raising of the Commissariat for Internal Trade to the status of a People's Commissariat, with corresponding administrative powers in the sphere of distribution to those of the Council for People's Economy in the sphere of production. Its first step was to meet the economic crisis by a drastic control and cutting of prices. It then had to turn its attention to the development of the existing State distributive agencies—the Co-operatives, the Syndicate or Trust shops, and the State or provincial limited companies. By means of credits and preferences these are slowly recovering the ground they have lost to the private trader, but the Commissariat for Internal Trade is only at the beginning of its task of control and administration of trade within the country, and its efforts in this direction during the next few months should provide interesting material for study. The absorption of the old People's Commissariat for Produce into the new Commissariat marked the disappearance of the last vestiges of the system of ration distribution that existed until 1921.

This brief survey of Russia's economic structure would not be complete without some reference to the banking system. The development of financial stability and the accumulation of financial resources in Russia during the last three years is too vast a subject to be dealt with adequately at the tail of an article. But this much at least must be said: that the various banks that have been set up in Russia have played and are playing a vitally important part in the reconstruction and development of industry. Within three years an immense State finance and credit system has been built up, and the progress from one State bank, with a capital of a few million paper roubles in 1922, to the several banks with hundreds of millions of stable value as capital.

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