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New improvisations in the "directed economy" of the Soviets and their consequences

The re-establishment of a free market for foodstuffs has disorganised the economic system of the Five Year Plan. Political difficulties are accompanying economic difficulties.

Stalin has granted this free market to the Kolkhoses and the peasants who are still independent to enable them to make a personal profit and increase production, which has become insufficient to supply the towns. It has thus been proved that collectivisation and "socialist emulation" cannot take the place of the personal interest of the peasants.

This personal interest, always cried down by the communist leaders, proves to be the sole means for re-establishing the wavering agricultural production; it will have to serve as basis for future economic policy.

The proclamation of this bourgeois principle has had the effect of a bomb in communist circles, especially in the provinces. The Soviet newspapers cannot explain it.

Here are the consequences of this new reform:

1. In proclaiming free trading for the Kolkhoses and the peasants, the Government once more forbade its practice by intermediaries, who are declared to be inconsistent with the principles of Marx. In practice, it has been impossible to prevent this. The peasants who have few products to offer do not go to sell them themselves; one villager buys them from the others and goes and resells them in the town. The police might take action against a town-dweller known to carry on this trade but they have not sufficient control over the peasants, so that free trading is reappearing in Russia, but only for agricultural products.

2. Since the introduction of food cards the Government has been able to favour the workers, who benefit by reduced prices. On the free market the workers now pay the same as the rest and there can be no longer a favoured class. The Government thus loses a means of pressure which was very useful over the population of the towns.

3. The Five Year Plan has hitherto demanded the delivery to the State of large quantities of agricultural produce for stock. In accordance with freedom of trade in this domain it has had to diminish largely these compulsory deliveries. Here are a few examples:

The stocking of wheat will pass from 1,367 million poods in 1931 to 1,032 million for 1932. (Izvestia, N° 135, 1932, Moscow).

The stocking of cattle for the last nine months of 1932 has been reduced from 1,414,000 to 716,000 tons ("Economic Life", N° 108, 1932, Moscow). The stocking of potatoes and other vegetables has been reduced from 4,400,000 tons to 1,750,000 tons, that of fruits from 283,000 to 170,000 tons, that of grapes from 37,000 to 12,000 tons (Izvestia, N° 160, 1932, Moscow). The delivery of linen thread and seed has been reduced by 30% and the peasants are authorised to use the linen for home industry. ("Izvestias", N° 155, 1932). The delivery to the State of other agricultural products has also been diminished or suppressed. The peasants have obtained the right to slaughter their cattle freely.

Thus the agriculturists have recovered part of their liberty, but the free peasant finds himself in a better position than those incorporated in the kolkhoses. One may read in the Soviet press many articles criticising the peasants "heedless of their duty" who now desire to leave the kolkhoses.

4. To really encourage the peasants to produce it is necessary that they should be able to exchange the money they receive for their harvests for the industrial products they need. The State has therefore had to increase the production of these goods and will retail tens of millions of carts, axes, forks, saws, nails, and even building materials, bricks, chalks, etc., which buyers could not procure. (Izvestia, N° 157, 1932, Moscow).

Production has also been speeded up of shoes clothing, materials, brushes (hitherto unobtainable), kitchen utensils, etc., while measures are also being taken to revive cottage industries, which will obtain subsidies and raw materials, to increase the production of wooden spoons, tooth-brushes, soap, vinegar, and all the products now unobtainable. Repair shops for shoes and clothing are also to be authorised.

In the course of the last year of the Plan the overnement has therefore been obliged to concentrate its efforts on objects of prime necessity of which the population stand too much in need.

5. On the 22nd June, the Government adjourned for one month the delivery of raw materials intended for the 2nd Five Year Plan. This delay was necessary in order to permit the organisers of the second Plan to adapt themselves to the new conditions, that is to say to the increase of light industries, to freedom of trade in agricultural products and to the reduction of stocks and deliveries to the State. It is very doubtful whether a month will suffice to make the necessary modifications, unless the second plan has been as lightly conceived as the first.

6. Free trading has immediately raised the price of agricultural products to the level which existed for illegal trading and which the Government regarded as speculators' prices.

The depreciation of the Chervonetz has become evident, which has had its repercussion on other branches of Soviet industry. The results of inflation are now visible. The raising of prices has to this extent lowered the level of existence of the town-dwellers and especially of the workers.

7. The first result of free trading has been the necessity of another forced loan, not only to fill the State coffers but to relieve the market of excessive funds at disposal. This loan will largely diminish the purchasing power of the population, but it will reduce inflation. The Soviet Government has already had recourse to this procedure, but it had no intention of employing it this year in such a measure. In fact, for 1932 the Government only intended to have forced loans up to 600 million roubles and loans on the reserves of the State undertakings for 400 millions.

The new situation has obliged the Soviets to issue a new forced loan of 3.2 milliard roubles under the name of "loan for the Five Year Plan in four years".-Each employee and worker has had to subscribe at least three weeks' wage. The loan is divided into two parts, the first in bonds of 100 roubles divisible into parts of 10 and 25 roubles, bearing interest at 10% but only after 1936; the second part in bonds of 100 roubles divisible into parts of 50 roubles with drawings but without interest. The prizes are 3,000, 1,000, 500, 200 and 100 roubles, spread over four annual drawings after 1936. Each bond is liable to gain a prize.

The rules of this loan show that the Government intends to pay no interest or prize money until after 4 years. This measure aims chiefly at deflation, but it is difficult to foresee the result. The rise in price of agricultural products and the reduction in the deliveries of cheap foodstuffs to the workers will force a rise in wages and will probably occasion a new inflation. It will be seen that Stalin's new reform will have a profound repercussion in every domain of Soviet economy. No one can foresee what will be the consequences in existing industry and for the factories proposed. The Government itself does not know. In any case, the recognition of the "bourgeois" principle of personal interest in labour, against which the Soviets have always fought, will have political consequences and may bring about internal complications. It is a new experiment which is beginning. This overturning of economic principles shows once more that directed economy according to a plan fixed in advance is a pure utopia. (Eia).