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**A. KURSKY**

**THE PLANNING  
of the  
NATIONAL ECONOMY  
OF THE U.S.S.R.**



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# CONTENTS

	<i>Page.</i>
<b>THE ROLE AND TASKS OF PLANNING THE NATIONAL ECONOMY OF THE U.S.S.R.</b>	
Prerequisites for Socialist Planning . . . . .	7
Planning Is the Law of Development of Soviet Economy . . . . .	22
The Fundamental Tasks of Socialist Planning . . .	31
<b>THE DEVELOPMENT OF NATIONAL-ECONOMIC PLANNING IN THE U.S.S.R.</b>	
The First Years of Socialist Planning . . . . .	41
The GOELRO Plan—a Single Economic Plan . . .	49
Planning in the Period of the Restoration of the National Economy . . . . .	58
The Three Prewar Stalin Five-Year Plans . . . .	62
Planning During the Period of the Great Patriotic War	84
The Postwar Five-Year Plan for Restoring and Developing the National Economy of the U.S.S.R. . . .	91
<b>THE PRINCIPLES OF DRAFTING THE NATIONAL-ECONOMIC PLAN</b>	
The Economic and Political Tasks and Main Links of the National-Economic Plan . . . . .	110

The Plan and the National-Economic Balance Sheet .	120
The Divisions and Indices of the National-Economic Plan . . . . .	142
The Planning Bodies and the Manner in Which the Drafting of the National-Economic Plans Is Organized	160

#### THE STRUGGLE TO FULFIL THE NATIONAL- ECONOMIC PLAN

Verifying Fulfilment of the Plan . . . . .	173
Economic Levers for Fulfilment of the Plan . . . .	183
The Masses of the Working People in the Struggle to Fulfil the Plan . . . . .	197

**THE ROLE AND TASKS  
OF PLANNING THE NATIONAL ECONOMY  
OF THE U.S.S.R.**

**PREREQUISITES FOR SOCIALIST PLANNING**

The Great October Socialist Revolution opened a new era in world history, the era of Socialism. It saved our country from economic disaster and foreign bondage that threatened it. For the first time in history the working class, headed by the Communist Party, created a genuinely democratic state of a new type and started on the planned construction of socialist economy.

The planning of the national economy of the U.S.S.R. is a tremendous gain of the October Socialist Revolution; it is the concrete embodiment of the ideas of Marxism-Leninism, a mighty weapon in the hands of the Party of Lenin-Stalin in the struggle for the victory of Communism.

Planned national economy is one of the decisive advantages of the Soviet socialist system, one of the

most important indices of its superiority over capitalism.

The fact that socialist national economy is planned precludes the possibility of crises, unemployment and economic upheavals. By planning the national economy the Soviet State, in the prewar years, attained an unprecedentedly rapid rate of growth of productive forces and continuous, socialist, expanded reproduction. By carrying out the Lenin-Stalin plans of great undertakings, the Soviet people, led by the Bolshevik Party, transformed our country in an exceptionally brief historical period into a mighty industrial power and land of collective farming, the largest-scale and most highly-mechanized farming in the world. During the Great Patriotic War the planned character of the national economy was one of the most important means of creating a smoothly-functioning and expanding war economy in an exceedingly short space of time, and of gaining economic victory over the enemy. Today, after the victorious termination of the war, socialist planning enables the problems pertaining to the restoration and further development of the national economy to be successfully solved and the great difficulties of the postwar period to be surmounted.

The political and economic prerequisites for socialist planned economy were created by the conquest of political power by the working class, by the abolition of private capitalist property and by the establishment of public ownership of the means of production.

Already in the *Manifesto of the Communist Party* Marx and Engels proclaimed: "The proletariat will use its political supremacy to wrest, by degrees, all capital from the bourgeoisie, to centralize all instruments of production in the hands of the state, i.e., of the proletariat organized as the ruling class, and to increase the total of productive forces as rapidly as possible."<sup>1</sup>

In describing how the contradictions of bourgeois society would be solved by the proletarian revolution, Engels pointed out that "the proletariat seizes the public power and by virtue of this power transforms the social means of production, slipping from the hands of the bourgeoisie, into public property. By this act, the proletariat frees the means of production from the character of capital hitherto borne by them, and gives their social character complete freedom to assert itself. A social production upon a predetermined plan now becomes possible."<sup>2</sup>

Basing himself on the requirements of scientific Socialism, Lenin included in the program of the Communist Party (Bolsheviks) as one of the fundamental tasks of the Soviet government "the maximum unifica-

<sup>1</sup> Karl Marx, *Selected Works*, Two-Vol. ed., Vol. I, Moscow 1946, p. 129. (All references in this book are to English editions unless otherwise stated.—Ed.)

<sup>2</sup> Frederick Engels, *Herr Eugen Dühring's Revolution in Science* [*Anti-Dühring*], Moscow 1947, p. 423.

tion of the entire economic activity of the country according to a *single* national plan."

The establishment of the Soviet system and the building-up of the new, socialist system of production made the planning of the national economy not only possible but necessary. Whereas private capitalist ownership of the means of production disunites the economically interconnected parts of the national-economic organism, engenders competition, irreconcilable contradictions and crises, socialist ownership unites the entire national economy of the country, strengthens the connections between the various branches and makes it necessary to conduct the economy of the country according to a single plan.

As Lenin pointed out, Socialism, which presupposes large-scale social production, is unthinkable without planned state organization, which requires that tens of millions of people should strictly adhere to a single standard in the production and distribution of products.

All the conditions, internal as well as external, in which Russia found herself on the eve of the October Socialist Revolution dictated the necessity of passing to the regulation of production and distribution in the national economy as a whole. Without this Russia could not be saved from the economic disaster which threatened it.

But such a task could be successfully undertaken only by the new, Soviet government, which could con-

sistently carry out a program for the revival of the country and its transformation on a socialist basis.

After abolishing the rule of the capitalists and landlords and after seizing the economic key positions, the working class, led by the Communist Party, started on the planned organization of social production and distribution in the interests of the entire people, with the aim of building up Socialism.

Planned economy did not emerge ready-made immediately after the October Socialist Revolution. It arose and developed in the midst of fierce battles against the internal and foreign enemies of the Soviet State and social system, and had to overcome the tremendous difficulties that stood in its path. The reconstruction of the economic life of the country on the basis of planned economy called for a search for new forms of organization of the national economy, and the testing of these new forms by the experience of the revolutionary changes, by the creative activity of millions of people, the builders of socialist society. It called for a profound scientific working out of problems of the management and organization of the national economy, the formulation of Bolshevik principles of socialist planning. Lenin and Stalin blazed new paths in socialist construction, directed the enormous revolutionary activity of the Soviet people and worked out the principles of the management and planning of Soviet economy.



Lenin and Stalin devoted enormous attention to the scientific solution of the problems of socialist planning from the first days of the Socialist Revolution. Lenin was the inspirer and organizer of the first long-range state plan of great undertakings known as the plan of the GOELRO (State Commission for the Electrification of Russia). Subsequently, socialist planning received further constructive development and was placed on a profoundly scientific basis during the period of the Stalin five-year plans of great undertaking. The Soviet five-year plans constitute a masterly plan of socialist expanded reproduction, all the principles and many of the details of which are the handiwork of the great master of revolution, Comrade Stalin.

A great part in the working out of problems of socialist planning was also played by the comrades-in-arms and pupils of Lenin and Stalin—Molotov, Dzerzhinsky, Orjonikidze, Kuibyshev and others. In their works we find a profound generalization of concrete experience, solutions of the most important problems of management and planning of socialist economy.

With each step in socialist construction state planning embraced the national economy more and more fully and became enriched with ever new forms that were engendered in the struggle to accomplish the tasks of building and developing Socialism with the utmost speed. The enhancement of the role and significance of the plan in the national economy was conditioned by the growth and consolidation of socialist

relationships, the increase in the might of the Soviet State, the development of the material and technical base of the national economy and the growth of the cadres of builders of Socialism.

Socialist planning developed in an intense and acute struggle against class enemies, against petty-bourgeois anarchy and against the survivals and influences of capitalism.

The establishment of public, socialist ownership of the means of production as the unshakable foundation of the Soviet system of economy, the elimination of the capitalist elements, and the establishment of the new class relationships of friendship between the workers and peasants, as registered in the Constitution of the U.S.S.R., all served to enhance immeasurably the role of national economic planning in the U.S.S.R. The state plans became a tremendous organizing force of Soviet economy, covering all branches of the national economy, all sides of socialist reproduction.

At the present time the socialist plan, which is a mighty force in the economic development of the Land of Socialism, has deeply permeated the life and habits of the many millions of Soviet people.

The political supremacy of the exploiting classes and the private capitalist ownership of the means of production make planned national economy impossible, and all the laborious planning efforts and manoeuvring of bourgeois politicians and economists have inevitably ended, and always will end, in failure.

“If you don’t free yourselves of capitalists, if you don’t abolish the principle of the private ownership of the means of production, you will not create a planned economy,” said Comrade Stalin in his conversation with the British writer H. G. Wells.

“For what is planned economy, what are some of its manifestations? Planned economy aims to do away with unemployment. Let us assume that it is possible to reduce unemployment to a certain minimum while retaining the capitalist system. But no capitalist will on any account ever agree to the complete abolition of unemployment, to the abolition of the reserve army of unemployed, the function of which is to bear down on the labour market, to ensure the supply of cheaper labour. Here you already have one rent in the ‘planned economy’ of bourgeois society. Furthermore, planned economy presumes increased production in those branches of industry, the products of which are especially needed by the masses of the people. But you know that under capitalism expansion of production takes place for altogether different motives, that capital flows into those branches of industry where the rate of profit is higher. You will never compel a capitalist to act to his own detriment and agree to a lower rate of profit for the sake of satisfying the needs of the people.”<sup>1</sup>

<sup>1</sup> J. V. Stalin, *Problems of Leninism*, 10th Russian ed., p. 600.

In every capitalist enterprise the labour of the workers is organized by and is subordinated solely to the will of the proprietor so that he may receive a higher profit. But as far as the national economy as a whole is concerned there is planlessness, anarchy of production. This leads to constant disproportion, disparity in the development of different industries and branches of industries. As capitalism develops, an ever larger number of workers are concentrated in large enterprises. The market relations between these enterprises as regards supply of raw material, auxiliary materials and equipment and the sale of finished products continually expand. Capitalism unites, socializes labour in the national economy as a whole; but the product of this socialized labour is the private property of the capitalists. Thus, under capitalism, there is an irreconcilable contradiction between the social character of production and private capitalist appropriation. This fundamental contradiction of capitalism manifests itself in periodic crises of overproduction, when huge quantities of commodities cannot find a market, because the bulk of the population lacks sufficient purchasing power, and are destroyed in order to raise prices; when there is a sharp drop in the level of production, many enterprises are closed down and unemployment and poverty increase among the masses of the working people.

The supremacy of capitalist monopolies in the period of imperialism creates the possibility of regulat-

ing production, but at the same time it increases and intensifies the chaos inherent in capitalist production as a whole.

“Imperialism,” said Lenin, “complicates and intensifies the contradictions of capitalism, it ‘entangles’ monopoly with free competition, but *it cannot abolish* exchange, the market, competition, crises, etc.”<sup>1</sup>

The reorganization of the national economy on a war footing in capitalist countries during the Second World War and its preparation, took place with the active intervention of the state in the economic life of these countries; but the measures for the state regulation of the national economy during the war did not signify that capitalism had set up a planned economy. Capitalist relationships, the foundation of capitalism—private ownership of the means of production, exploitation, anarchy of production, and competition—remained intact. The basic principle of economic life under capitalism is profit. It is precisely in wartime that the profits of the monopolies soar to exceptional heights. Anarchy, and competition among capitalist monopolies and individual capitalists, remain inseparable and inherent characteristics of the capitalist system in every period of its existence, and under every form of state regulation and control, including state war-monopoly capitalism.

<sup>1</sup> V. I. Lenin, *Selected Works*, Vol. VI, Moscow-Leningrad, p. 110.

State intervention in economic life, the regulation of the national economy in capitalist countries, was practised during the war in the interests of the capitalist monopolies and to the detriment of the masses of the working people, to whose shoulders the main burdens of the war were shifted.

With the termination of the war and the transition to peace the various regulatory and control measures characteristic of the developed war economy of capitalism were severely curtailed or completely abolished, with the result that the planlessness and anarchy inherent in the very nature of capitalism were even more aggravated. State control (rationing of raw materials and labour power) in the sphere of production, construction and distribution was abolished. In the United States price control was introduced during wartime, but afterwards it was completely abolished. Numerous factories built by the state during the war fell into the hands of the monopolist organizations for next to nothing.

In capitalist countries postwar reconversion of the national economy resulted in a sharp contraction of the market, a drop in production, a rise in prices and an increase in unemployment. In the United States, the industrial output index, which in 1943 stood at 219 compared with 1939, dropped to 186 in 1945, and to 156 in 1946. At the beginning of 1946, according to official statistics, there were about three million unemployed in the United States, not counting the mil-

lions partially employed. Amidst conditions of temporary postwar economic revival in that country the prerequisites of an economic crisis are rapidly maturing. Reductions in pay, the accumulation of large stocks of goods, the drop in stock market quotations—all these are clear signs of the approaching economic crisis in the United States.

The efforts of monopoly capital in the United States to avert this inevitable crisis by subjugating other countries and commodity markets in Europe gave rise to the so-called "Marshall Plan." The political purpose of this new "planning" manoeuvre of the American capitalists is to restore imperialist Germany under the aegis of the United States and to form a bloc of the Western European powers against the Soviet Union and the New Democracies.

Great Britain is experiencing a chronic and constantly deepening crisis in spite of the measures taken by the Labour government to nationalize several branches of the country's industry and to regulate its economic life. Before the war, Britain held first place among the coal-exporting countries; after the war she is unable to ensure the home requirements of fuel. During the winter of 1946 many factories were closed down because of lack of fuel and electric power; as a result, the number of unemployed rose to three million at that time.

Coal production remained at a very low level also in 1947. Britain's balance of payments shows an enor-

mous deficit. While curtailing imports of vitally important commodities, the British government is shifting the burden of the economic crisis onto the shoulders of the working people by increasing the burden of direct and indirect taxation borne by the people and keeping down the wages of the workers. Britain is seeking a way out of the crisis by means of American loans and is thus subordinating her economic development more and more to the interests of American capitalists.

Nor has bourgeois France been able to plan the restoration and development of her national economy. The so-called "Monnet Plan," current in France, is one of the innumerable projects in the sphere of planning which in no way encroaches upon private capitalist relationships and the huge profits of the capitalist monopolies. The authors of this "plan" cite indices of economic development which are in no way binding upon anybody, and at the same time they try to solve the problem of expanding France's industry by resorting to foreign credits to the detriment of the national independence of the country.

Thus, the various postwar "planning" projects and manoeuvres of the governments of capitalist countries do not aim at eliminating the supremacy of the capitalist monopolies and advancing the economy in the interests of the people of their countries. On the contrary, they are plans for strengthening the capitalist



monopolies, for protecting their exorbitant profits; they are plans for an attack on the vital interests of the broad masses of the people.

In contrast to these "planning" illusions and manoeuvres, planning in the New Democracies can successfully solve the problems of the postwar restoration and development of these countries on the firm foundation of their political and economic independence in the interests of their peoples.

The new state and social system in the People's Democracies which arose in the countries of Eastern and Central Europe as a result of victory over fascist Germany, enabled them to start planning their national economy, although in level of development and other features their planned economy differs from the socialist planning in the U.S.S.R. The fact that power is in the hands of the working people, that large-scale industry and the banks are nationalized and that radical land reforms have been effected, has enabled the New Democracies to start planning, in the interests of the broad masses of the people, the most rapid restoration of the national economy, the elimination of economic and technical backwardness and the ensurance of the independence of these countries.

Czechoslovakia has successfully carried out a two-year plan for the years 1947 and 1948, which provided for the restoration of her national economy and for raising industrial output above the prewar level. In 1949 the country started on the fulfilment

of a *five-year plan* of development of the national economy (1949-1953).

Poland is successfully carrying out a three-year economic plan, covering the years 1947, 1948 and 1949, which provides for a considerable increase in industrial and agricultural production compared with prewar. Simultaneously with the struggle to fulfil the three-year plan ahead of time, the working out of a new *six-year* national economic plan is nearing completion. This plan, which covers the period 1950-1955, aims at building the foundations of Socialism in Poland. Bulgaria's two-year plan, for 1947 and 1948, had for its aim to expand heavy industry, to carry through electrification and to raise industrial and agricultural production considerably above the prewar level. These aims have been in the main achieved. At the present time there is in operation a new *five-year* economic plan (1949-1953) that was passed by the Great People's Assembly of the People's Republic of Bulgaria in December 1948.

Basing themselves on the state and cooperative sectors, which hold the leading place in their economy, and also on close ties with the Soviet Union, the democratic governments of the East and Central European countries are successfully utilizing planning as a mighty lever with which to develop their new state and social system in their struggle for independence from the imperialist states and for the transition to Socialism.

## PLANNING IS THE LAW OF DEVELOPMENT OF SOVIET ECONOMY

The victory of the Soviet system and the consolidation of the socialist ownership of the decisive means of production put an end in our country to the laws of capitalism, to the relationships of exploitation of man by man, changed the operation of economic laws such as the law of value, and established new laws of economic development.

The economic laws of Socialism are laws cognized and consciously applied by the Soviet State. These laws are determined by the economic policy of the Bolshevik Party and the Soviet government and are embodied in the state national-economic plans. The laws of economic development operate through the energetic activities of the Soviet people. In the U.S.S.R. the state plans for the development of the national economy have the force of economic laws.

The socialist mode of production, based on social ownership, cannot develop spontaneously, it requires planned development.

The huge national economic organism of the Soviet Union, based on the social (state, kolkhoz-cooperative) ownership of the means of production, is developed according to a single state plan.

The principal economic base for planning is state property—the property of the whole people. At the time the Patriotic War broke out, the state owned tens

of thousands of big industrial enterprises, more than 10,000 agricultural enterprises, over 170,000 km. of rail and water ways, and over 350,000 trading enterprises.

The socialist reorganization of agriculture necessitated the direct state planning of agriculture.

Comrade Stalin said:

“A large agricultural enterprise embracing hundreds and sometimes thousands of households can be run only on the basis of planned management. Without that it will inevitably go to rack and ruin. The state systematically guides the activities of more than 200,000 kolkhozes, which cultivate land received from the state free of charge and for use in perpetuity. Through the medium of machine and tractor stations, the state renders the farms organizational and technical assistance which is combined with the activities of the kolkhozniks themselves in building up their collective farms.

Planning makes it possible to conduct large-scale collective farming on scientific lines, and properly to combine the interests of the state and those of the collective farm. The “Rules of the Agricultural Artel,” the fundamental law of collective-farm life, state: “The artel undertakes to run its collective farm according to plan and scrupulously to carry out the plans

J. V. Stalin, *Problems of Leninism*, Moscow 1947, p. 432.

for agricultural production laid down by the organs of the Workers' and Peasants' Government and the artel's obligations to the state."

Planning ensures a rapid and uninterrupted growth of socialist production, its development without crises, a steady improvement in the material well-being of the Soviet people and an increase in the productivity of social labour. The plan is also the medium for realizing the cardinal principle of Socialism—payment for work according to its quantity and quality.

Socialist planning of the national economy is based upon the profound scientific prevision of social development that rests on a knowledge of the economic laws of Socialism. As Comrade Stalin said, in its practical activities the Party is guided not by chance motives, but by the laws of development of society, by deductions drawn from these laws. "... if it is not to err in policy, the party of the proletariat must both in drafting its program and in its practical activities proceed primarily from the laws of development of production, from the laws of economic development of society."<sup>1</sup>

Basing itself on its knowledge of the economic laws of development of society, the Soviet State employs the plan to give conscious effect to these laws.

<sup>1</sup> *History of the Communist Party of the Soviet Union (Bolsheviks), Short Course*, Moscow 1949, p. 149.

For example, industrialization was an economic necessity for the development and triumph of the Socialist mode of production in our country. The internal and external conditions of existence of the Soviet Union at the time demanded that this task be carried out in the shortest historical period. But this could be effected only on the basis of the Soviet method of industrialization. Whereas in capitalist countries industrialization began with light industry, the accumulations from which served as the basis for developing heavy industry, in the U.S.S.R. the Party rejected this "usual" path of industrialization and started the latter directly with the development of heavy industry.

Planning made it possible to mobilize the means required for carrying out this task, to redistribute all the resources of the national economy for the purpose of founding and rapidly developing heavy industry. Thus, in the U.S.S.R., the principle of private profit, the elemental law of the average rate of profit, was superseded by the principle of national-economic profit, by the planned distribution of social labour.

The profound revolution that took place in Soviet society, viz., the collectivization of agriculture, also testifies to the role the socialist plan plays as the economic law of development of Socialism. All the chief prerequisites and conditions for collectivization—the growth of socialist industry which ensured the supply of machines for agriculture, the development of the initial forms of cooperation, and the restriction and

elimination of the capitalist elements—were created according to plan. Taking into account the specific features of the different districts of the country, the Soviet State provided for different schedules of collectivization for the various districts. All this made it possible to convert collectivization into a movement of the broad masses of the peasantry who were fighting against kulak bondage and for a free kolkhoz life.

Socialist planning rests on the firm foundation of the political and economic might of the Soviet State. In capitalist countries, it is not the state that manages the national economy; on the contrary, capitalist economy, the interests of the capitalist monopolies, determine the activities of the state which is controlled by these monopolies. In the U.S.S.R. planning is a new, economic organizational function of the state that is unknown under capitalism.

As Comrade Stalin pointed out, the Socialist State passed through two phases in the course of its development. The first phase was the period from the October Revolution to the elimination of the exploiting classes. "The principal task in that period was to suppress the resistance of the overthrown classes, to organize the defence of the country against the attack of the interventionists, to restore industry and agriculture, and to prepare the conditions for the elimination of the capitalist elements." In that period the Soviet State fulfilled two principal functions: it suppressed the overthrown classes inside the country

and defended the country from foreign attack. The third function—the work of economic organization and cultural education—did not attain any considerable development in that period.

The second phase of development of the Soviet State was the period from the elimination of the capitalist elements in town and country to the complete victory of the socialist economic system and the adoption of the new Constitution.

“The principal task in this period was to establish the socialist economic system all over the country and to eliminate the last remnants of the capitalist elements, to bring about a cultural revolution, and to form a thoroughly modern army for the defence of the country.” In this phase the economic-organizational and cultural-educational functions of the organs of the state were fully developed. At the same time, the function of defending the country against foreign attack remained in its entirety; a new function arose—the protection of socialist property.

As the economic role of the Soviet State was enhanced, the possibilities for socialist planning increased also. The elimination of the capitalist elements and the triumph of the socialist system of economy created the conditions for bringing the entire national economy within the orbit of the state plan, for direct state planning of all branches and spheres of production.

The plans for the development of the national economy of the U.S.S.R. are state plans, directive plans,



obligatory for all economic organizations and enterprises.

At the Fifteenth Congress of the Communist Party of the Soviet Union Comrade Stalin emphasized the state, directive character of our plans. He said: "Our plans are not forecast plans, not guesswork plans, but *directive* plans which are *obligatory* for the leading organs and which *determine* the direction our economic development is to take in the *future* on a *nation-wide* scale."<sup>1</sup>

The chief driving force in socialist planning is the Bolshevik Party, which is equipped with the theory of Marxism-Leninism and is the leading core of all the working people's organizations, social as well as state.

The Bolshevik program of economic development finds concrete expression in the long-range and current national-economic plans, which ensure the solution of the current problems connected with the building of Communism and the strengthening of the economic and military might of the Soviet State. Lenin pointed out that the program of the Party "is a political program; it is an enumeration of our tasks, it is an explanation of the relations between classes and masses. . . . Our Party program cannot remain merely a program of the Party. It must be converted into the program of our

<sup>1</sup> Lenin and Stalin, *Material for the Study of the History of the C.P.S.U.(B.)*, Vol. III, Russ. ed., p. 246.

economic development, otherwise it will also be valueless as a program of the Party.”<sup>1</sup>

The policy of the Bolshevik Party—the vital foundation of the Soviet system—is the basis for state planning. It defines the fundamental problems, the main links and concrete tasks of the national-economic plan, it stimulates the productive activity of the broad masses of the working people in their struggle to fulfil the plan.

The state national-economic plans are a tremendous mobilizing force in the work of building Communism.

In defining the purpose of the GOELRO plan, Lenin spoke of the need for “enthusing the *masses* of workers and politically conscious peasants with a *great* program extending over a period of ten to twenty years.”<sup>2</sup>

It was precisely the constructive activity of the masses of the working people that decided the success of the GOELRO plan, the targets of which were reached considerably ahead of schedule. The Stalin plans of great undertakings mobilized the Soviet people for the purpose of carrying out the gigantic program of industrializing the country and collectivizing agriculture and made it possible to master the huge re-

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<sup>1</sup> V. I. Lenin, *Selected Works*, Vol. VIII, Moscow-Leningrad, p. 275.

<sup>2</sup> V. I. Lenin, *Collected Works*, Vol. XXIX, Third Russ. ed., p. 432.

serves latent in socialist production for the successful fulfilment of the program.

Socialist planning has nothing in common with groundless projectmongering; it takes concretely into account the actual possibilities that exist for carrying out the plans. At the same time, however, it takes into account the reserves that are latent in the socialist mode of production and the utilization of which ensures the most rapid achievement of the objects of the national-economic plans. V. V. Kuibyshev once said: "To draw up a five-year plan without taking as a necessary premise the systematic raising of technical and cultural standards and managerial skill, without taking fuller stock of all the resources and advantages that our system of economy possesses, etc., etc., means busying oneself with trifles, indulging in idle and useless pastimes. For on the very next day life will already be far beyond all these 'good' and 'realistic' projects."<sup>1</sup>

The socialist plan is a Bolshevik plan, a plan that is based on progressive science and technology which ensures a rapid rate of socialist reproduction. The plan is orientated towards the leading people in production—the workers, engineers and technicians who reveal what enormous possibilities exist for increasing productivity of labour. The tasks and indices set

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<sup>1</sup> V. V. Kuibyshev, "Drafting the Five-Year Plan," *Plannoye Khozyaistvo*, No. 1, 1936, p. 38.

by the state plan are based on the technical and economic standards achieved by the leading enterprises, factory departments, sections and teams. Mobilizing the masses of the working people, the whole people, for the purpose of carrying out the tasks set by the Party and the decisions of the Soviet Government, the state national-economic plans serve as the motive force of Soviet economy. The successful fulfilment and overfulfilment of the state plans is determined by the people, by the creative activity and initiative of the millions of Soviet people.

“What makes our plan real,” said Comrade Stalin, “is the living people, it is you and I, our will to work, our readiness to work in the new way, our determination to carry out the plan.”<sup>1</sup>

#### THE FUNDAMENTAL TASKS OF SOCIALIST PLANNING

As defined by the Constitution of the U.S.S.R., the economic life of the Soviet Union “is determined and directed by the state national-economic plan, with the aim of increasing the public wealth, of steadily raising the material and cultural standards of the working people, of consolidating the independence of the U.S.S.R. and strengthening its defensive capacity.”

<sup>1</sup> J. V. Stalin, *Problems of Leninism*, Moscow 1947, p. 377

In addition to giving legal recognition to the victory of Socialism in the U.S.S.R., the Stalin Constitution defined the fundamental tasks to be carried out by planning in order to promote the further development of Socialism.

A fundamental task of socialist planning, the fundamental condition for the existence and development of Soviet economy, is to strengthen the sovereignty and independence of our national economy against the surrounding capitalist world.

The Great October Socialist Revolution opened the way for the independent economic development of our country and created the political prerequisites for eliminating Russia's technical and economic backwardness. It was of vital importance to Soviet Russia to accomplish this task with the utmost speed. As Lenin said, we have to overtake and outstrip the principal capitalist countries economically. "The war is inexorable; it puts the alternative with ruthless severity: either perish, or overtake and outstrip the advanced countries *economically as well*. . . . Perish or drive full-steam ahead. That is the alternative with which history confronts us," wrote V. I. Lenin in September, 1917.<sup>1</sup>

In describing the Party's general line at the Fourteenth Congress of the Party Comrade Stalin said:

<sup>1</sup> V. I. Lenin, *Selected Works*, Two-Vol. ed., Vol. II, Moscow 1947, pp. 117-18.

“We are working and building in a capitalist encirclement. . . . Hence the conclusion: we must build our economy in such a way that our country shall not become an appendage of the world capitalist system, that she shall not be drawn into the general system of capitalist development as an auxiliary enterprise, that our economy shall develop not as an auxiliary enterprise of world capitalism but as an independent economic unit, relying mainly on the home market, resting on the bond between our industry and the peasant economy of our country.”<sup>1</sup>

The technical and economic independence which safeguards the U.S.S.R. against becoming an appendage of capitalist world economy was attained by the socialist industrialization of the country and the accumulation by the state of large reserves for economic manoeuvring. Achievement of this fundamental task of socialist planning served as the basis of the Stalin five-year plans.

As a result of the fulfilment of the five-year plans, the Soviet Union became a technically and economically independent country, supplying all the technical equipment needed for our national economy and for purposes of defence.

The task of consolidating the sovereignty and technical and economic independence of Soviet econ-

<sup>1</sup> *Political Report of the Central Committee to the Fourteenth Congress of the Russian Communist Party (Bolsheviks)*, Russ. ed., 1926, pp. 27-28.

omy as against the surrounding capitalist world is directly connected with that of enhancing the defensive power of the U.S.S.R.

During the whole period covered by the prewar five-year plans the internal resources of the U.S.S.R. were systematically mobilized and the material, labour and financial resources were distributed according to plan with the view of developing primarily the heavy and armament industries.

Simultaneously with the establishment and rapid development of the machine-building and armament industries a mighty metallurgical, fuel and power base for the national economy were created. Large-scale, technically up-to-date food and light industries were built up at the same time. Local industry and producers' cooperatives were extensively developed in all republics, territories and regions. This developed socialist industry served as a reliable basis for the defensive power of our country, and fully ensured the needs of the armed forces during the war.

The planned organization of the national economy strengthened the defensive power of our country by facilitating in every way the development and technical equipment of kolkhozes and furthering the development of sovkhozes and the machine and tractor stations. The triumph of the kolkhoz system was of decisive importance in consolidating the Soviet system and in enhancing the defensive power of our country. During the war the kolkhoz system demonstrated what

tremendous vitality it possessed. The problem of supplying the armed forces and the population with food, and industry with agricultural raw materials was solved on the basis of kolkhoz production.

Planned organization of the national economy strengthened the defensive power of our country by rationally distributing the productive forces over the country. The chief new trend in the distribution of the productive forces was to the East, where new mighty industrial centres were established. Socialist industrialization of the country called for the establishment of a second coal and metallurgical centre based on the rich deposits of iron ore and coal in the Urals and Siberia.

Abundantly equipped with up-to-date machinery, the kolkhozes opened up new agricultural areas in the regions of the Volga, the Urals, Siberia, Kazakhstan and Central Asia. New railway lines connected the Eastern regions with those in the Centre and the South. A change took place in the distribution of the population of the U.S.S.R. New cities and workers' settlements sprang up in the eastern regions, and the population in the non-Russian republics and regions grew rapidly. The new distribution of productive forces made it possible, during the war, successfully to transfer industry to the East and to put the evacuated equipment into operation quickly.

Planned organization of the national economy strengthened the defensive power of our country by



mobilizing forces and resources for raising the cultural level of the population, for training specialists and skilled workers. The training of personnel for industry, agriculture and transport developed on a mass scale. The Stakhanov movement which arose as a result of the victories of Socialism, the fundamental technical reconstruction of the national economy and the improvement in the material well-being of the working people, all served as a striking demonstration of the successful solution of the skilled-labour problem. The factory apprenticeship, and the vocational and railway training school system that was set up in 1940, ensured the training of large state labour reserves, which proved to be a very important source of labour power for replenishing industry during the war.

Thus, during the period of peaceful construction socialist planning made it possible to create a solid foundation for the military and economic might of the U.S.S.R., which was used successfully during the war for achieving victory over the enemy.

In the postwar period, too, consolidation of the independence of our country and enhancement of her defensive power remains a fundamental task of planning. The new five-year plan meets this task by giving priority to the restoration and development of heavy industry, and the distribution of the national-economic resources has been planned accordingly.

The second task of planning during the period of Socialism is to consolidate the undivided sway of the socialist system of economy and to close all the sources that give rise to capitalist elements.

As Comrade Stalin pointed out, Soviet society differs from all other forms of society in that it is interested not in any kind of growth of the productive forces, but in such growth as will ensure the development and consolidation of socialist economy.

The growth of socialist economy, the increase in social wealth also makes it possible to carry out successfully the task of raising the material and cultural standards of the working people. The Soviet people regard the Bolshevik plans not merely as mighty instruments for strengthening the independence of their country, but also as powerful levers for steadily raising their well-being and culture.

Socialist reproduction, which is determined by the national-economic plan, is the expanded reproduction of productive forces and of socialist relationships. The Soviet State has utilized all the levers at its command steadily to increase and strengthen socialist relationships.

As a result of the fulfilment of the Stalin five-year plans, the socialist system acquired undivided sway in the national economy of the U.S.S.R. Under these conditions the central task of planning was to consolidate this predominance of the socialist system of economy, to complete the building of socialist so-

ciety and gradually to accomplish the transition from Socialism to Communism. To close all possible channels for the rise of capitalist elements, steadily to ensure the elimination of the survivals of capitalism from our economy and from the minds of the people and to proceed further along the road to Communism—such are the tasks that face the Communist Party and the Soviet State in the period of Socialism.

During the Great Patriotic War the Soviet people waged against fascist Germany, the socialist economic system demonstrated its immense vitality with exceptional clarity; it made it possible successfully to solve the highly complex problems of war economy, to ensure the steady consolidation of the Soviet rear and to achieve economic victory over the enemy.

The further development of the socialist economic system and of the military and economic might of the U.S.S.R. during the new five-year plan period requires a steady growth of socialist industry, the preservation of its leading role in the national economy, the organizational and economic consolidation of the kolkhozes, sovkhozes and machine and tractor stations, the consistent application of the socialist principle of distribution according to quantity and quality of work performed, and the strengthening of the socialist method of organizing work.

The third task of planning is to prevent disproportion in the national economy, and to eliminate it if it

does arise, by increasing existing and creating new state reserves.

Under capitalism, where private capitalist ownership is in crying contradiction to the social character of production, the development of the economy proceeds by means of constant disproportion. In capitalist economy proportion is restored only by periodic crises.

Complete harmony between the social ownership of the means of production and the social character of production, precludes the possibility of economic crises in the U.S.S.R.; and planning makes it possible to develop the entire national economy and ensure the necessary proportion between its various branches.

The absence of economic crises does not mean that occasional, temporary disproportions may not occur in the national economy of the U.S.S.R. Disproportions of this kind in Soviet economy in the postwar period are primarily due to the damage inflicted by the war. The state plan is the principal instrument for eliminating these disproportions.

Planned guidance makes it possible to prevent partial disproportions in Soviet economy, to prevent them from affecting the development of the national economy as a whole, and to pull up the lagging sectors. To be able to do this, the Socialist State must have large reserves of fixed and circulating funds and of labour power. To create such reserves is one of the cardinal tasks of national-economic planning.

The First Five-Year Plan for the development of national economy provided for a considerable increase in reserves of goods and currency.

The creation of large state reserves, particularly of fuel, electric power and a number of products required for defence, was one of the main tasks of the Third Five-Year Plan.

The creation of growing material and labour power reserves during the postwar five-year plan period is necessary for uninterrupted reproduction in the national economy and also for ensuring the defensive power of our country.

**THE DEVELOPMENT  
OF NATIONAL-ECONOMIC PLANNING  
IN THE U.S.S.R.**

**THE FIRST YEARS OF SOCIALIST PLANNING**

The initial steps in planned economic development along lines leading to Socialism were determined by the economic platform of the Bolshevik Party that was drafted on the eve of the October Socialist Revolution. This platform was a most important component of Lenin's plan for building Socialism in our country.

Lenin's April Theses<sup>1</sup> contained a theoretically grounded and concrete plan for the transition to the Socialist Revolution. Adopted by the April (1917) Conference of the Bolshevik Party, this plan provided for the nationalization of the land and the confiscation of the landed estates, the amalgamation of all banks into one national bank to be controlled by the Soviet of Workers' Deputies, and the establishment of work-

<sup>1</sup> Lenin's Theses appeared in his article "The Tasks of the Proletariat in the Present Revolution," V. I. Lenin, *Selected Works*, Two-Vol. ed., Vol. II, Moscow 1947, p. 17.

ers' control of social production and distribution. The Sixth Congress of the Party (July 26 to August 3, 1917), which approved the Bolshevik economic platform, especially stressed the importance of the struggle for workers' control as a transitional measure preliminary to the nationalization of industry.

On November 7, 1917, the Second All-Russian Congress of Soviets, backed by the victory of the October armed insurrection in Petrograd, proclaimed that power had passed to the Soviets, and formed the first Soviet Government—the Council of People's Commissars, headed by V. I. Lenin.

One of the first decrees issued after the victorious October Revolution was the Decree on Land that was adopted by the Second Congress of Soviets. This decree abolished landlord ownership of land without any compensation, declared the right of private property in land abolished forever. All land was taken over without compensation and made the property of the whole people to be used by those who work on it; all mineral wealth as well as forests and waters of national importance were reserved for use by the state.

The Soviet State embarked upon its constructive activity in economic organization by developing the young shoots of the new, socialist system. The initial form of the Soviet State's planned economic activity, the first practical school in which the working class learned to manage industry, was workers' control of production.

To carry out the planned regulation of the national economy, the Regulations on Workers' Control laid it down that in all industrial, commercial, banking, agricultural, transport, cooperative trading, producers' cooperative, and other enterprises employing wage workers or home workers, workers' control was to be established of production, the purchase and sale of products and raw materials and the warehousing of same, and also of the finances of such enterprises.

The enemies of the Socialist Revolution greeted the introduction of workers' control of production with howls to the effect that this measure would mean the ruin of industry, that workers' control would fail because the working people lacked the training and ability to regulate and manage production. The capitalists in every way sabotaged the measures taken by the Soviet State for effecting workers' control.

But life itself refuted all the inventions of the enemies of the revolution and the learned lackeys of the capitalists. Workers' control proved to be a thoroughly effective measure for successfully operating industrial enterprises under the conditions existing at that time, and as a weapon for combating the systematic economic sabotage of the capitalists.

Workers' control steadily grew into workers' management of industry. Large enterprises and whole branches of industry became state property. This stage was completed with the nationalization, in June 1918, of the large enterprises in the mining, iron and steel,



textile, electrical, saw-mill and woodworking, cement, glass and ceramic, leather and flour-milling industries.

One of the most important prerequisites for socialist planned economy was the nationalization of the banks.

As was stated in the decree on the nationalization of the banks, with the object of establishing a single national bank that would genuinely serve the interests of the people, banking was proclaimed a state monopoly, and all the existing private joint-stock banks and banking offices were amalgamated with the State Bank. This was done with the view to ensuring the proper organization of the national economy, to thoroughly eradicating financial speculation, and to completely liberating the workers, peasants and all the working people from exploitation by bank capital.

Another highly important foundation for the planned development of socialist national economy was the nationalization of foreign trade, decreed by the Soviet Government in April 1918.

At the same time, the new system of Soviet economic bodies was being created. In December, 1917, the Council of People's Commissars set up the Supreme Council of National Economy to be under its direct control. The function of the Supreme Council of National Economy was to organize the national economy and state finances. With this end in view, it was instructed to draw up a plan for regu-

lating the economic life of the country and to coordinate and unify the activities of the central and local regulatory bodies. As the nationalization of industry and transport was progressively carried out, the S.C.N.E. increasingly assumed the function of managing state enterprises. The regulations governing the Supreme Council of National Economy that were adopted in August 1918 imposed on that body the functions of regulating and organizing all production and distribution, and also of managing all the enterprises of the Republic.

During the first half of 1918 the economic power of the bourgeoisie was broken. The Soviet State gained command of all the key positions in the national economy and thereby laid a firm foundation for Soviet planned economy.

By the spring of 1918, the confiscation and nationalization of the capitalist enterprises had been completed in the main and the transition to the new stage of socialist construction began.

The content of socialist planning at this stage was determined by the struggle to introduce the accounting and control of production and distribution, to implant labour and civic discipline, to give effect to the economic plan of the Socialist State and to eliminate petty-bourgeois speculation and profiteering.

“The organization of accounting, of the control of large enterprises, the transformation of the whole

of the state economic mechanism into a single huge machine, into an economic organism that will work in such a way as to enable hundreds of millions of people to be guided by a single plan—such was the enormous organizational problem that rested on our shoulders,”<sup>1</sup> said Lenin.

In April 1918, Lenin placed before the Academy of Sciences the task of drawing up a plan for reorganizing Russia’s industry and reviving her economy. This plan was to provide for the proper distribution of industry, for the rational amalgamation and concentration of production in a few large-scale enterprises in conformity with the standards of up-to-date large-scale industry; for supplying the Russian Soviet Republic of that time (exclusive of the Ukraine and other regions that were occupied by the Germans) with a maximum of the principal raw materials and manufactured goods, and for the electrification of industry and transport and the introduction of electricity in agriculture.

At this period the planned guidance of economic activity was exercised through directives issued by the Communist Party and the Soviet Government.

Planned nation-wide organization of work depended on the stimulation of the constructive activities of the broad masses of the working people. In

<sup>1</sup> V. I. Lenin, *Selected Works*, Two-Vol. ed., Vol. II, Moscow 1947, p. 294.

January 1918 Lenin wrote: "Now that a Socialist Government is in power our task is to organize competition." Lenin attached special importance to the wide participation by the workers and peasants in the work of solving the principal economic problem of the day, viz., the organization of accounting and control. "You *yourselves* must set to work to take account of and control the production and distribution of products—this is the *only* road to the victory of Socialism, the only guarantee of its victory, the guarantee of victory over all exploitation, over all poverty and want!"<sup>1</sup>

Foreign military intervention and the civil war which then commenced brought up new problems of planning, which was a mighty instrument for mobilizing the whole of the country's resources and all the people's efforts for defence.

The work of mobilizing the national economy to meet the needs of the front was directed by the Council of Workers' and Peasants' Defence, headed by Lenin and Stalin. Priority was given to the tasks of supplying the front with replenishments of foodstuffs, equipment and armaments, of organizing war production, of procuring and making rational use of fuel and provisions, of maintaining the transport services.

<sup>1</sup> Lenin, *Selected Works*, Two-Vol. ed., Vol. II, Moscow 1947, pp. 259-60.

The conditions created by the war, the fact that Soviet Russia was cut off from the most important industrial, raw material, fuel and grain areas, the economic blockade and the economic ruin prevailing in the country called for strict centralization in the planning of production and distribution.

In conformity with the policy of War Communism, further nationalization was effected not only of large-scale industry, but also of medium and small industry. This measure made it possible to increase the stocks of mass consumption goods for supplying the army and the countryside. In agriculture the surplus-appropriation system was introduced, and this served to increase the state's stocks of grain for supplying the army and the workers.

The planned distribution of the means of production and articles of consumption made it possible to concentrate forces and resources in branches of industry and enterprises that were of primary importance for the country's defence. That was a decisive condition for creating an organized and strong rear.

During the stern period of civil war and foreign intervention the Soviet State and the Communist Party proceeded with their planned work of construction, although the scale on which this work was conducted was still small. Scores of new industrial enterprises were built during the war years, and construction work was conducted on the transport system. Simultaneously, restoration work was conducted in the re-

gions liberated from the enemy. All this consolidated the development of Socialism in Soviet Land and testified to the mighty strength of the young Soviet system.

### THE GOELRO PLAN—A SINGLE ECONOMIC PLAN

The task that Lenin set as far back as 1918 of drafting a single, state national-economic plan covering a number of years rose in all its magnitude before the Party and the Soviet Government during the civil war and the struggle against the interventionists, and particularly after the rout of Denikin, Kolchak and Yudenich, when the possibility for the country to turn to extensive peaceful construction became definitely revealed.

In February 1920, the All-Russian Central Executive Committee, on Lenin's proposal, adopted a decision that work be started on the drafting of a scientific plan for the entire national economy and that this plan be consistently put into effect. On February 21, 1920, the State Commission for the Electrification of Russia (GOELRO) was formed, and this commission proceeded to draft a plan for the electrification of the country.

The Ninth Congress of the Communist Party, in March 1920, resolved that "the fundamental condition for the economic revival of the country is the unde-

viating execution of a *single economic* plan designed to cover the immediate historical period." The Congress deemed it necessary that the plan should envisage the extensive utilization of electric power and indicated the following very important stages of the planned electrification of the country.

"1. Drafting the plan for the electrification of the national economy and the execution of a minimum program of electrification, i.e., designation of the principal power supply points, utilizing for this purpose the *existing* electric stations and also some of the district stations in course of construction under the first part of the plan.

"2. Construction of the principal district electric stations scheduled in the first part of the plan and of the main transmission lines, with a corresponding expansion of the scale of activities of the plants producing electrical equipment.

"3. Erection of the district stations scheduled in the next part of the plan, further development of the electric power network and consecutive electrification of the more important production processes.

"4. Electrification of industry, transport and agriculture."

In December 1920 the "Plan for the Electrification of the R.S.F.S.R.," in the drafting of which some two hundred of the country's best scientists and specialists took part, was approved by the Eighth All-Russian Congress of Soviets.

The GOELRO plan was a scientific program for laying the foundation of socialist economy. The keynote of this program was electrification, because the solution of the fundamental problems of Socialism required an accelerated development of large-scale industry, which, in turn, required extensive construction of electric power stations and the introduction of electric power in the national economy.

The basis for the GOELRO plan was Lenin's precept that large-scale machine industry is the material foundation of Socialism. "The only material basis that is possible for Socialism," said Lenin, "is large-scale machine industry that is capable of reorganizing agriculture. But we cannot confine ourselves to this general thesis. It must be made more concrete. Modern large-scale industry, capable of reorganizing agriculture, means the electrification of the whole country. We had to undertake the scientific work of drawing up such a plan for the electrification of the R.S.F.S.R. and we have accomplished it."<sup>1</sup>

This thesis, more than once developed by Lenin, found expression in the formula that reveals his genius: "Communism is Soviet power plus the electrification of the whole country." Conceiving electrification as the material foundation of the new society, Lenin stressed that this was not merely the only correct way

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<sup>1</sup> V. I. Lenin, *Selected Works*, Two-Vol. ed., Vol. II, Moscow 1947, p. 735.



to restore the country that had been ruined by the first imperialist war and the civil war and to build up the material base of Socialism, but also the most economical way as regards expenditure of labour and time.

Electrification made it possible quickly and effectively to solve the most important current economic problems that faced the country, viz., fuel, transport and food. For example, electrification made possible extensive use of local fuels, particularly peat, in the national economy, and utilization of water resources.

The mechanization and electrification of coal mines ensured a considerable increase in productivity of labour in the coal industry. The new distribution of productive forces, the new territorial division of the country, and the execution of the program for electrifying the railways, solved the transport problem in the best possible way. At the same time, the revival of heavy industry and transport and the gradual introduction of electric power in agricultural production were to create the material foundation for re-equipping agriculture, for tearing out the roots of capitalism in the countryside, and for fundamentally solving the food problem.

In a letter to Lenin, Comrade Stalin appraised the GOELRO plan as "a skilfully drafted outline of a *single* and really *state* economic plan, *without ironical quotation marks*. It is the only Marxist attempt made in our times to place under the Soviet superstructure of economically backward Russia a really practical

and, under present conditions, the only possible, technical-industrial basis.”<sup>1</sup>

The economic and political tasks of the GOELRO plan were embodied in concrete targets for the separate branches of the national economy. The GOELRO plan, covering a period of ten to fifteen years, provided for an 80 to 100% increase in industrial production compared with prewar, and for more than a tenfold increase compared with 1920. The output of pig iron was to be brought up to 8.2 million tons compared with 4.2 million in 1913, and steel to 6.5 million tons against 4.2 million in that year. Coal production was set at 62.3 million tons compared with 29.1 million, and cement at 7.75 million tons compared with 1.5 million in 1913. The output of the metal industry was to be nearly double the prewar output.

A highly important part of the GOELRO plan was the program for the construction of large electric power stations. The first part of the plan provided for the building of thirty steam and hydroelectric stations with a total capacity of 1,750,000 kw. The capacity of the district stations was to increase almost ten times compared with 1913.

As regards agriculture, the GOELRO plan aimed at exceeding the prewar level of production and outlined extensive measures for mechanization, for the introduction of progressive agricultural techniques and for

<sup>1</sup> Lenin and Stalin, *Material for the Study of the History of the C.P.S.U.(B.)*, Vol. II, Russ. ed., p. 365.

the initial steps in the electrification of agriculture. The plan also included the gradual preparation of conditions for the socialization of agriculture. "The Soviet government," the plan stated, "will have to exert systematic influence on the will and production conditions of the working peasantry, and lead it with reasonable gradualness to increasingly higher forms of socialized agricultural labour and to a high level of agricultural technique."

In the sphere of transport the plan provided for an increase of 80 to 100% in freight traffic in comparison with 1913. An extensive program of new railway construction was drawn up, including the electrification of a number of lines on which the freight-traffic strain was heaviest.

The GOELRO plan was a superb example of constructive Socialist planning. For the first time in history a scientific long-range state plan was drafted, which became a mighty instrument for the socialist transformation of the country. This first state plan of great undertakings gave concrete expression to the tenet of the Party of Lenin and Stalin that the complete victory of Socialism is possible in one country.

The economic and political aims of the plan were placed on a profound scientific basis of the latest achievements in modern technique that were embodied in it. Its assignments were determined after a thorough study of the country's natural and labour power resources.

In drafting the GOELRO plan the condition of the economy of prewar Russia was carefully studied, but not for the purpose of taking the prewar ratios of social production as the criterion for the future.

On the contrary, in conformity with the economic and political tasks that were set, the GOELRO plan provided for a change in the proportions between the various branches of the national economy and for the establishment of new proportions corresponding to socialist economy.

A most important feature of the plan was that its principal assignments were based on an appraisal of the country's resources. It contained the elements of a combined balance sheet for fuel, and balance sheets for metal, equipment and building materials. In addition to balance sheets for the main materials, a financial balance sheet for electrification was drawn up, allocating the funds to be used for carrying out the program of building electric power stations and of restoring and developing industry and transport, and indicating the sources of revenue to cover the required expenditures.

One of the chief merits of the GOELRO plan was the profound way in which it worked out the problems connected with the economic territorial division of the country.

For the purpose of electrification the country was divided into eight major economic districts: Northern,

Central industrial, Southern, the Volga, the Urals, West Siberian, the Caucasus and Turkestan. Complex interlinked plans were drafted for each of these districts; these plans made it possible to appraise correctly the future prospects of the division of labour among the districts.

The GOELRO plan not only set general targets for electric stations to be built by the end of the planned period, but also projected the targets for each year, thus laying the foundation for calendar planning.

The plan for the electrification of the country—a scientific program for building the foundation of socialist economy—could not but evoke the furious attacks of the enemies of Socialism, who attempted to disrupt the drafting of the plan and its fulfilment. Lenin and Stalin exposed the anti-socialist sorties of the Trotskyites, who, in opposition to the socialist plan for restoring and reorganizing the country's economy on the basis of modern technique, put forward their own "plan" for the economic revival of the country with the aid of labour armies. Concerning this "plan," Comrade Stalin wrote in a letter to Lenin: "What a paucity of ideas, how backward compared with the GOELRO plan. A medieval craftsman imagining himself an Ibsen hero called upon to 'save' Russia with the aid of an ancient saga. . . ."<sup>1</sup> The Party shattered

<sup>1</sup> Lenin and Stalin, *Material for the Study of the History of the C.P.S.U.(B.)*, Vol. II, Russ. ed., p. 365.

the defeatist line of the Trotskyites and Rykovites who were hindering the work of the State Commission for the Electrification of Russia and howling that the plan was impractical. Lenin and Stalin mercilessly exposed the falsehoods uttered by the Trotskyites and Rykovites about the plan and rejected the "learned" prattle and ignorant conceit of the bureaucratic officials who concocted a host of "single plans."

Waging a determined struggle against the enemies of Socialism, the Bolshevik Party secured the fulfillment of the plan for the electrification of Russia ahead of time. The GOELRO plan, which covered a period of ten to fifteen years, provided for the opening of new district power stations with a total capacity of 1.5 million kw. Actually by the end of 1935, in fifteen years, stations with a total capacity of 3.8 million kw. were opened. The Stalin five-year plans developed the Lenin electrification plan, and outlined a still grander program of socialist construction.

The basic ideas contained in the plan for the electrification of Russia were further developed in the course of the tremendous creative work undertaken by the Soviet State and the Communist Party in subsequent years in planning the campaign to restore the national economy and to effect the socialist industrialization of the country.

## PLANNING IN THE PERIOD OF THE RESTORATION OF THE NATIONAL ECONOMY

On the border line of two periods in the development of Soviet Land, when victory over the interventionists and Whiteguards had been consummated and the peaceful work of restoring the national economy was undertaken, the State Planning Commission of the Council of Labour and Defence was set up. The regulations governing the functions of the State Planning Commission, which embodied Lenin's ideas on planning, formulated the following tasks for the Commission:

"a) To draw up a single national-economic plan and define the methods by and order in which it is to be carried out.

"b) To examine and coordinate with the general state plan the production programs and planning proposals of the various government departments as well as of regional (economic) organizations covering all branches of the national economy and to define the order in which the work is to be carried out.

"c) To work out measures covering the whole country for developing the sciences and organizing the research necessary to carry out the plan of state economy, and also for employing and training the required personnel.

"d) To work out measures for disseminating among large sections of the population information

concerning the national economic plan, the methods of carrying it out, and the corresponding forms of organization of labour.”<sup>1</sup>

With the transition to the peaceful work of restoring the national economy and with the institution of the New Economic Policy, the conditions and forms of planning the national economy underwent a change.

The Socialist State extensively employed methods of economic regulation by developing commodity and money relations, prices, taxes, credit and other economic measures. State industry reorganized its work on the basis of cost accounting.

V. I. Lenin emphasized that “the New Economic Policy *does not change* the single state economic plan and *does not go beyond* its framework, but changes the *approach* to its fulfilment.”<sup>2</sup>

In the initial period of the New Economic Policy the work of the State Planning Commission was concentrated mainly on current planning. On Lenin’s instructions plans were worked out for separate branches of the national economy which ensured solution in the first instance of problems concerned with food, fuel, transport and the development of electrification.

During the first years of the New Economic Policy, considerable success was achieved in creating the pre-

<sup>1</sup> V. I. Lenin, *Miscellany*, Vol. XX, Russ. ~~edition~~

<sup>2</sup> V. I. Lenin, *Collected Works*, Vol. XXV, ~~pp. 100-101~~



requisites for national-economic planning under the new conditions. These prerequisites were as follows: 1) establishment of a stable currency, 2) organization of Soviet credit, 3) accumulation of material resources sufficient for manoeuvring purposes, 4) establishment and consolidation of such forms of economic organization as Soviet trusts and syndicates, 5) operation of a number of separate current plans, primarily budgetary plans, drawn up on the basis of experience. An intense class struggle developed on the economic front. The capitalist elements in town and country attempted to take advantage of the New Economic Policy to bring about, with the aid of the reactionary circles of the capitalist countries, the liquidation of the Soviet system and the restoration of capitalism. In their struggle against the dictatorship of the proletariat, the agents and hirelings of foreign Intelligence Services—the Trotskyites, Zinovievites, Bukharinites and Rykovites—attempted to disrupt the plans of the Soviet State and to convert the New Economic Policy, the object of which was to facilitate the building of Socialism, into a policy for the restoration of capitalism.

Holding the key positions in the national economy, the Socialist State very quickly effected the planned restoration of the national economy and fought successfully to ensure the predominance of the socialist sector among the numerous systems of economy that existed at that time, by restricting and forcing out

the capitalist elements and directing the development of the national economy along the road to Socialism.

By the end of the restoration period, the growth and consolidation of socialist relations in the national economy had created the conditions under which it was possible to pass from working out plans for individual branches to drafting annual plans covering the entire national economy. The first plan of this kind were the control figures (estimates) of national-economic development which the State Planning Commission drew up for the financial year 1925/26. But these control figures, as well as those for 1926/27, were compiled with the aid of bourgeois economists, Bukharinites and Trotskyites, who had wormed their way into the State Planning Commission, and therefore did not give a correct perspective. The Party and the Government rejected them.

In August 1927, a combined plenary session of the Central Committee and Central Control Commission of the Communist Party of the Soviet Union adopted general directives for drawing up control figures for 1927/28. These figures, worked out on the basis of the directives of the Party and the Government and approved by them, not only gave the national economy a correct orientation, but came very close to being a national-economic operative plan. In the following years the role of the annual control figures as directives steadily increased.

Owing to the fact, however, that small commodity farming still existed and that the capitalist elements had not yet been eliminated from town and country, direct planning did not yet cover the whole of the national economy. In 1928, Comrade Stalin said with reference to the grain difficulties: "It would be an error to belittle the role and importance of planning. But it would be a still greater error to exaggerate the part played by the planning principle, in the belief that we have already reached a stage of development when it is possible to plan and regulate everything. It must not be forgotten that in addition to elements which lend themselves to planning there are elements in our national economy which do not as yet lend themselves to planning; and that, apart from everything else, there are hostile classes which cannot be overcome simply by the planning of the State Planning Commission."<sup>1</sup>

### THE THREE PREWAR STALIN FIVE-YEAR PLANS

The successes attained in industrializing the country and in collectivizing agriculture created the conditions which made it possible to pass to the direct planning not only of industry, but also of agriculture. Beginning with 1931, the annual national economic

J. V. Stalin, *Problems of Leninism*, Moscow 1947, p. 206.

tasks were no longer adopted as control figures, but as a national-economic plan. This was a most striking indication of the progress that had been made in planning the national economy.

“Formerly the annual national-economic tasks were called simply control figures,” said Comrade Molotov, “now, however, we call them the national-economic plan. That in itself emphasizes the growth of the elements of planning in our national economy as a whole. Indeed, the planning methods that are employed in industry are now to a certain and ever-increasing degree being employed also in agriculture; and this has become possible only thanks to the immense success of socialist production in agriculture.”<sup>1</sup>

To strengthen the planning principle in the national economy a credit reform was effected in 1930/31 which abolished commercial credit and its concomitant non-planned distribution of circulating funds among enterprises. This measure finally established cost accounting in industry as a most important lever for socialist planning. At the same time, the role of the People's Commissariats and of the local administrative bodies in planning and in directing enterprises was enhanced.

The division of the People's Commissariats into smaller units, the development of the production-terri-

<sup>1</sup> V. M. Molotov, *The Struggle for Socialism*, Russ. ed., 1935, p. 91.

torial principle of administration and the division of territories, regions and districts into smaller units—all had the aim of eliminating red tape and bureaucracy from the administrative apparatus, of bringing the People's Commissariats and the local organizations in closer contact with the enterprises and converting the People's Commissariats into production and technical headquarters for directing the enterprises.

At the same time an improvement took place in the planning of production in each individual enterprise. Out of the experience of the leading enterprises in mastering the new technology arose the technical-industrial-financial plan, a system of planning within each separate plant in which the production, technical and economic indices dovetail and which calls for the wide participation of the workers and the engineering and technical staff in the work of planning.

The successful restoration of the prewar level of the national economy and the steady progress made in socialist industrialization of the country confronted the planning authorities with new problems. The execution of huge construction projects created the necessity of five-year plans of national economic development in addition to the yearly plans. Proceeding from the fact that the planning principle had become established in the national economy, and setting the task of launching a systematic socialist offensive against the capitalist elements in all sections of the national economy, the Fifteenth Congress of the C.P.S.U. (B.) endorsed directives

for drafting the First Five-Year Plan for the development of the national economy. Comrade Stalin said:

“The very fact that we decided to bring up at this Congress the question of a five-year plan of economic development shows that the Party has made considerable progress in the matter of planned direction of our economic construction in the local districts as well as in the centre.”<sup>1</sup>

The basic tasks of the First Five-Year Plan that Comrade Stalin proposed were as follows:

a) To transfer our country with its backward, and in part medieval, technology to the bases of new, modern technology.

b) To convert the U.S.S.R. from an agrarian and weak country into an industrial and powerful country, fully independent of the caprices of world capitalism.

c) Completely to eliminate the capitalist elements, to widen the front of the socialist forms of economy, and to create the economic basis for the abolition of classes in the U.S.S.R., for the building of socialist society.

d) To create such an industry as would be able to re-equip and reorganize not only industry and transport, but also agriculture, on the basis of Socialism.

e) To transfer small and scattered agriculture to the lines of large-scale collective farming, so as to en-

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<sup>1</sup> Lenin and Stalin, *Material for the Study of the History of the C.P.S.U.(B.)*, Vol. III, Russ. ed., p. 245.

sure an economic basis for Socialism in the rural districts and thus eliminate the possibility of the restoration of capitalism in the U.S.S.R.

f) To create in the country all the necessary technical and economic prerequisites for increasing to the utmost the defensive power of the U.S.S.R.

The First Stalin Five-Year Plan was a comprehensive program of struggle for the victory of Socialism in our country and for the elimination of its technical and military-economic backwardness.

In the period in which the First Five-Year Plan was being drafted the Party exposed the numerous variants presented by the wreckers, Trotskyites and Right opportunists. In opposition to Stalin's policy of accelerated socialist industrialization, the Trotskyites, concealing their designs by prattling about "superindustrialization," proposed a defeatist scheme for a steadily diminishing rate of capital investments and industrial development. In opposition to the Bolshevik five-year plan, the Rights, who were bent on restoring capitalism, presented a "two-year plan," the keynote of which was the development of the kulak sector in agriculture and aimed in every way to reduce the appropriations for industrializing the country. All these attempts of the enemies of the people to thwart the plan of great undertakings were defeated. The Sixteenth All-Union Conference of the C.P.S.U.(B.), held in April 1929, rejected the "minimal" variant of the five-year plan advocated by the Right opportunists

and adopted the Bolshevik plan of an all-out socialist offensive.

The most important element of the First Five-Year Plan was its construction program. The total amount of capital to be invested in the whole of the national economy was set at 64,600 million rubles as against 26,500 million invested during the preceding five-year period. More than three-fourths of the capital investments was allotted to industry, primarily to the branch that manufactured means of production.

The vast scale on which construction was planned made it possible to allow for a rapid rate of industrial growth. Gross industrial output was to go up from 18,300 million rubles in 1927/28 to 43,200 million in 1932/33, or more than a threefold increase compared with prewar output. The output of heavy industry was to increase much faster than light industry.

The five-year plan provided for a big advance in the socialist sector in town and country to be achieved by squeezing out the capitalist elements in the national economy. By the end of the five-year period the share of the socialist sector in gross output was to reach 92% in industry, 15% in agriculture and 91% in retail trade.

The drafting of the First Five-Year Plan marked a further advance in socialist planning of the national economy. Prime importance in this plan was attached to the planning of the process of socialization. Whereas the first long-range plan, the GOELRO plan, could not specify concrete targets in the socialist reconstruction



of industry and agriculture, the First Five-Year Plan set the ratios between the various socialist sectors in industry and the level of collectivization of agriculture for the planned period. This meant that the state plan was more and more fully embracing socialist reproduction in definite perspective for several years ahead.

The second essential feature of the First Five-Year Plan that distinguished it from the GOELRO plan was that the planning of capital construction proceeded on a considerably higher level. The construction program covered jobs in every part of the national economy and the targets for the principal construction jobs were definitely specified. Planning, therefore, became much more concrete.

The third feature that distinguished this five-year plan from the GOELRO plan was the further development of calendar planning. The First Five-Year Plan was based on five annual plans drafted on the basis of the five-year assignments and on the progress in fulfilment to be made each year.

The struggle for the fulfilment of the First Five-Year Plan was a bitter struggle waged by Socialism against capitalism. As a result of the self-sacrificing labours of the masses of the working people, the firm leadership of the Party and the Government and the utilization of the advantages of the Soviet system of economy, the First Five-Year Plan was carried out ahead of time—in four years instead of five.

As Comrade Stalin said, in carrying out the First Five-Year Plan the Party pursued the policy of accelerating the development of industry *to the utmost* by rousing and organizing the enthusiasm and fervour of the masses for the new construction jobs. During the First Five-Year Plan period the following huge plants were built and put into operation: the Magnitogorsk and Kuznetsk iron and steel mills, the Ural Copper-Smelting and Volkhov Aluminum works, the Dnieper Hydroelectric Power Station, the Berezniki Chemical Works, the Stalingrad and Kharkov tractor plants and the automobile plants in Moscow, Gorky and Yaroslavl. A new coal and metallurgical base was established in the East.

The average annual increase in industrial production during the First Five-Year Plan period was 22%. The main accomplishments of this plan as regards industry were the creation of new and highly important branches of heavy industry and the complete elimination of the capitalist elements from industry as a whole. Socialist industry became the sole form of industry in the U.S.S.R.

By the end of the fourth year, the five-year program of industrial production was fulfilled 93.7%, while the plan for heavy industry was exceeded by 8%. Fulfilment of the five-year plan increased the share of industrial production in the gross output of the national economy from 48% to 70%. Soviet Land was converted from an agrarian into an industrial country.

In the sphere of agriculture, the Party succeeded in organizing more than 200,000 collective and about 5,000 state farms. In the course of the four years it succeeded in enlarging the crop area by over 21 million hectares.

The kolkhozes united more than 60% of the peasant farms, which accounted for more than 70% of the land cultivated by the peasants; this was a three-fold fulfilment of the five-year plan. In accelerating the rate of collectivization, the Party, on the basis of solid collectivization, secured the elimination of the kulaks, the last capitalist class in the country. As regards improving the material conditions of the working people, the chief results of the First Five-Year Plan may be summed up as follows: unemployment was abolished and uncertainty about the morrow among the workers was removed; almost all of the peasant poor joined the collective farms and on this basis the process of differentiation among the peasantry into kulaks and poor peasants was checked; as a consequence, an end was put to impoverishment and pauperism in the rural districts.

These, Comrade Stalin pointed out, were tremendous achievements, of which not a single bourgeois state, be it even the most "democratic," could dream.

During the period of the First Five-Year Plan socialist emulation developed on a mass scale; the activity and self-sacrifice, enthusiasm and initiative of millions of working people constituted the chief force

that ensured the historic victory of the First Five-Year Plan. As Comrade Stalin stated, these results were of tremendous international importance, inasmuch as they mobilized the revolutionary forces of the working class of all countries against capitalism.

As a result of the successful fulfilment of the First Five-Year Plan the foundation of socialist economy was laid and the U.S.S.R. was definitely and finally established on the road of Socialism. The Soviet Union was changed from a backward agrarian country into a mighty industrial power.

The drafting of the Second Five-Year Plan was a new step in the planning of the national economy of the U.S.S.R.

The principal political task of the Second Stalin Five-Year Plan was completely to liquidate all exploiting classes, completely to eliminate the causes of the exploitation of man by man and of the division of society into exploiters and exploited.

• The principal economic task of this plan was to complete the technical reconstruction of the whole of the national economy. The accomplishment of this technical reconstruction of the national economy created the conditions for solving the fundamental problems of further socialist construction.

The Second Five-Year Plan of national-economic development, which covered the years 1933 to 1937, was approved by the Seventeenth Congress of the C.P.S.U.(B.). The production program provided for

raising the volume of industrial output in 1937 to 92,700 million rubles as compared with 45,000 million rubles in 1932, i.e., a more than twofold increase. Compared with prewar output, large-scale industry was to show an eightfold increase.

Gross agricultural output was to go up during this five-year period from 13,100 million rubles to 26,200 million, i.e., be doubled. Railway freight traffic was to be increased from 169,000 million ton-kilometres in 1932 to 300,000 million in 1937.

The Congress approved a program of capital construction amounting to 133,400 million rubles for the Second Five-Year Plan period, compared with 50,500 million during the period of the First Five-Year Plan. The program for raising the material and cultural level of the working people provided for a 26% increase in the number of industrial and office workers in the national economy, a 55% increase in the wage fund, and the doubling of real wages.

Considerably larger state funds were allotted for the cultural and welfare service of the workers; public catering was to be expanded and the volume of sales by the state and cooperative trading organizations was to be increased.

The drafting of the Second Five-Year Plan of great undertakings was made possible by the tremendous experience the Party and the Soviet people had gained in drafting and carrying out the First Five-Year Plan.

As V. V. Kuibyshev observed: "The triumph of Socialism considerably enlarged the basis of planning. The Second Five-Year Plan shows that in our system of planning we have gone so far and deep that literally not a single section of our economic, cultural and scientific research work is left out of the plan and of the range of planning."<sup>1</sup>

The higher planning level achieved in the period of the Second Five-Year Plan compared with the first, found expression, firstly, in the fact that state planning more fully embraced all branches of the national economy. Definite state assignments were given not only for industry, but also for agriculture, which was the result of the triumph of Socialism in the countryside.

Industry and transport were covered more fully in the plan. Whereas the First Five-Year Plan set targets for large-scale industry and railway and river transport, the Second Five-Year Plan covered the whole of industry and all forms of transport.

Secondly, in the Second Five-Year Plan the assignments for the separate branches of the national economy were defined more specifically than in the First Five-Year Plan. For instance, the industrial output plan covered a larger range of branches of industry and a larger list of items of industrial products.

<sup>1</sup> V. V. Kuibyshev, *Articles and Speeches*, Russ. ed., 1935, p. 226.

Thirdly, the fundamental feature of this five-year plan was the higher level of technical and economic planning, as was manifested by the plan's wide system of technical-economic indices. This highly important feature was due to the plan's main economic task, that of completing the technical reconstruction of the national economy. Fourthly, and lastly, the drafting of the Second Five-Year Plan was based on a higher level of balance sheet planning than in the First Five-Year Plan. In working out the plan's assignments an elaborate system of balance sheets was employed which included material and financial as well as labour power resources.

An exceptional part in drafting the Second Five-Year Plan—the great program that marked the triumph of Lenin's ideas—the plan for building Socialism, was played by Comrade Stalin.

“It is his brilliant perspicacity and splendid leadership of the struggle of the working class that has ensured the posing of the majestic and epoch-making tasks of the Second Five-Year Plan,”<sup>1</sup> said V. V. Kuibyshev at the time. Besides definitive policies and directives, Comrade Stalin outlined a number of concrete plans for developing the more important branches of the national economy during the Second Five-Year Plan period.

<sup>1</sup> V. V. Kuibyshev, *Articles and Speeches*, Russ. ed., 1935, p. 229

Like the first, the Second Five-Year Plan was fulfilled ahead of time.

The results of the successful accomplishment of the Second Five-Year Plan was that in our country, Socialism, the first phase of Communism, was established in the main. The U.S.S.R. emerged as a mighty Socialist State; it accomplished, in the main, the technical reconstruction of its national economy, and as regards technical level of industry and agriculture, it became the foremost country in the world. The most difficult task of the Socialist Revolution was solved: the collectivization of agriculture was completed, the kolkhoz system was definitely consolidated.

This world-historic victory was registered in the Stalin Constitution of the U.S.S.R., the articles of which reflect the majestic picture of the new, socialist state and social system.

The victories of Socialism that were achieved with the fulfilment of the Second Five-Year Plan intensified the hatred of the enemies of the Soviet State. In 1937 new facts were brought to light concerning the activities of the Trotsky-Bukharin gang. This agency of the Intelligence Services of the imperialist states was smashed and liquidated. With his program of measures for heightening political vigilance, Comrade Stalin had armed the Party and the entire Soviet people for the struggle against the enemies of the people.

With the successful accomplishment of the Second Five-Year Plan the U.S.S.R. entered a new phase of



development, the phase of completing the building of classless socialist society and of the gradual transition from Socialism to Communism.

As a result of the completion, in the main, of the technical reconstruction of the national economy, the country's production and technical apparatus was, as the Eighteenth Party Congress noted, thoroughly renovated. More than 80% of the industrial output came from plants which had been newly constructed or completely reconstructed during the period of the first two five-year plans. During the Second Five-Year Plan period gross industrial output increased 120.6% as against 114% set by the plan. The average annual rate of increase of industrial output for the five-year period was 17.1% compared with 16.5% provided for in the plan.

The growth of industrial cadres, the success achieved in mastering the new machines and technological processes and the rise in the material and cultural level of the people were vividly reflected in the Stakhanov movement, which brought about an immense increase in labour productivity. In the period of the Second Five-Year Plan productivity of labour in industry increased 82%, as against 63% set by the plan.

Accomplishment of the construction program of the Second Five-Year Plan brought into being the huge Ural and Kramatorsk heavy engineering plants, large plants producing transport equipment, machine tools, and new electric power stations. Hundreds of

new coal mines were opened up and dozens of blast and open-hearth furnaces started operations. The first sections of the big Tashkent and Barnaul cotton mills began to function; construction of large meat-packing houses was completed, new railways were opened to traffic, and two big waterways, the White Sea-Baltic Canal and the Moscow Canal, were completed and put into operation.

Another task set by the Second Five-Year Plan, viz., of raising the material and cultural level of the working people, was also achieved. Consumption by the population more than doubled. While the number of workers and office employees increased 17.6%, average annual wages increased more than twofold, and the wage fund increased two and a half times. A veritable cultural revolution took place in the U.S.S.R. during the period of the Second Five-Year Plan. In all the Union Republics considerable success was achieved in industrialization, in raising the material and cultural level of the people and in training Bolshevik personnel from among the non-Russian nationalities. Culture, national in form and socialist in content, flourished.

With the Second Five-Year Plan successfully fulfilled, the Eighteenth Congress of the Communist Party set before the country the fundamental economic task of the U.S.S.R.—to overtake and surpass the most developed European countries and the United States of America economically, i.e., in respect of output of in-

dustrial products—pig iron, steel, fuel, electric power, machinery and other means of production and articles of consumption—per head of population.

This fundamental economic task of the U.S.S.R. was to have been embodied in a general national-economic plan to cover a period of fifteen years. At the beginning of 1941, the State Planning Commission of the U.S.S.R., on instructions from the Party and the Government, set to work to draft this plan, but the work was interrupted by fascist Germany's treacherous attack on the U.S.S.R.

The Third Stalin Five-Year Plan marked a further and higher stage of socialist planning, primarily because the national-economic plan was based on the complete triumph of the socialist system of economy in our country. The long-range plan gave comprehensive expression to the laws of development of socialist society, which is marching onward to Communism. The Third Five-Year Plan differed from the first and second in that it was intended as part of a general plan designed to solve the fundamental economic task of the U.S.S.R.

The Third Five-Year Plan aimed at raising the volume of industrial output in the U.S.S.R. to 184,000 million rubles in 1942, compared with 95,500 million rubles in 1937, practically a twofold increase. Agricultural production was to increase by more than 50%. Railway freight traffic was to go up from 355,000 million ton-kilometres to 510,000 million.

The volume of capital construction was fixed at the sum of 192,000 million rubles, as against 114,700 million expended during the Second Five-Year Plan period.

The Third Five-Year Plan provided for the completion and new construction of large metallurgical and engineering plants and electric power stations in the Eastern regions, and for the development of another major oil field, a "Second Baku," in the region between the Volga and the Urals.

This plan signified another big step forward in the development of a strong material foundation for the Soviet State, and in the improvement of the well-being and culture of socialist society.

The assignments of the Third Five-Year Plan for the prewar period were successfully carried out despite the hostilities that raged on the borders of the Soviet Union at that time.

Industrial output during the period of the Third Five-Year Plan increased by 13% annually. During the first three years of the five-year period the output of means of production increased more than 50% and that of machine building 75%. Industry in the Eastern regions of the country developed rapidly. A huge granary of the Soviet Union was created in that area. During three and a half years of the Third Five-Year Plan period 130,000 million rubles were invested in the national economy; more than a third of this sum was allotted to the Eastern regions. Substantial suc-

cess was also achieved in improving the standard of living and culture of the peoples of the U.S.S.R.

Comrade Stalin said: "This unprecedented growth of production cannot be regarded as the simple and ordinary development of a country from backwardness to progress. It was a leap by which our Motherland became transformed from a backward country into a progressive country, from an agrarian into an industrial country."

The following table indicates the level of development reached by the national economy of the U.S.S.R. in 1940.

	Unit	1913	1940	Ratio of 1940 output to 1913 (1913 taken as 1)
National income	thous. million rubles	21.0	128.3	6.0
Gross output of all industry	"	16.2	138.5	8.5
Output of means of production	"	5.4	84.8	15.5
Output of articles of consumption	"	10.8	53.7	5.0
Pig iron	million tons	4.2	15.0	3.6
Steel	"	4.2	18.3	4.4
Coal	"	29.0	166.0	5.7
Oil	"	9.0	31.0	3.4
Electric power	thous. million kilowatts	1.9	48.3	26.0
Machine building and metal working	thous. million rubles	1.5	50.2	33.0
Marketable surplus grain	million tons	21.6	38.3	1.8
Raw cotton	"	0.74	2.7	3.6

The basis of all three five-year plans was the general line of the Party of Lenin and Stalin—the socialist industrialization of the country.

Socialist industrialization was dictated by the entire internal and international situation in which the Soviet Union had developed. It made it possible to eliminate the contradiction between an advanced state and social system and a backward technical and economic foundation, and it ensured the country's economic independence and defence capacity.

Unlike capitalist industrialization, the Soviet policy of industrialization was based on the growth of socialist industry, primarily of heavy industry, and on the consolidation of its leading role in the national economy of the U.S.S.R. This made it possible to solve the task of industrialization in a much shorter period, and this was of decisive importance for the defensive power of the country and for ensuring its economic independence.

Another specific feature of the Soviet policy of industrialization was the fact that in our country industrialization was achieved with the aid of internal sources of accumulation. Unlike the capitalist countries, the U.S.S.R. could not resort to such sources of accumulation as colonial plunder, enslaving loans and concessions. The advantages of the Soviet system, the fact that the Socialist State occupied the economic key positions enabled us to rely on our internal forces and made the internal sources adequate for accomplishing the country's industrialization.

As a result of socialist industrialization, industry within a brief historical period advanced to the leading position in the gross output of the national economy. Of decisive significance here was the increase in the proportion of output of instruments and means of production to total industrial output. Whereas in 1913 output of means of production constituted a third of the industrial output, in 1940 it was almost two-thirds.

The results of the five-year plans have shown that for rate of development, socialist industry holds first place in the world. Utilizing her enormous advantages in rate of development, the Soviet Union was able to attain a high level of industrial development, particularly in the manufacture of means of production. Whereas in 1913 Russia stood fifth among the countries of the world in respect to industrial output, the U.S.S.R. had moved to third place by the beginning of the Second Five-Year Plan period, and by the beginning of the Third Five-Year Plan period it had advanced to second place in the world and first place in Europe, having forged ahead of Germany, Britain and France in total industrial output.

Heavy industry's rapid rate of development was the key to the reconstruction of agriculture. The policy of collectivizing agriculture made it possible to remove a situation wherein the Soviet system and socialist construction rested on two different bases—socialist industry conducted on the largest and most inte-

grated scale and scattered small-commodity farming.

The transformation of small-commodity production on the basis of the collectivization of agriculture made it possible to establish a socialist base in the countryside and to eliminate the capitalist elements from it. Collectivization created the conditions for expanded socialist reproduction in agriculture and made it possible to provide the country with food and agricultural raw materials in ever-increasing quantities.

As Comrade Stalin said, the method of collectivization proved to be an exceedingly progressive method not only because it did not call for the ruination of the peasants, but also, and particularly, because it enabled us in the course of several years to cover the entire country with large collective farms capable of employing modern machinery, of utilizing all the latest achievements of agricultural science and of providing the country with the largest possible quantity of market produce.

To fulfil the five-year plans successfully it was necessary to expose and destroy the Trotskyites and the Right would-be restorers of capitalism, who attempted to disrupt the policy of industrialization and collectivization and drag the Party over to the "usual" path of capitalist development. "It is to the Party's credit," said Comrade Stalin, "that it did not adjust itself to the backward, that it was not afraid to swim against the stream, and that all the time it held on to



its position of the leading force. There can be no doubt that if the Communist Party had not displayed this staunchness and perseverance it would have been unable to uphold the policy of industrializing the country and of collectivizing agriculture.”

The three Stalin five-year plans ensured the country’s preparedness for active defence and created the conditions under which it was possible to beat off the attack of the German fascist hordes and later to achieve an immense military and economic victory.

#### PLANNING DURING THE PERIOD OF THE GREAT PATRIOTIC WAR

The Great Patriotic War that the Soviet people waged against the German-fascist invaders ushered in a new period in the development of the U.S.S.R.; it was a turning point in the life of our country.

Comrade Stalin said at the time: “The war . . . has compelled us to place all our work on a war footing. It has converted our country into one all-inclusive rear, which serves the front, our Red Army and our Navy.

“The period of peaceful construction has come to an end. A period of war of liberation from the German invaders has begun.”<sup>1</sup>

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<sup>1</sup> J. V. Stalin, *On the Great Patriotic War of the Soviet Union*, Moscow 1946, p. 19.

After Hitlerite Germany's attack on our country, the Government approved a national-economic mobilization plan for the third quarter of 1941, which set the task of sharply increasing the output of the war industry and to strengthen the war-economic bases in the interior areas of the U.S.S.R. In August 1941 a war economy plan was approved for the fourth quarter of 1941 and for 1942, covering the regions of the Volga, the Urals, Western Siberia, Kazakhstan and Central Asia. The subsequent national-economic annual plans, as well as the quarterly and monthly plans, were also devoted to the successful prosecution of the war.

Socialist planning during the war differed in a number of ways from peacetime planning. The differences consisted in the following: 1) enhancement of the role and importance of centralized distribution of the means of production and articles of consumption as well as labour power and finance, called forth by the necessity of giving priority to the requirements of the armed forces, 2) increase in current planning, particularly quarterly and monthly planning, called forth by the abruptly changing wartime conditions, 3) increase in complex planning by districts called forth by the temporary occupation of a portion of the country's territory, the shifting of industry to the East and the work developed during the war years to restore the economy of the liberated areas.

During the first stage of the war, Hitlerite Germany was able to profit by the advantages of her sudden

attack on the Soviet Union, but these advantages were lost as the war went on. The course of the war began to be determined by permanently operating factors, foremost among which being the firmness and stability of the Soviet rear.

After overcoming the difficulties of the first stage of the war, the socialist system of economy steadily developed, increasingly revealing its potentialities and advantages.

This clearly demonstrated that the economic foundation of the Soviet State possessed incomparably more vitality than the economy of the enemy states.

The growth of the war economy was due to the utilization of the immense advantages of the planned socialist system of economy and rested on the material and technical foundation that was created during the period of the Stalin five-year plans.

The Soviet Government and Communist Party successfully utilized the material potentials for developing the war economy that had been created during the period of the Stalin five-year plans and ensured the Soviet armed forces of the necessary supplies of armaments and the accumulation of reserves for inflicting complete defeat upon the enemy. The State Committee of Defence, headed by Comrade Stalin, that was formed at the very beginning of the Patriotic War, rapidly and resolutely mobilized all the forces of the peoples of the U.S.S.R. to ensure victory.

The progress of the war economy of the U.S.S.R. was reflected, primarily, in the successes achieved by the war industry, as a result of which it was possible to eliminate the German army's quantitative superiority in war equipment. Production of war equipment increased during the war years severalfold.

The chief source of the growth of the war economy in the initial period of the war was the concentration of material, labour power and financial resources for the purpose of serving war needs. Planned economy enabled this problem to be solved very quickly. The proportions between the various departments of socialist production were fundamentally changed. The share of the national income used to cover war expenditure increased threefold as compared with prewar times.

During the first period of the war, when parts of Soviet territory were under enemy occupation, the redistribution of the national income to meet war needs was brought about by reducing the share of accumulation and of consumption in the aggregate national income. At the same time the ratios in the distribution of the material elements of production—fixed and circulating funds, the distribution of labour power and financial resources, were radically altered in favour of war industry.

One of the most important sources of growth of the war economy was expansion of production in the Eastern areas of the country.

When the war broke out and the German fascist troops temporarily seized important industrial areas of our country, it was industry's task, first of all, to ensure the uninterrupted production of war supplies in the regions located deep in the rear. This task was successfully accomplished, firstly, because of the mighty war-economic base that had been established deep in the rear in peacetime, and, secondly, because of the planned evacuation of enterprises to the Eastern regions of the country that had been carried out at the beginning of the war.

In the first half of 1942, over 1,300 large industrial plants were evacuated to the East, and most of them were put up and set going. The success of this migration of industry, unprecedented for its magnitude and speed, was due to the fact that it was planned, to the tremendous organizational work that was carried out under the guidance of the State Committee of Defence.

The evacuated plants, and also the new ones that were erected in the Urals, Western Siberia, Kazakhstan and the Volga area, gave rise to new branches of industry, new industrial centres were created, and those that had been created during the period of the five-year plans were strengthened. During the war, industrial output in the Eastern regions of the U.S.S.R. doubled in comparison with their prewar output. The armaments industry in particular grew considerably in the Eastern regions, and its output

increased 5.6-fold compared with prewar. The war enormously increased the war-industrial capacity of the Urals, which bore the main burden of supplying the front with armaments. Industrial output in the Urals increased more than 3.5-fold during the four years of war.

The growth of the war economy went closely hand in hand with the expansion of the production apparatus of the national economy.

In addition to creating the means for meeting war expenditure, the expansion of the national economy of the U.S.S.R., due to the growth of the country's war economy, made it possible to increase the scale of accumulation and of capital construction during the war. The volume of capital investments in the national economy grew all through the war.

The exceptional speed with which the new enterprises were put into operation during the war was due primarily to the planned concentration of capital investments and material resources on the construction of the most important branches of industry and priority jobs.

An immense task of the war economy was to ensure the expansion of socialist agriculture as the source of food supplies and of raw materials for industry. The kolkhozes and sovkhoses had to carry out the tasks set them at the time when a number of important agricultural regions were temporarily under enemy occupation, and when a considerable por-

tion of the workers and of the mechanical and animal traction facilities had been diverted to serve the needs of war.

The kolkhoz system successfully came through the test of war. Large-scale socialized production, the extensive assistance rendered by the state and the mighty patriotic enthusiasm of the kolkhoz peasantry rendered possible, under war conditions, the extension of the crop area and an increase in socialized livestock breeding.

Transport played an immense part in the development of a smoothly-working war economy. During the Great Patriotic War the railways of the U.S.S.R. carried a load that the railways of no other country could have handled. This was greatly facilitated by the assistance the state rendered the railways, by the planning of military, evacuation and ordinary freight traffic.

The successes of the war economy of the U.S.S.R. were due to the patriotic enthusiasm of the workers, kolkhozniks and the intelligentsia, to their heroic, self-sacrificing labours, to the development of mass socialist emulation, to the great increase in the productivity of labour, and also to the economy exercised in the distribution of material resources. By means of centralized and operational planning, planned distribution and economy in the expenditure of material resources (strict rationing of raw and other materials and fuel) was effected.

Thanks to the growth and efficiency of the war economy of the U.S.S.R. a number of essential conditions were created during the war for accelerated peacetime construction after the war. These conditions for the successful accomplishment of the postwar tasks were: expansion of the industrial capacity of the Eastern regions of the U.S.S.R., the vast scale of activity in restoring the economy of the areas of the U.S.S.R. that had been occupied by the enemy and development of an advanced technology and organization of production.

#### THE POSTWAR FIVE-YEAR PLAN FOR RESTORING AND DEVELOPING THE NATIONAL ECONOMY OF THE U.S.S.R.

As a result of the victorious consummation of the Great Patriotic War, the Soviet Union entered a new phase in its historical development. The Soviet people were faced with the task of consolidating the positions won and of proceeding further to achieve a still higher economic and cultural level. Comrade Stalin said:

“The Five-Year Plan Law for the Restoration and Development of the National Economy of the U.S.S.R. in 1946-50 that has been adopted by the Supreme Soviet of the Soviet Union opens new prospects for the further growth of the productive forces of our Motherland, for the growth of its economic might,



and for the promotion of its material prosperity and culture.”<sup>1</sup>

The chief economic and political task of the new five-year plan is to rehabilitate the devastated regions of the country, to raise industry and agriculture to the prewar level and then considerably above that level.

The German invaders inflicted enormous damage on the national economy of the regions they had temporarily occupied. The fixed funds of industry, socialist agriculture and transport, and also housing, suffered especially great damage. The Extraordinary State Commission for the establishment and investigation of the crimes of the German fascist invaders estimated the total loss resulting from direct destruction of the national wealth of the U.S.S.R. at 679,000 million rubles.

In the occupied areas, some 32,000 industrial enterprises employing about 4,000,000 workers, 65,000 km. of railway track, 4,100 railway stations and 13,000 railway bridges were destroyed; tens of thousands of collective farms and thousands of state farms and machine and tractor stations were ruined and plundered; millions of head of cattle were killed or stolen. An enormous number of dwelling houses as well as cultural, art and health institutions were

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<sup>1</sup> Order of the Day of the Minister of the Armed Forces of the U.S.S.R., May 1, 1946, No. 7.

reduced to ruins. Millions of Soviet people were tortured, killed, or driven into slavery in Germany.

The work of rehabilitation that was conducted while the Great Patriotic War was still in progress was only the beginning of the huge task of restoring the national economy in the regions of the U.S.S.R. which had been occupied by enemy armies. During the war about a third of the fixed funds in these regions were restored. Consequently, in the new five-year plan period over two-thirds will have to be restored, and most of these are the plants that were most heavily damaged.

Industrial output in the devastated regions is to reach prewar level in the course of the first four years of the five-year plan period. By the end of the fifth year the prewar level is to be exceeded by 15%.

A most important task set by the five-year plan as regards restoring the economy of the liberated regions is that of speedily reviving the Donbas, the leading coal and metal centre of the U.S.S.R.

The five-year plan provides for complete restoration of the network and traffic capacity of the railways, water transport and motor highway system, so as to ensure that the prewar level of freight traffic is attained and then surpassed. Huge tasks lie ahead in restoring agriculture in the formerly occupied regions. One of the most important tasks set by the five-year plan is that of restoring normal economic and cultural

life in the liberated areas and of exceeding the prewar level of consumption.

To restore the devastated regions, the Soviet people will have to exert tremendous effort. In the course of the five-year plan period the volume of industrial output in these regions is to be increased 3.9-fold, railway freight traffic 2.3-fold, grain production 87%, and livestock population by 52%.

For the purpose of restoring and further developing the economy of the devastated areas, 115,000 million rubles have been allocated, approximately half the amount allotted to the national economy as a whole.

In addition to providing for the complete restoration of the economy of the formerly occupied regions, the five-year plan set the task of attaining the prewar industrial level of the U.S.S.R. as a whole and then of surpassing it considerably.

During the war the Eastern regions of the U.S.S.R. considerably surpassed the prewar output level. They will be developed on a still vaster scale in the current five-year plan period, for they will serve as the base for the restoration of the economy of the formerly occupied regions.

The development of the national economy of the U.S.S.R. during the present five-year plan period is to proceed in conformity with the laws of expanded socialist reproduction, which means, primarily, a steady growth of production in industry and agriculture.

In the course of the 1921-26 restoration period, the average annual increase in industrial output was 2,000<sup>0</sup> million rubles; during the First Five-Year Plan period it was 5,500 million; during the years of the Second Five-Year Plan it was 10,400 million, and for the three years of the Third Five-Year Plan period it was 14,300 million. For the 1946-50 period, however, the average annual increase is to be 15,600 million rubles.

The following table indicates the level of national-economic development to be attained by the U.S.S.R. in 1950, as outlined by the five-year plan.

	Unit	1940	1950	1950 perc. of 1940
National income of the U.S.S.R.	thous. million rubles in 1926/27 prices	128.3	177.0	138
Gross industrial output	„	138.5	205.0	148
Gross agricultural output	„	23.2	29.5	127
Freight traffic of railway, water and motor transport	thous. millions of ton-km.	483.0	657.5	136
State and cooperative retail trade	thous. million rubles in state retail prices	175.1	275.0	128 <sup>1</sup>
Labour productivity in industry	per cent	—	—	136
Wage fund in the national economy	thous. million rubles	162.0	252.0	

<sup>1</sup> In comparable prices.

The new five-year plan sets the task of raising the industry of the U.S.S.R. to the prewar level in the course of three years, or twice as fast as the restoration process in the period following the termination of the civil war and foreign intervention.

In 1950, the prewar, 1940, level in gross agricultural production is to be exceeded by 27%.

In 1937, the gross agricultural production amounted to 153% of that of 1932, the year when the reorganization of agriculture was nearing completion. Gross agricultural output in 1940 amounted to 177% of that of 1932. In 1950 it will amount to 225%.

Expanded socialist reproduction also means a steady growth of socialist accumulation, characterized primarily by an increase in the amount of capital investments in the national economy of the U.S.S.R.

During the First Five-Year Plan period, capital investments in the national economy amounted to about 50,000 million rubles; during the Second Five-Year Plan period they amounted to 115,000 million rubles; during the 1946-50 period they are to amount to 250,000 million rubles. Thus, the capital investments provided for by the plan for restoring and developing the national economy in the period 1946-50 will be five times the amount invested during the First Five-Year Plan period, and more than twice the amount invested during the Second Five-Year Plan period.

In the course of the new Stalin five-year plan period, 5,900 state industrial enterprises are to be restored or newly built and put into operation. Of these, 3,200 are to go up in the devastated regions. During the First Five-Year Plan period 1,500 industrial plants were put into operation, during the Second 4,500 and in the three years of the Third Five-Year Plan period about 3,000.

Continuing the line laid down by the Eighteenth Congress of the C.P.S.U.(B.), the postwar five-year plan puts a stop to the craze for building gigantic plants and to every kind of extravagance in the field of construction: it provides for the building of medium and small factories in different branches of the national economy. This will enable new capacities to be put into operation more quickly and building costs will be reduced.

Fulfilment of the capital construction plan is to result not merely in the restoration of the fixed funds of the national economy of the U.S.S.R. to the prewar level, but in an increase above that level. In 1950 these funds are to reach the amount of 1,130 billion rubles (at present state prices), or 8% above the prewar level.

The tremendous volume of capital construction outlined for the new five-year plan period raises the task of rapidly developing the production of equipment and building materials. Accordingly, the plan

provides for the output of equipment and machinery to be brought up in 1950 to twice that of the prewar level, output of cement to 1.8 times, and sawn timber to 1.6 times. The building industry is to be extensively developed.

Expanded socialist reproduction means a steady improvement in the people's standard of living, both material and cultural. Increased production, the wider circulation of commodities and larger expenditures on housing and cultural and welfare services as provided for in the five-year plan will not only raise the standard of living of the working people to the prewar level, but increase the national income by more than 30% compared with prewar.

The national income of the U.S.S.R. (at unchanged prices) increased from 21,000 million rubles in 1913 to 128,300 million in 1940; the plan raises it to 177,000 million rubles in 1950.

The five-year plan law pointed to the necessity of "ensuring *priority to the restoration and development of heavy industry and railway transport*, without which the rapid and successful restoration and development of the national economy of the U.S.S.R. will be impossible."

The prewar output of the principal branches of heavy industry is to be reached within two or three years, and at the end of the five-year period is to be exceeded as follows: pig iron, steel and rolled metal 35%; coal 51%; electric power 70%; plant equip-

ment is to show a twofold increase, and the chemical industry a 50% increase.

One of the decisive conditions for the rapid restoration and development of the national economy is the further improvement of transport. Freight traffic by rail, water, and motor transportation in 1950 is to be a third higher than the prewar level, almost half as much again as the 1937 level, and more than three times the 1932 level. Of extreme importance is the expansion of railways, the freight turnover of which is to be 28% above the prewar level.

Laying stress on heavy industry and railway transport as the main links in the restoration of the national economy, the five-year plan concentrates large material resources on the development of these branches and thereby ensures a rapid rate of restoration and development of the entire national economy.

To ensure the material well-being of the peoples of the Soviet Union and to create in the country an abundance of the principal articles of consumption, agriculture and the production of means of consumption must be raised to a higher level.

The speediest restoration and further development of agriculture in the postwar period are indispensable for the successful development of the entire national economy of the U.S.S.R. The Central Committee of the C.P.S.U.(B.) stated in the resolution it passed at its plenary session held in February 1947: "Now that we have turned to peaceful construction, the



Party and the state are again faced with the extremely urgent and pressing task of ensuring such an expansion of agriculture as will ensure in the shortest possible time an abundance of food for the population and raw materials for light industry, and the accumulation of sufficient state reserves of foodstuffs and of raw materials."

The new five-year plan provides for the complete restoration and further development of agriculture and livestock breeding in the regions formerly occupied by the Germans, and for the raising of the total agricultural output in the U.S.S.R. above the prewar level.

In order to enlarge the material and technical base for agriculture, the five-year plan provides for a considerable increase in the supply of tractors, agricultural machinery and mineral fertilizer. For this purpose the output of tractors is to be increased, the mass production of agricultural machinery is to be resumed and further developed, and the output of mineral fertilizers is to be almost double the prewar output. The electrification of agriculture is to be carried out on a wide scale. Provision is also made for the training of large numbers of specialists and skilled personnel for agriculture.

The five-year plan provides for an average annual increase of 17% in the output of food products and articles of mass consumption; to achieve this it will be necessary not only to raise agriculture to a higher

level but also to enlarge the production facilities of the light, textile and food industries.

To accomplish this aim provision has been made for more extensive capital construction in these industries and for increasing their share in the total volume of capital construction. Output of factory equipment is to be considerably increased, new, up-to-date equipment will be provided and repair facilities for the light and food industries improved. To ensure larger supplies of raw materials for industries manufacturing articles of consumption, the production of artificial silk and long-staple fibres is to be organized on a large scale and the manufacture of synthetic tannin and imitation leather is to be developed.

In view of the increase in the output of articles of consumption, the plan provided for the abolition of rationing and for the expansion of Soviet trade within the first two years of the five-year period.

The fulfilment of the five-year plan tasks calls for further technical progress in the national economy of the U.S.S.R. as this is an essential condition for a large increase in production and in productivity of labour.

Without further rapid technical development in all branches of the national economy, it will be impossible to achieve the tempo and scale of expended socialist reproduction provided for in the five-year plan.

The new five-year plan continues the technical policy that was pursued in the period of the three previous five-year plans, viz., to mechanize to the

utmost all processes entailing a great deal of labour, to extend the employment of automatic machines and electricity, and to develop new branches of engineering and production.

The technical level of the national economy can be further raised by developing the machine-building industry. This, in turn, calls for a larger output of metal-cutting machine tools. During the period of the preceding five-year plans the old machine tools in use were completely replaced by more up-to-date types, and the total number increased enormously. Of the machine tools in operation at the beginning of 1932, two-thirds were installed after the revolution and more than 40% during the last three years of the First Five-Year Plan period. Between 1932 and 1940, the number of these machines in the industry of the U.S.S.R. increased 3.5-fold. At the end of the post-war five-year plan period the number will rise to 1,300,000, which is 30% more than the United States had in 1940.

This is the surest foundation for the technical and economic independence of the U.S.S.R. and for further technical progress in all branches of the national economy.

Further technical progress in the national economy of the Soviet Union calls for the all-round development of science so that it may in the near future not only overtake but surpass scientific achievement outside the U.S.S.R. The five-year plan gives effect

to Comrade Stalin's injunction to build extensively every kind of scientific research institution that will enable science to develop its forces to the full.

The restoration and further development of the national economy calls for further changes in the socialist distribution of the productive forces. These changes are reflected firstly in a more equable distribution of the most important branches of industry: iron and steel, coal, power stations and machine building; secondly, in the further promotion of industry in the East; thirdly, in the complex development of the economy of the Union Republics and economic districts based on extensive utilization of local resources.

The new five-year plan provides for the further development of the economy and culture of the non-Russian republics and regions of the Soviet Union. Special attention is paid to economic progress in the territories that were recently incorporated in the U.S.S.R.

A most important condition for achieving expanded socialist reproduction during the present five-year plan period is that the national economy be ensured of a permanent, skilled labour force. This can be accomplished by the further mechanization of production, by systematically improving the organization of labour, and by improving the supplies and housing conditions of the workers. The chief means of increasing production is by increasing the productivity of labour. The plan provides for an in-

crease in the productivity of labour in industry above the prewar level. This is to be achieved by increasing the technical equipment per worker 50% compared with prewar times, by utilizing the eight-hour working day to the full, by carrying out an extensive program of measures for raising the cultural and technical level of the workers and by further improving the conditions of the working people.

The rapid tempo of socialist accumulation provided for in the five-year plan cannot be attained without a systematic reduction in cost of production. During the five-year plan period, reduction in cost of production in the national economy is to result in a saving of about 160,000 million rubles. The five-year plan law obliges economic organizations to pay more attention to the mobilization of internal resources, to the exercise of economy, and to the resolute elimination of waste due to mismanagement and to unproductive expenditures.

The successful fulfilment of the postwar five-year plan of great undertakings requires a high ideological level and wide-scale educational and cultural activities, a wide campaign to increase communist consciousness and to overcome the survivals of capitalism. This task is defined in the decision on the magazines *Zvezda* and *Leningrad* and in a number of other very important decisions that have been adopted by the Central Committee of the Communist Party of the Soviet Union. A. A. Zhdanov said: "To be a politi-

cally conscious Soviet citizen means understanding the policy of the Party and the Soviet State and striving with all one's might to give effect to it. Socialist consciousness accelerates the progress of Soviet society, it multiplies the sources of its strength and might."<sup>1</sup>

The new Stalin five-year plan, for the fulfilment of which the entire Soviet people is working with the greatest enthusiasm, follows the path of development of Soviet society indicated by the Eighteenth Congress of the Communist Party, the path of completing the building of socialist society and of the gradual transition from Socialism to Communism.

In defining Socialism and Communism as two stages in the economic maturity of the new society, Marx showed that the transition to the higher phase, viz., Communism, requires a very high level of productive forces, at which, along with the all-round development of the individual, all the springs of cooperative wealth will flow abundantly. The "birthmarks" of the old society can be completely removed by the extremely rapid development of the productive forces of Socialism, the creation of an abundance of products, and the development of Communist consciousness. Only then can society inscribe on its banner: "From each according to his ability, to each according to his needs."

<sup>1</sup> A. A. Zhdanov, *The Twenty-Ninth Anniversary of the Great October Socialist Revolution*, Russ. ed., 1946, p. 17.

The founders of Marxism could not, of course, foresee the concrete path of transition from Socialism to Communism. This was done by Lenin and Stalin who founded the political economy of Socialism. Comrade Stalin developed Lenin's doctrine that the victory of Socialism is possible in one country, and worked out a scientific program for the transition in our country to Socialism and to the higher phase, Communism.

In describing the development of the Socialist State during the period from the elimination of the capitalist elements from town and country to the complete victory of the socialist system and the adoption of the new Constitution, Comrade Stalin stated at the Eighteenth Congress of the Party: "...development cannot stop there. We are going ahead, towards Communism."<sup>1</sup>

The building of Communism in one country, especially in a country like the Soviet Union, is quite possible, as Comrade Stalin remarked in answering a question put by a correspondent of the *Sunday Times*. The development and consolidation of the socialist system are preparing the prerequisites for the gradual transition from Socialism to Communism.

These prerequisites are being created primarily by the growth of the productive forces of the Land of Socialism. The level of productive forces required

<sup>1</sup> J. V. Stalin, *Problems of Leninism*, Moscow 1947, p. 637.

for producing an abundance of products and for passing over to their distribution according to needs must be much higher than the present level in any of the most highly economically developed capitalist countries.

As Comrade Stalin has pointed out, the economic power of a country is not expressed by the volume of industrial output in general, but by the volume of industrial output in direct relation to size of population. The population of the Soviet Union considerably exceeds that of the United States of America and is several times as large as the population of Britain. Hence, the volume of industrial output must be correspondingly greater.

Thus, in the period of gradual transition from Socialism to Communism, the Soviet Union is faced with new and tremendous tasks in promoting economic development. Its fundamental economic task is to overtake and outstrip the principal capitalist countries economically, i.e., in respect of volume of industrial output per head of the population.

In describing the long-range plans Comrade Stalin said that "...our Party intends to organize another powerful uplift of our national economy that will enable us to raise our industry to a level, say, three times as high as that of prewar industry."<sup>1</sup>

<sup>1</sup> J. V. Stalin, *Speech Delivered at an Election Meeting in the Stalin Election District, Moscow, February 9, 1946*, Moscow 1946, p. 20.



Comrade Stalin urged the necessity of obtaining a yearly output of up to 50 million tons of pig iron, 60 million tons of steel, 500 million tons of coal and 60 million tons of oil. "Only when we succeed in doing that can we be sure that our Motherland will be insured against all contingencies."<sup>1</sup>

When this program is accomplished, our country will come close to the per capita industrial output of the United States, and as regards volume of industrial output in general, the Soviet Union will be the most powerful industrial country in the world.

The most important prerequisite for fulfilling the fundamental economic task of the U.S.S.R. is a further increase in socialist accumulation, primarily in industry, the leading branch of the national economy.

A further vast increase in industrial production to the level that would make it possible to overtake and surpass the leading capitalist countries in per capita output requires an enormous expansion of industry's fixed funds, a severalfold increase in the number of plants.

Another prerequisite for the speedy execution of the fundamental economic task is a further rise in the technical level of industry. Technical progress in the national economy will to an ever-increasing degree determine the acceleration of the rate of expanded socialist reproduction. The issue in the economic

<sup>1</sup> *Ibid.*

contest between Socialism and capitalism in the forthcoming epoch will be decided primarily in the sphere of science and technology.

Still another prerequisite for the speedy execution of the fundamental economic task is an increase in skilled personnel in all branches of the national economy.

The transition to Communism requires that the cultural and technical level of the workers be raised to that of engineers and technicians; this will make it possible to undermine the basis of the distinction between mental and manual labour, and will ensure high productivity of labour. The process of elimination of this distinction will enormously accelerate the development of the productive forces of socialist society.

Of extreme importance for the successful execution of the fundamental economic task is a further increase in the productivity of labour. Thanks to the system of planned economy, the Soviet Union has considerably surpassed the capitalist countries in respect of rate of increase of productivity of labour. As Comrade Stalin said: "... the higher our productivity of labour becomes, and the more our technique of production is perfected, the more rapidly can we accomplish this cardinal economic task, and the more can we reduce the period of its accomplishment."<sup>1</sup>

<sup>1</sup> J. V. Stalin, *Problems of Leninism*, Moscow 1947, p. 611

## **THE PRINCIPLES OF DRAFTING THE NATIONAL-ECONOMIC PLAN**

### **THE ECONOMIC AND POLITICAL TASKS AND MAIN LINKS OF THE NATIONAL-ECONOMIC PLAN**

The purpose of the state plan for the development of the national economy of the U.S.S.R. is to achieve definite political and economic tasks. Pursuit of a political purpose is a cardinal feature of the Bolshevik plans, which express the law of development of Soviet Land toward Communism. The political tasks of the plan also determine the economic tasks that are set for a definite period. At the same time, characteristic of the socialist plan is the unity of the political and economic tasks. For example, the fundamental political task of the Second Five-Year Plan—completely to eliminate the exploiting classes—was most closely bound up with the plan's main economic task—to complete the technical reconstruction of the national economy. As Comrade Stalin pointed out, "Without reconstruction, it would be impossible to complete the offensive of Socialism along the whole front, for the capitalist elements in town and country

had to be fought and vanquished not only by a new organization of labour and property, but also by a new technique, by technical superiority.”<sup>1</sup>

The fundamental tasks of socialist planning of the national economy are embodied in the concrete tasks of the national-economic plans for the given period. Hence, a correct appraisal of the internal and international situation and an analysis of the fulfilment of the plan for the preceding period are the starting point for drafting the national-economic plan. The Bolshevik plans have nothing in common with groundless projectmongering, they are not divorced from reality; they carefully take into account the existing class relations and the level reached in the development of productive forces.

Current economic and political tasks of the national-economic plan are put forward when the economic foundation for their successful accomplishment has been or is being created. For example, the task of industrializing the country that was set by the First Five-Year Plan was formulated in full magnitude when the conditions necessary for its attainment had already been created by the restoration of the national economy.

The economic and political tasks of the plan also determined which main links are to be given priority

<sup>1</sup> *History of the Communist Party of the Soviet Union (Bolsheviks), Short Course*, Moscow 1949, p. 385.

in the plan for the given period. The Leninist-Stalinist principle of the main link is a cardinal principle of socialist planning.

The main links that are given priority in the plan are those branches and sections of the national economy, the accelerated development of which during the ensuing period is essential for the successful accomplishment of the plan's fundamental tasks.

Among such branches are also those which lag behind the requirements of the national economy, and the rapid development of which is essential for the uninterrupted progress of the entire national economy. The economic and political tasks set in the long-range plans that cover one or more five-year periods, also determine the particular tasks that are included in the current annual or quarterly plans. The current plans, in their turn, create the conditions necessary for the successful fulfilment of the tasks set in the long-range plan.

The main link in the GOELRO plan—the plan for building the foundation of socialist economy—was the electrification of the country. Electrification rendered possible the restoration and development of the national economy on the basis of the new, modern technology of large-scale machine industry.

The electrification plan served as the basis of tasks for developing individual branches of the national economy and for fixing new proportions within the national economy. Of extreme importance was conse-

cutiveness in the execution of the basic tasks of the long-range plan. Lenin linked fulfilment of the electrification plan directly with the current economic tasks which were then shaping the country's destiny, primarily those concerned with food and fuel.

The main links in the development of the national economy in the initial period of the New Economic Policy were trade and agriculture. The restoration of agriculture by means of the revival of trade between town and country, the increase in the country's food resources and the revival of the transportation system and the fuel industry, made it possible to set to work to develop the metallurgical industry, the key branch of heavy industry.

The restoration of the most important branches of heavy industry created the conditions for carrying out the program of socialist industrialization of the country.

Describing the fundamental task of the First Five-Year Plan Comrade Stalin stated that the execution of such a grand plan could not be started haphazardly, just anywhere. In order to carry out such a plan it was necessary first of all to find its main link; for only after this main link has been found and grasped could all the other links of the plan be pulled up. This main link was heavy industry, with machine building as its core.

To fulfil the fundamental economic task of the Second Five-Year Plan—completion of the technical

reconstruction of the national economy—it was necessary to accelerate the further development of the machine-building and allied branches of industry.

In conformity with the basic economic task of the U.S.S.R., the Third Five-Year Plan fixed a ratio in the rate of development of the various branches of industry that would ensure the speediest growth of the machine-tool and a number of other branches of the machine-building industry, the manufacture of high-grade steels, electric power stations and the chemical industry.

When the Great Patriotic War broke out the accelerated development of the various branches of the armament industry became the main link of the plan. The main links in the war economy were also the ferrous and non-ferrous metallurgical industries, the fuel industry and electric power stations. The accelerated development of these industries in the East and their rapid rehabilitation in the regions liberated from the Germans created the necessary conditions for the expansion of the war economy.

Thanks to the advantages of planned economy it was possible to overcome the unprecedented wartime difficulties and to solve the tremendous problems of the war economy: metals, fuel, electric power in the Urals, transport and food.

To solve the iron and steel supply problem during the war, at the time when the enemy occupied the southern coal and iron and steel centre, it was neces-

sary, first of all, to change in a planned manner the kinds of iron and steel to be produced, sharply to increase the proportion of high-grade metals in the total production of metals and to increase the output of metals for manufacturing tanks, aeroplanes and munitions. It was necessary to change the specialization of the steel-smelting and rolling mills in the East to the manufacture of these metals and to work out and apply a new technology for them.

This made it necessary to give the iron and steel industry priority in the matter of material and technical supplies and to ensure it regular and adequate supplies of coking coal, iron and manganese ore, scrap metal and refractory materials.

To increase the metal resources it was necessary to accelerate the expansion of the production capacities of the iron and steel industry in the East. This was accomplished by a rigid concentration of resources of metal, timber, cement and other building materials and labour power, and also by capital investments for extensive construction of metallurgical plants. The overwhelming portion of resources allotted for construction was designated for the iron and steel industry. In addition to making use of the evacuated equipment, the manufacture of new equipment for the metallurgical industry was expanded.

It was also necessary to plan the redistribution of metal resources in favour of the armament industry. In order to develop the war economy, in addition



to supplying the armament industry, the necessary metal resources were allotted to meet construction needs and to restore the machine-building industry.

Of exceptional importance in solving the metal problem was the economizing of metal, the establishment of strict norms for its consumption, the fullest utilization by plants of their internal resources, the introduction of new, advanced technology and organization of production.

To satisfy fuel requirements during the enemy occupation of the Donbas, very extensive measures were taken to develop the eastern coal fields, to restore the Moscow coal field, to supply the coal industry with equipment, materials and labour power, to increase the supply of firewood, to replace mazut by hard fuels, to centralize the distribution of fuel and to reduce the rate of fuel consumption.

In the Urals, where a shortage of electric power was felt as a result of the influx of a large number of evacuated enterprises and the rapid expansion of industry, the starting of new electric power stations was accelerated.

To ensure the uninterrupted operation of the railways it was necessary to give them priority in fuel supplies, strictly to plan railway traffic, in every way to develop local industries, to distribute plants properly and organize cooperation among them with a view to curtailing superfluous or long haulages.

In view of the extreme importance of agriculture in supplying food for the armed forces and the civilian population, and also in providing raw materials for industry, the war-economic plans provided the necessary material resources for its development. This helped socialist agriculture enormously to overcome its wartime difficulties, particularly at the time when the agricultural regions of the Ukraine, the Donets Basin and the Kuban were temporarily occupied by the enemy.

Planned manoeuvring with existing resources, the work performed by the business organizations and enterprises to fulfil the plans, the mobilization of the efforts of the working class, the kolkhoz peasantry and the intelligentsia to carry out the priority tasks, were all of decisive importance in surmounting the wartime difficulties and in creating a smoothly-functioning and expanding war economy.

Heavy industry and railway transport play a decisive role in solving the fundamental economic and political task of the new five-year plan. The main link of the postwar five-year plan is the priority task of restoring and developing heavy industry and railway transport, without which the rapid and successful restoration and development of the entire national economy of the U.S.S.R. will be impossible.

A rapid growth of heavy industry will make it possible to restore and develop agriculture, transport and the light and food industries. The five-year plan pro-

vides for supplying the national economy with equipment and materials on a scale considerably exceeding the quantities supplied during the period of the Second Five-Year Plan.

The priority restoration and development of heavy industry during the present five-year plan period is needed to strengthen the technical and economic independence of the country, to enhance the defensive power of the U.S.S.R. and to equip its armed forces with the most up-to-date armaments.

The postwar five-year plan creates the conditions necessary for the rapid restoration and development of heavy industry. More than half the capital investments in the national economy during the five-year period is allotted for heavy industry. Provision has been made for the priority restoration and development of that part of the machine-building industry which produces equipment for heavy industry, primarily for the metallurgical, electric power, coal and oil industries, the output of which by the end of the five-year period is considerably to exceed the prewar level. To attract workers to the heavy industry, particularly to the coal, metallurgical and oil industries, and to create permanent cadres for them, a higher rate of pay is provided for workers, as well as for engineers and technicians, in those industries.

One of the decisive conditions for the rapid restoration and further development of the national economy is improvement in transport.

The five-year plan ensures the railways the material supplies required for the improvement of traffic. They are to receive large replenishments of locomotives and cars, and to provide these it is proposed to develop their production on an immense scale. The railways are also to be provided with large quantities of rails, fishplates and sleepers.

A necessary condition for the successful execution of the postwar five-year plan is the elimination of the lag of a number of branches of industry due chiefly to the grave consequences of the war and the poor harvest of 1946.

In view of this, the state plans for 1947 and 1948 devoted special attention to the further development of the fuel industry and agriculture. Expanded reproduction requires that the fuel industry shall keep ahead of the development of the other branches of industry and of the national economy as a whole. Consequently, the most important task of the past few years has been to increase the output of coal and oil to the utmost. Measures, such as the expansion of coal production in the Kuzbas, Karaganda and the Urals and the acceleration of the erection of oil refineries in the East, were directed towards the achievement of this task.

A central link in the state plans for 1947 and 1948 was the speediest restoration and further expansion of agriculture, which is indispensable for the successful development of the national economy and for ensuring a further improvement in the well-being of the

people. In conformity with the decisions of the plenary session of the Central Committee of the Communist Party of the Soviet Union held in February 1947, the expansion of agriculture is to be obtained by considerably increasing the supply of tractors, agricultural machinery, spare parts, fertilizers and fuel, by improving the work of the machine and tractor stations, by the employment of improved agricultural techniques in the kolkhozes and sovkhozes, by organizing on an extensive scale the training of skilled personnel for agriculture, by strengthening the kolkhozes in every way and by eliminating all violations of the Rules of the Agricultural Artel.

The Soviet State is utilizing the mighty lever of planning to direct all the country's resources and the efforts of the working people to the task of developing the leading branches of the national economy and is thus creating the conditions for a high rate of expanded socialist reproduction.

#### THE PLAN AND THE NATIONAL-ECONOMIC BALANCE SHEET

The state plan for the development of the national economy is a single national-economic plan, the tasks of which are interlinked and directed towards the achievement of economic and political objectives. Lenin said: "The plans of the various branches of production must be strictly coordinated, combined and

together made to constitute that single economic plan of which we stand in such great need.”<sup>1</sup>

To establish correct ratios in the development of the different branches of industry and to prevent disproportion in the national economy is one of the principal tasks of planning. Social reproduction calls for a definite proportion in the distribution of social labour among the branches of production. Marx said: “this *necessity* of the *distribution* of social labour in definite proportions cannot be done away with by a *particular form* of social production but can only change the *form* in which it *appears*.”<sup>2</sup>

The distribution of social labour among the various branches of production is determined by the state plan for developing the national economy. The proportions in the national economy of the U.S.S.R. are fixed in accordance with the economic and political tasks and the main links of the state plan.

The Regulations governing the State Planning Commission of the U.S.S.R., state: “The State Planning Commission is invested with the task of linking up in the national-economic plan of the U.S.S.R. the work of allied branches of socialist production, the mining and manufacturing industries, agriculture and industry, transport and the national economy, of linking up the growth of production with the growth of con-

<sup>1</sup> V. I. Lenin, *Selected Works*, Vol. VIII, p. 272

<sup>2</sup> Karl Marx, *Briefe an Kugelmann*, German ed., Moscow 1940, p. 61.

sumption, the financing of production and supply of materials for it, of securing the proper territorial distribution of enterprises so as to avoid long hauls and cross shipments, of establishing enterprises near to the sources of raw materials and to the districts where their products are consumed.”

Thus, the state plan has to establish proper proportions: firstly, for the separate spheres of reproduction (production, consumption, accumulation and circulation); secondly, for the basic branches of the national economy (industry and agriculture, transport and the rest of the national economy); thirdly, intra-branch ratios (allied branches of industry, mining and manufacturing, etc.), and fourthly, for the territorial distribution of production.

During the period of the Stalin five-year plans, the proportions of social reproduction that had arisen under the conditions of a backward economy were altered in accordance with the policy of the socialist industrialization of the country and the collectivization of agriculture. The new proportions in the national economy were determined primarily by the redistribution of the basic resources in favour of heavy industry.

Fulfilment of the prewar five-year plans resulted in the predominance of industry in the national economy; the relative proportions between output of means of production and output of articles of consumption were changed. The share of industry in the

total volume of output of large-scale industry and agriculture in 1937 was 77.4% compared with 42.1% in 1913. As a result of the rapid growth of the output of means of production, its share in the output of large-scale industry as a whole increased from 42.9% in 1913 to 62.8% in 1940, and the share of machine building went up in the same period from 6.8% to 31%.

The Fifteenth Congress of the Communist Party of the Soviet Union stated in its resolution that in drafting an economic plan for a more or less lengthy period it "is necessary to strive to achieve the most favourable combination of the following elements: expanded consumption by the masses of workers and peasants; expanded reproduction (accumulation) in state industry by expanding reproduction in the national economy as a whole; a rate of development of the national economy more rapid than in capitalist countries and, without fail, a steady increase in the share of the socialist economic sector, which is the decisive and chief factor in the entire economic policy of the proletariat."<sup>1</sup>

As a result of the execution of the Stalin five-year plans these tasks were successfully accomplished. Simultaneously with an enormous increase in capital construction there was a considerable rise in the level

<sup>1</sup> *Resolutions and Decisions of Congresses and Conferences of the C.P.S.U.(B.) and of Plenary Sessions of Its Central Committee, Part II, Russ. ed., 1940, p. 235.*



of consumption by the people. Growth of socialist accumulation and an increase in consumption by the people, while maintaining a rapid rate of development of the national economy as a whole, were achieved as a result of the steady growth of the socialist system of economy which is supreme in the U.S.S.R.

The role of the plan was particularly enhanced in the redistribution of social labour during the Great Patriotic War. The war called for an alteration of the prewar proportions in production, a redistribution of all national economic resources in order fully and before all else to meet the needs of the war. The proportions in the distribution of fixed and circulating funds, labour power and financial resources were changed.

As a result of the wartime reorganization of the national economy, the overwhelming portion of the country's fixed funds were converted according to plan to serve war needs. An enormous part in this was played by the planned specialization and cooperation of industrial plants.

Simultaneously with the conversion of industry to the mass production of war supplies, resources of raw materials, fuel and auxiliary materials were redistributed according to plan to ensure the fulfilment of war orders. In conformity with the state plan, the transportation system ensured the shipment of war supplies as well as of the most important national-economic freights. The centralized distribution of foodstuffs and manufactured goods solved the problem

of supplying the needs of the armed forces and the civilian population.

At the same time, the labour resources were re-distributed according to plan for the purpose of developing the war economy. The most important source of labour power for war production in the main branches of heavy industry were the trainees of the state labour reserves schools. New labour resources were drawn into industry to meet pressing war needs by organized recruiting in town and country, by mobilizing the urban and rural population.

To fulfil the tasks raised by the war it was necessary, in addition to planning the distribution of material and labour resources, also to plan the distribution of finances. This was achieved by means of the state budget. Thus, new proportions in the distribution of social labour were created, such as were required for the development of a smoothly-functioning war economy.

The change in national-economic proportions in the postwar period was primarily the result of the reconversion of the national economy to a peace basis. Postwar reconversion was one of the tasks of the new five-year plan. The advantages of socialist planned economy ensured the successful accomplishment of this task.

Already in the second half of 1945, the civilian factories which had been engaged in war production stopped producing war materials. The output capaci-

ties of plants in the armament industry that were freed by the curtailment of war orders were used primarily for the purpose of increasing the output of the most important types of equipment required by the national economy.

In the course of 1946, the postwar reconversion of industry in the U.S.S.R. was in the main completed.

The new proportions in the distribution of social labour in the postwar five-year plan period are also determined by the concentration of resources for the speediest elimination of the disproportions caused by the war. Proper proportions between branches of the national economy are established and disproportions and lagging sectors in the economy are brought to light and corrected by means of the balance sheet method in planning, in particular by means of balance sheets for raw materials, fuel, other materials, equipment, labour power and finances.

The national-economic plan determines the production and construction program and at the same time determines the distribution of the material, labour and financial resources needed for ensuring fulfilment of the assignments set in the plan.

The balance sheet method has always been important in planning the national economy. Already at the time when the GOELRO plan was being drafted, Lenin characterized as a tremendous achievement in socialist planning the fact that the GOELRO plan was the first to contain "... a material and financial (in gold ru-

bles) balance sheet of electrification (about 370,000,000 working days, so many barrels of cement, so many bricks, so many poods of iron, copper, etc., the power of turbogenerators, etc.). The balance sheet provides for an expansion ('at a very rough estimate') of manufacturing industry in ten years by 80 per cent, and of the mining industries by 80-100 per cent."<sup>1</sup>

The enemies of the people—the Gromanites, Bazarovites and the Trotskyite-Bukharinites, would-be restorers of capitalism—repeatedly tried to use the balance sheet method for their counter-revolutionary ends, to convert it into a weapon in their struggle against Socialism, to prevent the creation of new proportions in expanded socialist reproduction by fitting the plan to the "bottlenecks" in the national economy. By causing disproportion in the development of the different branches of industry, these enemies of the people wanted to disorganize, to dislocate the national economy. Under the leadership of Comrade Stalin the Party thwarted these efforts of the enemies of the people and countered the hostile theories with the Marxist-Leninist theory of reproduction.

As the national economy grew and the production bonds between its separate branches expanded, the planning of the distribution of the material resources acquired increasing importance. The balance sheets of the national-economic plan more and more extensively

<sup>1</sup> V. I. Lenin, *Selected Works*, Vol. VIII, Moscow-Leningrad, p. 301.

covered the interlinking of the various branches of the national economy.

With the very first steps in planning, balance sheets were drawn up for grain, fodder and fuel. The development of heavy industry and of machine building, its key element, enhanced the importance of balance sheets for equipment, metal and electric power. The vast scale of capital construction lent great importance to the planning of material supplies for the capital construction jobs.

The reconstruction of the light and food industries, the socialist reconstruction of agriculture and the development of production bonds between industry and agriculture, increased the importance of balance sheets for agricultural raw materials. The development of Soviet trade enhanced the importance of planning the distribution of means of consumption and called for the drafting of plans for consumption of manufactured goods and food products.

The redistribution of finances for developing heavy industry, the growth of Soviet trade, the firm establishment of cost accounting and the consolidation of the Soviet ruble required systematic elaboration of financial balance sheets.

With the growth of the national economy problems of labour power distribution acquired tremendous importance. During the period of the Third Five-Year Plan this task was posed by Comrade Stalin as one of the most important tasks of socialist planning. A pow-

erful lever for the planned training and distribution of labour resources for the entire national economy was the state labour reserves system that was instituted before the war.

During the war, the importance of balance sheets in the national-economic plan and of the planned distribution of materials, labour power and financial resources grew because of the need for the rigid concentration of all national economic resources to meet the requirements of the front.

The balance sheet method of planning is of enormous importance in the postwar period. This is to be explained by the fundamental change in the national economic proportions that was made during the war, by the necessity to eliminate existing disproportions, and also by the division of many economic ministries into smaller units, which, in turn, sharply enhanced the role of interbranch planning.

For the purpose of improving the work of preparing balance sheets, the State Planning Commission of the U.S.S.R. has been reorganized. Furthermore, the Government has instructed the Commission to make it a rule, when submitting the national-economic plan, to propose at the same time measures for preventing disproportion in the national economy.

The balance sheets and distribution plans as drawn up at the present time include: firstly, material balance sheets (in kind) showing the proportions of the material elements of reproduction; secondly, value

(price) balance sheets showing the proportions in the distribution of financial resources and ensuring proper proportion in the distribution of the social product in respect of its material form and its value; thirdly, balance sheets for labour power.

Material balance sheets (in kind) consist of the following: 1) balance sheets of industrial products which, considering the main purpose for which they are to be used, represent the elements of the fixed funds of the national economy that ensure fulfilment of the construction program of the national-economic plan (equipment and building materials), 2) balance sheets of industrial and agricultural products, which, considering the main purpose for which they are to be used, represent the elements of the circulating funds of the national economy that ensure fulfilment of the production program of the national-economic plan (metals, fuel, electric power, chemicals, agricultural raw materials), 3) balance sheets of industrial and agricultural products, which, considering the main purpose for which they are to be used, represent articles of individual consumption.

The material balance sheets and distribution plans, which are approved by the Government, cover products of national-economic importance as well as products which require centralized distribution because of their shortage. During the war the number of items of funded products, i.e., products distributed by the centre, had to be considerably enlarged.

Value balance sheets consist of the following: 1) balance sheet of the population's money income and expenditure, 2) the State Bank's cash plan, and 3) the state budget.

The income side of the balance sheet of the population's money income and expenditures covers the wage fund of the workers and office employees and other incomes of the urban population, as well as the money income of the rural population; the expenditure side covers expenditure by the population in buying goods at state and cooperative stores, paying for services, and other money expenditures. The chief purpose of this balance sheet of the population's money income and expenditure is to ensure proper proportion in planning the volume of trade, the wage fund and the money income of collective farmers. This balance sheet serves as a basis for drafting the trade plan and also for planning the wage fund in the national economy.

The State Bank's cash plan serves as an important means for planning money circulation. The income side accounts for money received by the State Bank from trade turnover and payments by state organizations; the expenditure side accounts for payments made against the wage fund and other money expenditures. The State Bank's cash plan makes it possible to determine the volume of currency emissions required for the ensuing period.

The state budget is a most important financial balance sheet which determines the distribution of the



bulk of the national income. The main items of revenue in the state budget are accumulations of the socialist economy in the form of profits and turnover tax, and money received from the population in payment of taxes, subscriptions to state loans, etc. The expenditure side of the state budget consists of disbursements made in financing the national economy (production and capital construction), social and cultural development, administrative expenses and expenditures on defence. The function of the state budget is to ensure the financing without deficit of the national economy with the aid of the country's internal financial resources.

The labour power balance sheets include: 1) the balance sheet for labour power in the state economy, which determines the demand for labour power and skilled personnel in the various branches of the national economy, and the principal sources for recruiting labour for it (training in the state labour reserves schools, organized hiring of labour), 2) the balance sheet of labour power in the collective farms, which determines the utilization of collective-farm labour resources for carrying out the plan of agricultural production and for work in industry.

The balance sheets system in the national-economic plan makes it possible correctly to solve the problems of planning resources, consumption and distribution in the national economy.

The central task of the national-economic plan is to mobilize all the resources available to the national economy for carrying out the economic and political tasks of the plan.

The chief source of resources is the volume of production projected for a given branch of the economy. The second source are stocks of finished goods remaining at the point of production (coal at the pitheads, stocks of metal at metallurgical plants). A third source is the unused raw materials, materials, fuel and equipment at the point of consumption. The tasks of the national-economic plan are based primarily on the utilization of the country's home resources. For certain types of production, however, the balance sheets include foreign resources (imports, etc.).

The registration and redistribution of stocks and unused resources at the disposal of the various ministries and at plants assumed exceptional importance during the war for meeting the needs of the war economy.

Together with determining the resources, the balance sheets also indicate the requirements of the national economy in various kinds of products, labour power and also financial resources.

Requirements in means of production are determined on the basis of the technically-established standards of consumption of raw materials, materials, fuel, electric power and equipment in conformity with the proposed program of production and capital construction.

The requirements in articles of consumption are determined by computing the quantity of goods required to ensure the planned volume of trade and also to ensure non-market supplies (consumption by the armed forces, various establishments and those for industrial processing).

The requirements in labour power are determined on the basis of the established labour productivity indices and on the proposed program of production and construction.

Distribution of resources for various economic purposes and also among the various industries, ministries and organizations is planned after ascertaining the resources and requirements in conformity with the targets of the national-economic plan.

The material form of the product of a given branch of economy enables it to be used for different economic purposes. The plan determines what economic purpose the given product is to be used for in conformity with the proportions of expanded socialist reproduction laid down in the plan.

Of most importance is the distribution of material resources in the two principal directions—for production and operation needs, and for capital construction (iron and steel, timber, cement and equipment). This distribution makes it possible properly to correlate and combine the tasks of the expanded reproduction of fixed funds and the current needs of the national economy.

Simultaneously with the distribution of resources for production and operation purposes and for capital construction, it is necessary to distribute resources among the various branches of the national economy and the ministries. It is here that the tasks of ensuring supplies for the leading links of the national economy are met.

An extremely important task of the planned distribution of resources is to ensure that the various branches of the national economy receive the supplies they need in complete sets. Complex plans for the development of individual branches of national economy, providing for the supply of all the necessary material resources and labour power, were of extreme importance during the war and are so in the postwar period.

The provision of state reserves and stocks is of particular importance in planning distribution.

The distribution of material resources must also provide for exports in conformity with the plan for developing foreign trade.

The drafting of the district plans of the national-economic plan calls for the compilation of balance sheets for economic districts as well as for republics, territories and regions. Compilation of district balance sheets for fuel, electric power, building materials, timber and cement makes it possible to coordinate production and consumption within economic districts, to extend the utilization of local resources and to

reduce long haulages. It is particularly important to compile district balance sheets of labour power.

To establish proper proportion in consumption, resources and distribution when compiling the national-economic plan and in carrying it out, the following measures are taken:

a) Possibilities are explored for expanding production by making better use of production capacities or by increasing them, by the better utilization of raw materials, and also by raising productivity of labour.

b) Resources are manoeuvred within the limit of the proposed volume of production; for example, the share of high-grade rolled steel in the total rolled-steel output is increased so as to ensure fulfilment of the plan for machine building; the share of sawn-timber shipments in the total timber freights is increased to ensure fulfilment of the building program, etc.

c) Wider utilization of consumers' internal resources and producers' surplus stocks.

d) Reduction of norms of consumption of materials, raw materials, fuel and electric power; increased utilization of equipment and higher targets for raising productivity of labour.

e) Utilization of idle material and financial resources, mobilization of the funds of the population, price adjustment.

Linking up the plan's sections and indices and compiling the balance sheets of the national-economic

plan results in the compilation of the planned balance sheet of the national economy of the U.S.S.R. The state national-economic plan, linked up in all its parts, constitutes the balance sheet of the entire national economy. It takes the form of a combined table drawn up on the basis of the indices and the individual balance sheets of the national-economic plan. The table of the planned balance sheet of the national economy, based on an analysis of the preceding balance sheet of plan fulfilment, gives in a system of interlinked indices the level and main proportions of expanded socialist reproduction for the ensuing period. The combined balance sheet of the national economy is drafted on the basis of Marx's scheme of reproduction.

The following elements of Marx's schemes of reproduction are applicable to socialist economy:

1) Division of the social product into means of production and articles of consumption.

2) Division of the social product into funds for productive consumption, individual consumption and accumulation.

3) Distribution of the national income into a fund for expanding production, a reserve fund, a fund for the communal satisfaction of needs, a fund for distribution according to amount of labour performed (Marx's scheme, given in his *Critique of the Gotha Program*).

Marx's schemes, however, being abstract schemes

tem, the ratio of income of those engaged in production to those in non-productive spheres. The financial balance sheet covers the balance sheets of income and expenditures of state enterprises, kolkhoz-cooperative enterprises, establishments not engaged in production, and of the population.

The balance sheet of the national income has to show the ratio of the production of the national income of the U.S.S.R. for the ensuing period to its ultimate consumption by the population, the accumulation and growth of the state reserves.

The balance sheet of the national wealth of the U.S.S.R. covers the movement of the fixed and circulating funds, reserves, state and individual property of the population. The balance sheet shows the amount of social wealth at the beginning of the planned period, its accretion and decretion and its amount at the end of the planned period. The balance sheet of national wealth is closely linked with the balance sheet of national income of the U.S.S.R. inasmuch as accumulations and reserves of the national income are a source for increasing the fixed and circulating funds and reserves, and consumption of the national income is the source for increasing the individual property of the population.

The combined balance sheet of labour power shows the total labour-power resources (able-bodied population), the change in the number of working people engaged in the national economy, the volume of new

requirements in labour power and the sources from which they can be met, such as the state labour reserves, drafts on the non-working population, redistribution of labour between town and country and between the production and non-production spheres. The ratio of the total number engaged in the national economy to the movement of the social product shows the change in the productivity of social labour for the ensuing period.

The plan of expanded socialist reproduction drawn up in the form of a balance sheet of the national economy must reveal all the reserves of the national economy and guard it against bureaucratic maximalism.

It is impossible to draft the plan of development of the national economy of the U.S.S.R. correctly without first drafting the national-economic balance sheet. The starting point is to determine the fundamental economic and political tasks for the coming period. Once that is done, the drafting of the plan must start with the drafting of the balance sheet. That means that it is necessary to define not only the relations and proportions actually taking shape, but also the relations and proportions that are necessary to straighten out the situation and to direct the development of the national economy in conformity with the plan's economic and political tasks.



## THE DIVISIONS AND INDICES OF THE NATIONAL-ECONOMIC PLAN

The indices of the national-economic plan embrace all aspects of socialist reproduction and must ensure that the plan maintains unity and proper proportion between production, consumption, accumulation and circulation.

The basis of the plan is the production program which sets the targets for industrial and agricultural production as well as for freight turnover on all types of transport. The production plan sets the targets for capital construction, labour power, volume of trade and for other divisions of the national-economic plan. For instance, expansion of production capacities and, hence, the volume of capital construction in a given branch, are determined by the industrial production plan. At the same time, the production program determines the targets for increasing the number of workers, making allowance for the possibilities of increasing productivity of labour.

The leading place in the production program is held by the production plan for socialist industry, primarily the branches which manufacture means of production, the basis for the technical re-equipment of the national economy as a whole and the most important source for the expansion of production in other branches of the national economy.

The production program for heavy industry ensures

the supply of materials required for fulfilling the national-economic plan; the production program for the light and food industries, however, is the material basis for the growth of consumption by the population.

A component of the production program is the plan for agricultural production, which includes targets for grain and industrial crops, increase in livestock breeding, introduction of the crop-rotation system, improvement in agronomic techniques and irrigation, for the work of the machine and tractor stations, the state farms, and the technical equipment of agriculture.

The agricultural production program is a most important basis for the improvement of the material well-being of the population, for it determines the increase in the supply of food for the population, of raw materials for light industry, and the accumulation of the necessary state reserves of foodstuffs and raw materials.

As is known, the principal elements of the process of production are the instruments of labour, the subject of labour, and labour power. Consequently, the volume of industrial production is determined by planning the material and technical base (production capacities, technical level) for supplying the given branch with raw and other materials, fuel and electric power, for increasing labour resources and productivity of labour. The state plan determines all these factors for increas-

ing production and allots to the given branch the required material, labour and financial resources in accordance with the requirements of the national economy.

The plan for agricultural production is linked directly with industry's production program as regards ensuring supplies of raw materials for the light and food industries. On the other hand, the plan for industrial production is linked with the plan for agricultural production as regards the manufacture of agricultural machinery, tractors and spare parts, and the products of the chemical and oil industries all of which are required in agricultural production.

To ensure proper proportion between the plan for the development of industry and that for agriculture is a highly important task of the state plan for developing the national economy.

Comrade Stalin has stated: "Socialist society is the association of workers in industry and agriculture for the purpose of production and consumption. If, in this association, industry is not linked with agriculture, which provides raw materials and food and absorbs the products of industry—if, accordingly, industry and agriculture do not form a single national economic whole, then we shall not get Socialism."<sup>1</sup>

The production program includes a plan for car-

<sup>1</sup> J. V. Stalin, *Leninism*, Vol. I, Moscow-Leningrad 1934, p. 230.

riage by all forms of transport—rail, water, motor and air.

The freight turnover plan is drafted in conformity with the volume and territorial distribution of industrial and agricultural production.

The connecting link between production and consumption is the plan for material and technical supplies for the national economy which determines the circulation of means of production, and also the trade turnover plan, which determines the circulation of articles of consumption. The material and technical supply plan covers the distribution of means of production among industries and economic organizations and is drafted on the basis of the materials balance sheets. The volume of state and cooperative trade is determined by the production of means of consumption by industry and agriculture and their division into market and non-market funds. The volume of trade, which is a most important index of the level of consumption by the population, is directly connected with the labour-power plan as regards the number of workers employed in the national economy and the total wage fund.

One of the chief divisions of the national-economic plan is the program of capital construction, which determines the expanded reproduction of fixed funds and the development of the material and technical basis of the national economy.

The capital construction plan is drafted in conform-

ity with the production program and with the plan for social and cultural development. Production and distribution of equipment, metal, cement and timber, in their turn, determine the supply of materials for the volume of capital construction laid down in the plan.

Component parts of the capital construction program are the plan for capital investments and for the plants to be put into operation in the various industries and in the national economy as a whole, and also the title list which contains the names of the principal capital construction jobs for the ensuing period and indicates the specific targets for each job.

A leading element of the capital construction program is the plan of the production facilities to be put into operation. The total production capacities to be put into operation in the ensuing period directly determines the growth of production. Hence, a most important index of the effectiveness of capital construction is the increase in the fixed funds put into operation compared with the volume of capital investments. The Government's decision on the plan for 1947 registered the non-fulfilment in 1946 of the plan for starting new production capacities in a number of industries, particularly in the coal and iron and steel industries. This non-fulfilment led to an increase in the number of incompleeted construction jobs, to higher building costs and to the freezing of considerable state funds. One of the main tasks of the state plan for restoring and developing the national economy of the U.S.S.R.

is to expedite the starting of additional production capacities by restoring damaged plants and building new ones primarily in the fuel industry, electric power stations, in the iron and steel, textile and machine-building industries, and railways.

The starting of additional production facilities in the national economy is accelerated, firstly, by concentrating capital investments and material resources on construction in the most important industries and priority construction jobs, and, secondly, by reducing the time schedules for restoration and construction jobs; this calls for the extensive introduction of industrial methods in building operations (up-to-date organization of work, extensive mechanization, etc.).

In addition to the maximum acceleration of the starting of new production facilities, one of the very important tasks of planning capital construction is to provide for such a development of this work as will ensure the necessary carry-over for the development of construction in the next period. The plan for capital construction for a given period provides for the completion of a definite cycle of construction work and the beginning of a new cycle. The ratio of capital investment in carry-over construction to new construction is decided concretely for each industry in accordance with the targets in the sphere of production.

Directly connected with the capital construction plan is the plan for the development of the building industry, which covers the distribution of construc-

tion and installation work among the building organizations, the program of contracts for the ministries engaged in construction, and the targets for the mechanization of building operations.

A very important division of the national-economic plan is the labour-power plan, which includes targets for productivity of labour, the number of workers to be employed, the training of skilled personnel and for the total wage fund. The labour-power plan indicates the principal source for the expansion of the production and construction program and for an increase in socialist accumulation and consumption.

The planning of productivity of labour in industry is based on a rise in the level of technical equipment in the various industries, an increase in the workers' technical skill in production, an improvement in material conditions and social services for the workers, and on the achievements in increasing productivity of labour of the leading enterprises and Stakhanovites. The level of productivity of labour and the expansion of production planned for the ensuing period serve as the basis for calculating the necessary increase in the number of workers in the various industries and in the national economy as a whole.

Closely connected with the labour-power plan is the plan for housing and municipal development, public health and education, which, together with the volume of trade, determines the improvement in the material welfare and culture of the Soviet people.

This section of the state plan also lays down an extremely important basis for the growth of productivity of labour.

One of the chief divisions of the national-economic plan is the technical plan, which reflects the technical policy of the Soviet State, viz., to promote technical progress, to introduce the latest achievements of science and technology into the sphere of production at the speediest rate.

The state national-economic plans are plans for the technical reconstruction of the national economy. The production program must be based on sound technology. The scientific and technical basis of the plan was of exceptional importance in the period when the Second Five-Year Plan was drafted and carried out.

Stressing the need for strengthening the technical side of the plan V. V. Kuibyshev said: "We are now about to embark upon the fundamental reconstruction of the national economy. In the sphere of industry, agriculture, transport, etc. . . . we set the task of introducing new, modern technology at the speediest rate. We are starting on tremendous construction jobs that will take years to complete and will mould the shape of our economy for many years to come. It is quite obvious, therefore, that our technical approach must now be especially emphasized so that we may keep on the level of really the highest and foremost achievements in science and technology."



During the period of the Third Five-Year Plan and of the Great Patriotic War the further rise in the level of planning was reflected in the drafting of technical plans which provided for the introduction of up-to-date types of equipment and the latest technological processes in the different branches of the national economy—industry, agriculture and transport.

During the postwar five-year plan period, the rate of socialist reproduction will to an ever-increasing degree be determined by technical progress. Comrade Molotov said:

“In our time of high technology and the wide application of science in industry, when it has already become possible to utilize also atomic energy and other great technical discoveries, prime attention must be given in our economic plans to problems of technology, to problems of raising the technical level of our industry and of developing highly-skilled technical personnel.”<sup>1</sup>

Consequently, in the postwar period, the state technical plan acquires especially great importance as an organic part of the national plan. The task is not only to put the targets of the national-economic plan on a sound technical basis, but also to plan the development of technology itself by utilizing the

<sup>1</sup> V. M. Molotov, *The Twenty-Eighth Anniversary of the Great October Socialist Revolution*, Russ. ed., 1945, p. 28.

achievements of science and technology in our country and by taking into consideration advanced technical experience abroad.

The technical plan covers targets for the different branches of industry, agriculture, transport, communications and construction as regards the designing and introduction of new types of machines and equipment and new technological processes (the scale of technical measures and schedule for introducing them). The technical plan also sets targets for economizing metals and utilizing substitutes.

A component part of the national-economic plan is the cost-of-production plan, which determines the percentage of reduction of cost of production and the total saving to be effected in the various branches, as well as the planned cost of production of the more important kinds of manufactures.

In determining the quantity of means of production and labour power required to ensure fulfilment of the production program, the national-economic plan defines the expenditure, expressed in money, needed for the purpose. The cost-of-production plan is a connecting link between the production plan and the indices for utilizing raw and other materials, fuel and equipment, and also for productivity of labour. Cost of production determines the sources of accumulation in the national economy and at the same time links the production program with the financial program of the national-economic plan.

The national-economic plan is drafted not only according to branches of industry, but also according to districts. Plans for the development of local industry and industry under the control of the given republics, agriculture, volume of trade, housing and municipal development, cultural development and public health are endorsed for republics, territories and regions. The district division of the national-economic plan also makes it possible to coordinate the branches of the national economy in the various republics, territories and regions, as well as in the various economic districts.

The U.S.S.R. is at the present time divided into the following economic districts: Northern, Northwestern, Central, Volga, North Caucasus and the Crimea, Urals, West Siberian, East Siberian, Far East, Kazakhstan and Central Asia, Transcaucasus, Southern, and Western. District economic planning is very important for effecting the socialist distribution of productive forces, for the elimination of uneconomical and extra-long hauls, and for the further economic and cultural advance of the non-Russian republics and regions of the Soviet Union.

Thus, the national-economic plan must ensure the unity of the interbranch and interdistrict division of labour in the U.S.S.R.

The targets of the national-economic plan are expressed in a series of quantitative and qualitative indices,

The quantitative indices for industrial production cover targets for the volume and variety of products according to branch of industry.

The list of items of industrial products changes in the plan owing to the expansion of industry, the development of new industries and lines of production and the need for centralized planning of the production and distribution of products of which there is a shortage, or which are of special importance for the national economy.

For example: the list of items of equipment to be produced was determined by the task of introducing new machinery in all branches of the national economy; the increase in the variety of metals provided for by the plan was determined by the task of satisfying more fully the needs of the machine-building industry.

Planning the output of a more extensive assortment of articles of consumption is connected with the task of raising the level of consumption by the working population and of developing Soviet trading.

The state national-economic plan sets the targets for the most important kinds of industrial products; the plans for the ministries and enterprises, however, enumerate all the items of industrial products to be manufactured.

The qualitative indices of the national-economic plan are technical-economic and economic indices.

The technical-economic indices include, firstly, indices for the utilization of equipment, as, for exam-

ple, the coefficient of utilization of blast-furnace capacity in the iron and steel industry, the performance per tractor in agriculture, and the loadings per freight car on the railways. Secondly, they include indices for the utilization of raw and other materials, fuel and electric power as, for example, the consumption of pig iron per ton of smelted steel, consumption of fuel per kwh. of electric power, etc.

The technical-production indices make it possible to determine the volume of production as regards the utilization of its main factors—production capacities, raw and other materials, fuel and electric power.

In addition, the technical-economic indices of the plan serve as a connecting link between the various divisions of the plan, between the various aspects of reproduction. For example, in determining the degree of utilization of existing capacities, the technical-economic indices for equipment indicate what new capacities have to be put into operation to ensure fulfilment of the production program and thus serve as a connecting link between the production plan and construction plan. The indices for the utilization of raw and other materials, fuel and electric power serve as a connecting link in planning the output of allied branches of social production: ore mining, and the fuel and metallurgical industries; the metallurgical and machine-building industries; the light and food industries and agriculture.

The technical-economic standards are a most important basis of planning. The task of the state plan is to introduce advanced technical-economic standards in production processes. As Comrade Stalin has pointed out, "Technical standards are a great regulating force which organizes the masses of the workers in the factories around the advanced elements of the working class. We therefore need technical standards; not those, however, that now exist, but higher ones."<sup>1</sup> The state plan cannot be based on the standards already attained in production; it must be orientated towards the most advanced technical-economic standards. "The state plans must be Bolshevik plans; their calculations must be based not on the average arithmetical standards already attained in production, but on the average progressive standards, i. e., they must be equal to the most advanced standards.

"The successful fulfilment and overfulfilment of the state plan is decided by people; the plan must orientate itself towards the leading workers, engineers and technicians who show what enormous possibilities exist for achieving progressive standards in utilizing machines and mechanisms, and thus ensure the overfulfilment of the state plans."<sup>2</sup>

The fixing of advanced technical-economic standards in the plan makes it possible to reveal

<sup>1</sup> J. V. Stalin, *Problems of Leninism*, Moscow 1947, p. 535.

<sup>2</sup> *The State Plan for the Restoration and Development of the National Economy for 1947*, Moscow 1947.

reserves for the expansion of socialist production, to ensure a high tempo of economic development and the fulfilment and overfulfilment of the plan.

In its decision on the 1947 plan, the Council of Ministers of the U.S.S.R. instructed the ministries and departments to take measures to introduce in their enterprises advanced technical-economic standards for utilizing machines, mechanisms and production units and also norms of consumption of electric power, fuel and materials. To effect this, the ministries and departments: a) ascertained and took account of what the advanced technical-economic standards were in separate shops, sections, production units and workers' brigades in their plants, and b) on the basis of the advanced technical-economic standards they fixed for each enterprise the average progressive standards for the utilization of machinery and consumption of materials calculated to ensure fulfilment and overfulfilment of the state plan.

The economic indices comprise those for productivity of labour, cost of production and profit. The productivity of labour index determines the degree of utilization of human labour power for the ensuing period. Reduction in the cost of production determines the degree of utilization of crystallized labour (equipment, consumption of materials), as well as the ratio of growth of productivity of labour to the average wage. The profit index determines the ratio of cost of production to accumulation in the given industry.

The planning of social production is achieved by means of the material and value indices of the plan. The proportions of the material elements of reproduction are determined by a series of indices in kind. But these indices do not help to determine the distribution of the total expenditure of social labour, to compare the results of the activities of the separate branches of industry and enterprises. The planning of the total volume of production of the separate branches of industry, the volume of construction, socialist accumulation, volume of trade and economic indices can be done only in the value form.

The production program of industry is expressed in indices for gross and market output which are determined by pricing the various types of products according to actual sale prices and in the unchanged prices of 1926/27. The volume of capital construction is planned in the actual estimate prices and also in the unchanged prices of the 1945 estimates which are taken as the basis at the present time. The volume of trade is determined in actual retail prices and also in the unchanged prices of the year that is taken as the basis.

The value indices of the national-economic plan help to determine the volume and branch division of social production and the distribution of the social product according to economic requirements.

The indices of the national-economic plan are drawn up in conformity with the organizational



and branch division of the national economy. The targets in the national-economic plan are given for the ministries and organizations in the different republics that are responsible for the fulfilment of the state plan.

A branch of the national economy as a whole, however, is not coterminous with a branch under the control of particular ministries and departments. For instance, output of electric power is planned for the Ministry of Power Stations and also for all other ministries which control electric power stations. The plan for output of steel and rolled metal is fixed not only for the Ministry of the Iron and Steel Industry, but also for the ministries of the machine-building and armament industries. The same applies to the timber industry where, in addition to the Ministry of the Timber Industry, other economic organizations engage in the felling and hauling of timber.

To establish proper proportion in the production of the different types of products, the national-economic plan must cover production in the national economy as a whole. Thus, in addition to fixing targets for the various economic organizations, the state plan sets targets for the different branches of the national economy, which make it possible to determine the production links and proportions in social production.

The state national-economic plan is a plan for socialist expanded reproduction. In planning the national

economy, however, account is taken of the existence in the U.S.S.R. of different forms of property—state property, kolkhoz-cooperative property, the garden plots of the kolkhozniks, as well as the private economies of individual peasant farmers and of artisans who do not belong to cooperative societies.

The plan for industrial production covers the targets for state and cooperative industry. The plan for agricultural production is drafted for the kolkhozes, sovkhazes, and machine and tractor stations. This makes it possible to take strict account of the special features that arise from the two forms of socialist property. For instance, since the state has complete command of the products of state enterprises, it plans the distribution of all the products of state industry and of the sovkhazes intended for the market. As regards kolkhoz market produce, state distribution covers only obligatory deliveries and state purchases. The rest of the kolkhoz market produce remains at the disposal of the kolkhozes and their members and is sold by them in the kolkhoz market.

An exceptionally important place in the state plan for the development of agriculture is occupied by measures for strengthening the organization and improving the farming methods of the kolkhozes and for maintaining proper proportion between their social and auxiliary sectors.

Thus, planning according to the forms of property makes it possible to accomplish one of the fundamen-

tal tasks of socialist planning—the development and all-round consolidation of socialist property—the economic foundation of the U.S.S.R., while guaranteeing the growth of state property, the property of the whole people.

**THE PLANNING BODIES AND THE MANNER  
IN WHICH THE DRAFTING OF THE NATIONAL  
ECONOMIC PLAN IS ORGANIZED**

The planning bodies are an organic part of the Soviet State apparatus. As is stated in the Constitution of the U.S.S.R., the highest organ of state power in the Soviet Union is the Supreme Soviet of the U.S.S.R., one of the functions of which is to adopt the national-economic plans, and also to approve the unified state budget of the U.S.S.R. The Supreme Soviets of the Union Republics approve the national-economic plans and budgets of the Republics. The highest executive and administrative organ of state power in the U.S.S.R. is the Council of Ministers of the U.S.S.R., which coordinates and directs the work of the all-Union and Union-Republican ministries of the U.S.S.R. and other establishments within its jurisdiction. The Council of Ministers of the U.S.S.R. takes measures to carry out the national-economic plan and the state budget, and to strengthen the currency.

The administration of and planning for the most important branches of the national economy, those of

heavy industry and the armament industry, transport, communications, foreign trade and state purchasing, are effected through the all-Union ministries. The Union-Republic ministries control the industries that produce articles of consumption, also the timber industry, the building materials industry, agriculture, trade, finance, education and public health. Thus, the branches of the national economy and of social and cultural development that come under Union-Republican jurisdiction are mainly branches directly connected with meeting the needs of the population. As a rule, the Union-Republican ministries direct their respective branches through corresponding ministries of the Union Republics. Local industry, municipal economy, social welfare and motor transport come under the jurisdiction of the ministries of the various republics.

The work of planning the entire national economy of the U.S.S.R. is conducted directly by the State Planning Commission (now called Committee—*Ed.*), which is a permanent body under the Council of Ministers of the U.S.S.R. Planning for the Union and autonomous republics is done by the State Planning Commissions of those republics. Planning for territories, regions, districts and cities is done by the planning commissions of the respective Soviets of Working People's Deputies.

The threads of planning lead down from the State Planning Commission of the U.S.S.R. through the plan-

ning apparatus of the ministries and central administrations of republican, regional and district organizations to the industrial enterprises, the sovkhozes, the machine and tractor stations and kolkhozes.

According to the regulations governing the State Planning Commission of the U.S.S.R., the functions of that body are:

a) To draft and submit to the Council of Ministers of the U.S.S.R. for approval, national-economic long-range, annual, quarterly and monthly plans.

b) To submit to the Council of Ministers of the U.S.S.R. conclusions on the long-range, annual, quarterly and monthly plans submitted by the ministries and departments of the U.S.S.R. and of the Union Republics.

c) To verify the execution of the national-economic plans of the U.S.S.R. that have been approved by the Council of Ministers of the U.S.S.R.

d) To work out, on instructions of the Council of Ministers of the U.S.S.R. or on its own initiative, various problems of socialist economy.

e) To direct socialist accounting in the U.S.S.R.

Under the new rules for drafting the national-economic plans that were introduced in August 1947, the quarterly and monthly plans are not submitted to the Council of Ministers of the U.S.S.R. for approval, but the annual plan is divided up into quarterly indices. The ministries and departments, and the Councils of Ministers of the Union Republics have also to adopt

for the enterprises under their control quarterly and monthly plans based on the targets of the annual plan. The new system of drafting the national plan makes it possible for the State Planning Commission and the ministries to concentrate their attention on checking up on plan fulfilment and to prevent disproportion in the national economy.

As is stated in the regulations governing the State Planning Commission of the U.S.S.R., "The main task of the State Planning Commission is to ensure that the national-economic plan of the U.S.S.R. provides for proper proportion in the development of the different branches and for the necessary measures to prevent disproportion in the national economy—on the basis of socialist property." The structure of the State Planning Commission is designed primarily to enable it to carry out this task.

In all its work connected with the drafting of the national-economic plan and checking up on its fulfilment, the State Planning Commission relies on statistics and accounting. The body that handles state statistics is the Central Statistical Board of the Council of Ministers of the U.S.S.R.

For the purpose of verifying the execution of the national-economic plan, the State Planning Commission of the U.S.S.R. has representatives in the various republics, territories and regions whose staffs utilize the data collected by the regional, territorial and republican organs of the Central Statistical Board.

In the work of drafting the national-economic plans and of verifying their fulfilment, the State Planning Commission relies on the planning apparatus of the ministries, central administrations and enterprises, as well as on the ramified network of planning bodies of the republics, regions, territories, cities and districts.

V. V. Kuibyshev said: "It would be absurd to think that the national-economic plan can be drafted by a few hundred persons sitting in the offices of the State Planning Commission of the Union. The national-economic plan can be drafted only ... when all the outer districts of the Soviet Union take part in the planning, when the entire planning system from top to bottom is strengthened, when tens of thousands of planners from among the workers are drawn into the work of drawing up the plan."<sup>1</sup>

The work of drafting the national-economic plan falls into a number of consecutive stages.

After the economic and political tasks for the ensuing period have been defined, the first stage in the drafting of the national-economic plan is to sum up the fulfilment of the plan for the preceding period (five years, one year).

In this work the State Planning Commission of the U.S.S.R. uses the data collected by the Central Statistical Board; for summing up their plan fulfilment results, the ministries use the material prepared by

<sup>1</sup> V. V. Kuibyshev, *Articles and Speeches*, Russ. ed., Moscow 1935, p. 83.

their statistical bodies that are directly connected with the enterprises.

Inasmuch as plan fulfilment results are summed up before the expiration of the given year or quarter, the State Planning Commission and the ministries draw up preliminary estimates of fulfilment; this requires a detailed and concrete study of plan fulfilment by each branch of industry, enterprise and district, and of the proportions taking shape in the national economy.

The summaries of fulfilment of the national-economic plan make it possible to determine the level of development reached by the national economy and to ascertain which sections are leading and which are lagging behind, and also what reserves are available for the further growth of the socialist national economy.

The second stage in drafting the plan is the drawing up by the State Planning Commission of the U.S.S.R. of preliminary balance sheets, which make it possible to determine the main proportions in the national economy and to draw up the basic indices of the national-economic plan.

The ministries, enterprises and the various republics, territories and regions draw up plans both for branches of industry and for districts.

The third stage in drafting the plan is the drafting of the national-economic plan by the State Planning Commission of the U.S.S.R., the working out of the



final balance sheets and distribution plans, and discussion of the draft with the ministries and Republic organizations.

The participation of the ministries in the work of drafting the national-economic plan ensures for it a sound technical-economic basis, a fuller consideration of the requirements and resources of the various branches, departments and enterprises.

The wide participation of Republic and local organizations in the work of drafting the plan ensures fuller consideration of the needs and requirements of the Union Republics; it helps to reveal more clearly the possibilities for utilizing local resources and to specify more accurately in the national-economic plan the targets for the economy of the various republics and localities.

The single state plan includes targets for the various branches of the economy and the ministries; but the national-economic plan is not a mere compilation of the plans of the various branches and ministries. The plans that are drafted by the ministries are included in the state plan only after they have been interlinked and checked to see whether the various targets fit in with the tasks of the national-economic plan. The various ministries draft plans for their respective branches, concretizing the targets of the state plan in conformity with the approved national-economic plan.

In addition to the targets for the branches and ministries, the national-economic plan of the U.S.S.R. de-

fines the main economic tasks of the Union Republics and localities. Division by republics is a necessary component of the national-economic plan. Furthermore, complex plans based on the national-economic plan are drafted for the republics, territories and regions and for the minor districts; these are a necessary supplement to and a concretization of the national-economic plan.

The fourth stage in the work of planning is consideration of the national-economic plan and its approval by the Government of the U.S.S.R. and detailing it for the respective enterprises.

After the national-economic plan has been approved by the Government it acquires the force of law and is obligatory for the ministries and enterprises. The approved state plan serves as the basis for the final drafting of the plans of the ministries, republics, territories and regions, which are then detailed into plans for the particular enterprises.

The national-economic plan is detailed for each region, territory, district and enterprise, and in this all the specific features of the given administrative and economic units are taken into account. This ensures the unity of the plan for each enterprise with the plan for developing the national economy as a whole.

The plans of the ministries and enterprises differ from the national-economic plan in that, firstly, they cover a wider range of indices and thereby concretize

the assignments of the state plan; secondly, they are based on more detailed technical-economic calculations for the various enterprises; thirdly, they include a detailed plan of organizational and technical measures ensuring fulfilment of the plan.

The technical-industrial-financial plan of an industrial enterprise, which is drawn up by the planning department of the enterprise with the active participation of the workers and engineering and technical staff, covers: a) the production program, which defines the types of products the enterprise is to specialize in and volume of output, b) the production schedule, c) the plan for the output of new types of products, d) the norms for utilizing equipment, factory floor space, raw and other materials, fuel and electric power, e) the plan for labour and wages, f) the plan for supplying the enterprise with raw materials, fuel, materials and equipment and satisfying labour-power requirements, g) the estimates of production and calculation of cost of production of the various types of products, h) the plan for the sale of products, and i) the financial plan.

A most important feature of the technical-industrial-financial plan is the elaboration of technical and organizational measures for ensuring fulfilment of the targets set by the state plan. For example, to increase productivity of labour it is necessary to mechanize processes that require the expenditure of much labour, to introduce up-to-date technology and line produc-

tion methods, to improve the organization of work and set up technical norms.

The technical-industrial-financial plan serves as the basis for the operational planning of production which includes the following: a) division of the production plan into plans for each shop, and the division of the latter into plans for each section, indicating the assignments for each worker, b) drafting a production plan for each month and ten-day period, and defining the assignments for each day and night shift, c) defining technical norms, the production cycle, amount of stock and the quantity of parts to be processed at a given time, d) current regulation of production and ensuring that the necessary tools, blueprints, technological charts, etc., are available for every worker.

In drafting the plan at the plant, extensive use is made of the proposals suggested by workers, engineers and technicians.

The wide enlistment of the leading men and women in production for the work of drafting the plan is one of the cardinal principles of socialist planning.

Of great importance is the wide enlistment of the workers and office employees in the work of drafting the plan for developing the cultural and welfare services.

An active part in the work of the ministries in drafting the Five-Year Plan for the Restoration and Development of the National Economy was taken by the trade unions, which paid special attention to ques-

tions of improving the cultural and welfare services for the workers and office employees, the building of apartment houses, dining rooms, clubs, stadiums, aquatic sports stations, nurseries, schools, hospitals, public baths and laundries.

Of great importance in the organization of planning at the factories are the collective agreements concluded between the factory administrations and the factory committees, which represent the workers and office employees of the given plant.

The collective agreements are bipartite obligations covering an extensive program of measures to facilitate the successful fulfilment of the plan and to improve the cultural and welfare services for the working people.

The production plans for the collective farms, state farms and machine and tractor stations are drawn up on the basis of the state plan for the development of agriculture.

For the planning of agriculture it is very important that the state plan for the development of agriculture should be detailed for each kolkhoz. This calls for a careful study of the conditions in each district and agricultural enterprise, and for the enlistment in the work of drafting the plan of a large circle of active kolkhozniks.

The annual production plans serve as the basis for drafting the working plans for the various agricultural operations. The working plans are then detailed into production targets for the kolkhoz brigades and

teams. Here is an example of how the plan for the spring operations for 1947 was worked out by the Kommunar Kolkhoz in the Ramenskoye District, Moscow Region. The Management Board of the kolkhoz appointed a commission to draw up the plan; the commission consisted of brigade and team leaders and other active members of the kolkhoz, presided over by the kolkhoz agronomist. The commission held production meetings with the brigades and teams. The members of the commission enquired of practically all the members of the kolkhoz how they planned to organize their work for the current year. The brigade and team leaders, aided by the agronomist, then drafted the plan for the spring operations of the kolkhoz as a whole; in this they were guided by the observations and suggestions of the men and women kolkhozniks. The draft was discussed first at a board meeting, and later at a general meeting of the kolkhoz, at which new proposals and amendments to the working plan were made.

With the introduction of the crop rotation system, the carrying on of construction and reclamation work and a number of other big tasks for improving socialist agriculture, it became very important to draw up long-range plans for the collective farms. The Five-Year Plan Law for the Restoration and Development of the National Economy of the U.S.S.R. gave a tremendous impetus to the drafting of five-year plans for collective farms.

For instance, the five-year plan for 1946-50 for the Komsomolets Kolkhoz, in the Saratov Region, was drawn up at the collective farm itself by the brigade leaders, livestock farm managers and other active kolkhozniks under the guidance of the local agronomist; it was discussed at production conferences, was adopted by the board, and then approved by a general meeting of the kolkhozniks.

All the collective farms in Novo-Annensk District, Stalingrad Region, have long-range plans, adopted at general meetings of the collective farmers, which provide for the complex development of the main and auxiliary branches of collective-farm production. The long-range plans of the various collective farms served as the basis of the five-year plan for the development of agriculture in the entire district, in the drafting of which agricultural experts, leaders of the district organizations and a large number of kolkhozniks took part.

## THE STRUGGLE TO FULFIL THE NATIONAL-ECONOMIC PLAN

### VERIFYING FULFILMENT OF THE PLAN

A very important task of socialist planning is verification of the fulfilment of the state plan and utilization of the reserves which are discovered in the course of its fulfilment.

Lenin and Stalin emphasized that drafting the plan is only the beginning of planning, and that real planned guidance develops in the process of carrying out the plan.

All this follows from the organizational principles of the Bolshevik Party. "After the correct line has been laid down, after a correct solution of the problem has been found, success depends on how the work is organized; on the organization of the struggle for the application of the Party line; on the proper selection of personnel; on the way a check is kept on the fulfilment of the decisions of the leading bodies."<sup>1</sup>

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<sup>1</sup> I. V. Stalin, *Problems of Leninism*, Moscow 1947, p. 509.



The importance of verifying plan fulfilment follows from the role and importance of planning in socialist economy. The laws of socialist economy are laws consciously applied by the Soviet State in exercising planned guidance. It is precisely for this reason that the plan cannot be fulfilled spontaneously, but only by fighting to carry it out, by keeping a daily check-up on its fulfilment, by rallying the masses of the working people for the purpose of carrying out the tasks set by the plan.

Concerning the GOELRO plan Lenin wrote: "It must be amplified, further developed, corrected and applied to the facts of the situation on the basis of the indications afforded by practical experience after it has been carefully studied."<sup>1</sup>

Lenin was of the opinion that the time set for carrying out the GOELRO plan could be reduced in the course of the struggle for its fulfilment. "We must follow the experiments of science and practical work, and we must steadfastly strive to have the plan fulfilled in the localities sooner than designated, in order that the masses may see that the long period which separates us from the complete restoration of industry can in practice be reduced. It depends on us. Let us improve our methods of work in every workshop, in every railway depot, and in every sphere,

<sup>1</sup> V. I. Lenin, *Selected Works*, Vol. VIII, Moscow-Leningrad, pp. 305-06.

and we shall reduce this period. And it is being reduced.”<sup>1</sup>

Lenin followed the course of fulfilment of the GOELRO plan with the greatest attention and took a direct part in solving problems connected with the construction of the electric power stations outlined by the GOELRO plan: the Kashira and Volkhov and other firstlings of the GOELRO plan were under his constant observation.

Comrade Stalin daily directs the struggle of the Soviet people for fulfilling and overfulfilling the national-economic plans. He said.

“Only bureaucrats can imagine that the work of planning is *concluded* with the compilation of a plan. The compilation of a plan is only the *beginning of planning*. Real planned guidance develops only after the plan has been drawn up, after it has been tested on the spot, in the course of its application, by correcting it and rendering it more exact.”<sup>2</sup>

The Eighteenth All-Union Conference of the Communist Party of the Soviet Union defined the main direction in the struggle for the fulfilment of the plan as follows:

“To struggle for the fulfilment of the plan, to ensure the plan’s fulfilment, to work in accordance with the plan, means:

<sup>1</sup> *Ibid.*, p. 271.

<sup>2</sup> J. V. Stalin, *Leninism*, Vol. II, Moscow 1933, p. 326.

“a) to fulfil the annual, quarterly and monthly output plans not on the average, as has been the case hitherto, but evenly, according to the plan, according to a schedule worked out beforehand for the output of finished products;

“b) to fulfil the plan not only on the average for a branch of industry as has been the case hitherto, but to fulfil it for each separate enterprise;

“c) to fulfil the plan not only on the average for the enterprise, as has been the case hitherto, but to fulfil it daily in every shop, by every brigade, at every station and by every shift;

“d) to fulfil the plan not only for the quantitative indices, but without fail also qualitatively, in complete sets, for all the items planned for, and in conformity with the established standards and cost of production set by the plan.”

A very important task in verifying plan fulfilment is to prevent disproportion, to eliminate disparities in the development of the national economy. Verification of plan fulfilment should disclose new reserves in socialist economy. Furthermore, in the course of fulfilling the plan new problems arise to solve which it is necessary to obtain supplementary resources and to alter branch and district plans, as well as the originally planned proportions for the development of the national economy.

For instance, in the process of fulfilling the First Five-Year Plan huge reserves were discovered in the

socialist economy which made it possible to ensure fulfilment of the five-year plan in four years.

In the course of fulfilling the First Five-Year Plan the Party and the Government introduced a number of changes in it. For example, the First Five-Year Plan provided for a reduction in unemployment but did not anticipate its complete elimination. As a result of the rate attained in socialist industrialization and in the collectivization of agriculture, however, unemployment was eliminated in 1930/31.

In the course of fulfilling the First Five-Year Plan the task arose of establishing in the East a second centre of the coal and metallurgical industries and this was carried out, although the plan did not provide for anything on so large a scale.

The collectivization of agriculture and the development of the state farms proceeded at a faster rate than had been provided for in the five-year plan. The Party's enormous organizational activity in the socialist reorganization of agriculture made it possible to complete collectivization, in the main, during the First Five-Year Plan period.

A number of changes were made in the five-year plan in connection with the task of ensuring the defensive power of the country. In his report on the results of the First Five-Year Plan, Comrade Stalin said: "... in order to improve the defences of the country, in view of the refusal of neighbouring countries to sign pacts of non-aggression with us, and in view of

the complications that arose in the Far East, we were obliged hastily to switch a number of factories to the production of modern weapons of defence. And since this involved the necessity of going through a certain period of preparation, these factories had to suspend production for four months, which could not but affect the fulfilment of the general program of output provided for in the five-year plan during 1932. As a result of this operation we have completely closed the breach in the defences of the country.”<sup>1</sup>

The Stakhanov movement arose in the course of the fulfilment of the Second Five-Year Plan. It shattered the old technical standards that had served as a basis for planning, and called for the establishment of new, higher technical standards, larger production capacities and production plans of greater scope. Thanks to the higher level reached in the utilization of production capacities as a result of the Stakhanov movement, production targets of the Second Five-Year Plan were reached ahead of schedule, despite the fact that the plan for starting new capacities fell short of fulfilment.

The Stakhanov movement could not have been foreseen when the Second Five-Year Plan was drawn up, but the fulfilment of this plan, which ensured the technical re-equipment of the entire national economy,

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<sup>1</sup> J. V. Stalin, *Problems of Leninism*, Moscow 1947, pp. 402-03.

the development of skilled personnel and the improvement in the material and cultural conditions of the working people, created the prerequisites for the rise and rapid development of the Stakhanov movement.

The victory of Socialism and the expansion of the national economy as a result of the fulfilment of the Stalin five-year plans enhanced the role of socialist planning and very urgently brought to the front the task of organizing the verification of fulfilment of the national-economic plan. The Eighteenth Congress of the Communist Party of the Soviet Union stated in its resolution: "The central task in reorganizing the work of planning is to organize the verification of plan fulfilment so as to prevent the rise of disproportion in the national economy, to disclose new reserves to be used in fulfilling the plan, and, when actual results in plan fulfilment warrant, to amend the plans in respect of separate branches or districts."<sup>1</sup>

The fulfilment of the postwar five-year plan has again posed the task of improving the methods of verifying fulfilment of the plan as the central task in raising the level of planning.

A serious defect in planning was the multiplicity of current plans which had to be approved by the Government, with the result that the efforts of the plan-

<sup>1</sup> *Resolutions and Decisions of Congresses and Conferences of the C.P.S.U.(B.) and of Plenary Sessions of Its Central Committee, Part II, Russ. ed., 1940, p. 744.*

ning bodies were concentrated mainly on 'drafting plans and not on the verification of their fulfilment.

The new method of planning, which requires Government approval of only the yearly plans, and quarterly divisions of the main indices instead of separate quarterly and monthly plans, each of which had to be approved by the Government, makes it possible for the ministries and departments to improve direction of the various enterprises as regards fulfilment of the state plans, and for the State Planning Commission of the U.S.S.R. to pay greater attention to verifying the fulfilment of the national-economic plan.

Verification of plan fulfilment is a most important task of the State Planning Commission of the U.S.S.R., whose duty it is to prevent the rise of disproportion in the development of the various branches of economy and to help the ministries and enterprises in carrying out the plan.

In verifying plan fulfilment, the Commission relies on the work of the Central Statistical Board as well as on the network of its own representatives in the republics, territories and regions. These representatives work in close contact with the regional, territorial and republican organs of the Central Statistical Board, and this makes it possible extensively to employ statistics and accounting as an instrument for verifying plan fulfilment.

One of the principal tasks of socialist planning is to disclose reserves in the national economy in the

process of fulfilling the plan. This task comprises, primarily, a struggle for economy, improved utilization of equipment, systematic reduction of rates of consumption of raw materials, fuel and other materials, reduction of non-productive expenditures, and efforts to increase productivity of labour.

Large reserves are obtained in the course of fulfilling the plan by improving production techniques.

Planning makes it possible to utilize the creative initiative of Soviet scientists in combination with the daring innovations of Stakhanovites, and widely to apply the achievements of the leading industries and plants in solving economic problems.

In the course of carrying out the plan it is necessary to ensure the strict coordination of the work of all branches and sections of production and the operation of plants strictly to schedule, without spurts and last-minute drives.

Working strictly to schedule acquired special importance during the war owing to the development of mass line production, and to the necessity of providing uninterrupted supplies for the front. In the case of many industries and enterprises, the Government used to approve ten-day and even daily output schedules.

In the postwar period, the reconversion of industry to civilian production upset the even pace of production in a considerable number of industries.

To eliminate the unevenness and last-minute drive methods that obtain in a number of industries it is



necessary to improve intraplant planning, to accumulate the necessary stocks of raw and other materials, to produce the necessary preparatory stock of parts and sets in the shops, to arrange for supplying the enterprises with the equipment they need in proper time and in complete sets and to organize precise cooperation in production.

Successful fulfilment of the national-economic plan calls for steady output from quarter to quarter, and the prevention of the winter seasonal drop in output, which applies particularly to the iron and steel and coal industries, electric power stations and the railways. This requires the timely accumulation of winter stocks of raw and other materials and the overhauling of equipment.

One of the cardinal functions of verification of fulfilment of the national-economic plan is to ensure strict discipline at the plants in carrying out the assignments of the state plan. It is necessary ruthlessly to expose such anti-state practices as deliberately drafting output plans for enterprises below their capacity, setting crop targets below capacity, and fulfilling plans quantitatively at the expense of quality. Some business executives are prone to fulfil the plan for gross output by producing articles that require the expenditure of less labour, while failing to produce the planned assortment of articles, or else fail to reach the target for reduction of cost of production, or turn out inferior-quality goods.

It is the function of the planning bodies to expose such cases in good time and to secure the fulfilment of the state plan in respect of all its indices. Strict financial discipline in the course of fulfilling the plan is of immense importance. It is the function of the Ministry of Finance and of the banks strictly to see to it that financial resources are expended for the purpose assigned by the plan (for example, on capital construction, or for accumulating circulating funds).

In this way, verification of the fulfilment of the state plan prevents the rise of disproportion in the national economy and ensures that its branches and enterprises develop in conformity with the interests of the state as a whole.

#### ECONOMIC LEVERS FOR FULFILMENT OF THE PLAN

The state organizes social production and distribution according to plan and utilizes economic categories like value, money, price, wages and credit.

The role and significance of these categories in Soviet economy differ in principle, however, from what they are under capitalism. In the Soviet system of economy they are used as instruments for planning the socialist national economy.

For the purpose of consolidating and developing socialist production the state planning of the national economy makes use of the law of value, with this difference, that in Soviet economy the possibility of

value being converted into capital for the exploitation of labour is precluded.

The value of commodities in Soviet economy is established by the planned ascertainment of the socially necessary expenditure of labour power expressed in money. In the process of carrying out the national-economic plan, the strictest account must be kept of the expenditure of labour power in the socialist enterprises; this expenditure must be brought down to socially necessary expenditure and be systematically reduced. This is achieved in the struggle to carry out the plan for productivity of labour, rate of consumption of raw materials, fuel and other materials and utilization of equipment, and for reducing cost of production. The systematic reduction of cost of production is a law of socialist production, a source of socialist accumulation and of increased consumption by the population.

In 1946, the Government adopted a number of measures to give the enterprises an added economic incentive to reduce cost of production and to increase accumulation. Among those measures were the following: bonuses for the managerial and engineering-technical staffs of industrial enterprises for reaching the state targets for cost of production; the establishment of a "director's fund"<sup>1</sup> in plants on account of fulfill-

<sup>1</sup> A special fund at the disposal of the director of a plant to be used for improving the housing, cultural and welfare conditions of the workers in the plant (in particular, for granting individual bonuses and grants).—*Ed.*

ing and overfulfilling the profits plan and reduction of cost of production assignment; rules were drawn up for awarding banners and bonuses to enterprises that come out winners in all-Union socialist emulation contests for the best production indices with simultaneous fulfilment of the plan for reduction of cost of production.

Money in its various functions plays a big role in the planned reproduction of the national economy.

As a measure of value, money makes it possible to plan and calculate the value of commodities, to reduce to a common denominator qualitatively different expenditures of labour, and to determine the results of the work of industries, plants and individual workers. As a means of circulation and of payment, money serves the turnover of state and cooperative trade and the economic ties between enterprises. By means of money, in the indicated functions, wages and the money payments for the labour of collective farmers is planned out. As an instrument of accumulation, money mobilizes the accumulations of socialist economy and the resources of the population for distribution in conformity with the tasks of the national-economic plan. Through the medium of money, plan fulfilment by the ministries and enterprises is subjected to the "control by the ruble."

Money circulation is planned by the State Bank on the basis of the cash plan, which covers all sources

of state revenue and the entire outflow of funds from the State Bank.

Furthermore, acceleration of money circulation and the consolidation of the Soviet ruble play an active part in expanding socialist production and in ensuring proper proportion between the various branches of industry.

One of the chief economic levers for socialist planning is the system of prices—factory prices, state purchasing prices, retail prices and also railway rates.

Factory prices are planned by ascertaining the necessary ratio in a given branch of industry between the cost of production and the accumulations at the plants, part of which is allotted to the plants. Operating on the principle of national-economic profitability, the Soviet State, for a time, kept factory prices in certain industries at a level below cost of production and compensated for production expenditures in these branches of industry by means of state subsidies.

For instance, during the initial period of industrialization, when the cost of production level in heavy industry was still excessively high, low prices were set for coal, metal and machines with the object of spreading the use of machinery in the national economy. The systematic reduction of cost of production in heavy industry made it possible, by the end of the Second Five-Year Plan period, to revise factory prices in order to ensure that the respective branches of industry could work on a profitable basis.

Under war economy, the factory prices of products of the war industry were reduced considerably; this was of great importance in financing war expenditures. In the new five-year plan period, industry must be put on a profitable basis by means of a systematic reduction in cost of production. In view of this, factory prices in a number of branches of industry will have to be revised.

The planning of state purchasing prices of agricultural produce plays an important part in the development of certain branches of industry. An example of this are the special bonuses for extra deliveries of cotton introduced in 1935, which had great effect in stimulating the development of cotton growing.

In the sphere of trade, the state made use of retail commercial prices for ensuring an increase in consumption by the population and for maintaining normal money circulation.

During the war the necessary level of consumption by the population was ensured by the centralized distribution of the more important goods at fixed state prices. The introduction of commercial trade made it possible to employ retail commercial prices for regulating prices on the kolkhoz market. After systematically reducing commercial prices, the Government raised the prices of rationed goods, which were excessively low, and this made it possible at the end of 1947 to pass to expanded Soviet trade on the basis of single state retail prices.

Transport rates are widely used by the state for the proper distribution of productive forces and for the elimination of excessively long hauls and uneconomic shipments.

One of the decisive levers for fulfilling the plan is the regulation of wages to prevent equalization in wages and to promote the progress of the more important branches and sections of the national economy. In the period of the Second Five-Year Plan, in order to accelerate the growth of the coal industry and the progress of other branches of the national economy, it was found necessary to transfer engineers and technicians from the offices to the place of production. This was accomplished, in particular, by revising rates of pay in such a way as to create an incentive to work directly in the pit, the shop, or construction site at the point of production.

During the war wages were raised in a number of industries in order to ensure fulfilment of war-economy tasks and to increase productivity of labour. This was done, primarily, in the armaments, the metallurgical and the coal industries.

In addition, the payment of bonuses for fulfilment and overfulfilment of productivity of labour assignments was extended. During the rationing period, higher monetary remuneration in proportion to increased productivity of labour was accompanied by supplementary supplies of food and manufactured goods for workers who exceeded the regular output.

rates. In a number of industries the payment of bonuses for economizing fuel, metal and deficient raw and other materials was extended.

In the postwar period the role and importance of money payment for labour in the organization of production and distribution are growing considerably.

To attract workers into the key industries and to form a stable skilled personnel, the five-year plan law provides for higher rates of pay for workers, engineers and technicians in branches of heavy industry (coal, metallurgical and oil industries).

Furthermore, the five-year plan provides for an improvement in the progressive piece-rate system and also for bonuses to be paid to engineers and technicians on fulfilling and overfulfilling production plans. The share of bonuses for fulfilling and overfulfilling production assignments in the earnings of workers and office employees has increased. This enhances the role of wages in stimulating growth of production and fulfilment and overfulfilment of plans.

A most important lever for increasing productivity of labour in industrial enterprises are up-to-date technical-economic standards and output rates. The average progressive scales for utilizing equipment, raw material, fuel and other materials that were fixed by the plan for 1947 have been an important means for rapidly spreading advanced Stakhanovite methods of work and for stimulating the growth of productivity of labour in the current five-year plan period. The



steady growth of the mechanization of labour and the improvement in its organization calls for a systematic revision of output rates. For instance, with the development of the Stakhanov movement, which revealed the possibilities of a rapid increase in productivity of labour, the existing rates of output were raised to some extent; the progressive piecework rates of pay, however, were left unchanged and the pay roll increased because of the increase in productivity of labour.

During the war, the development of mass production and the improvements achieved in technology called for a revision of output rates in the armament and machine-building industries. The postwar reconversion of industry made it necessary to revise the output rates again. For many kinds of civilian goods temporary, so-called experimental-statistical output rates had been introduced, which made no allowance for the introduction of new machinery and improved technological processes. In some branches of the machine-building industry these output rates were exceeded on the average by fifty per cent and more.

Consequently, in 1947, the old, low output rates in machine building, repair plants, auxiliary enterprises and subsidiary shops were raised 20 % to 25 %. An active part in working out the new output rates was taken by the trade unions, Stakhanovites, engineers and technicians who in their respective plants helped to draw up organizational and technical measures to enable all the workers to work at the new output rates.

As distinct from state enterprises, the measure of labour and distribution of income in the collective farms is the workday unit. With the view to strengthening the kolkhozes organizationally and economically and to developing agriculture as a whole, the Soviet State is taking the necessary measures to consolidate and enhance the role of the workday unit in the organization of production and the distribution of kolkhoz income.

As was pointed out in the resolution of the February (1947) Plenum of the Central Committee of the C.P.S.U.(B.), a serious obstacle to the further increase in productivity of labour and in crop and livestock yields has been the principle of equalization obtaining in collective farms as regards payment for work done, in the distribution of workday units and kolkhoz income among the kolkhozniks; the piece-work system for individuals and teams doing field or other work has not been sufficiently employed, the output rates have been too low and this has led to a waste of workdays. To eliminate these defects, it has been deemed necessary in the near future to revise the output rates and the evaluation of work in workday units in such a way as to ensure higher remuneration for more important work and lower remuneration for less important work.

For the purpose of effecting a more economical and proper expenditure of workday units, the Plenum of the Central Committee of the C.P.S.U.(B.) recom-

mended that the collective farms, at the beginning of the year, plan the number of workday units required for the various branches and various crops, and to establish strict control to ensure that workday units are credited in conformity with work actually done and with the planned expenditure of workday units by the given brigade and team.

Special emphasis must be laid on the role of credit in planning the national economy. Soviet credit, wielded by the State Bank, makes it possible to redistribute the spare funds of economic organizations for the purpose of meeting the temporary (seasonal, etc.) financial needs of socialist economy. In this connection, the state employs credit as a means of exercising daily control over fulfilment of the plans by the ministries and enterprises.

In the process of drafting and carrying out the credit plan, a close check is kept on the quantities actually required of seasonal stocks of raw materials, fuel, other materials and supplementary investments in uncompleted production actually required.

Credit influences the fulfilment of the production plan. To be able to repay a bank credit at maturity, the enterprise must expend the funds for the purposes provided for by the plan and keep to the planned turnover schedule.

One of the most important levers for planned guidance is cost accounting.

The system of management and planning of enterprises based on cost accounting establishes a dependence between the results of the work of an enterprise and its money income. An enterprise is allotted fixed and circulating funds and is an independent economic unit with power to dispose of the financial resources assigned to it. The resources expended by enterprises are compensated for only in accordance with the socially necessary labour expended. Cost accounting presupposes fulfilment of the state plan by each branch of industry and enterprise on the basis of the established standards of consumption of raw and other materials and of the planned increase in productivity of labour. Overexpenditure of resources and non-fulfilment of assignments for increase in productivity of labour by a given branch of industry, or enterprise, upset the proportion in the distribution of means of production and labour power and jeopardize the fulfilment of the national-economic plan as a whole. Cost accounting demands subordination of the work of the enterprises to the interests of the state as a whole.

An extremely important gauge for estimating whether an enterprise spends state funds properly or not is cost of production. Planned cost of production directs the efforts of the enterprise to the task of fulfilling the qualitative indices and to seek reserves in socialist production.

Cost accounting gives the industries and enterprises a greater incentive to fulfil and overfulfil the

quantitative and qualitative indices of the plan. An enterprise that operates on the basis of cost accounting and possesses operative independence within the framework of the plan, has an interest in fulfilling the volume of output and the qualitative indices of its plan, because fulfilment of the plan not only improves its financial position, but also increases the prosperity of its workers.

To strengthen cost accounting in the plants and to give them an added incentive to work on a profitable basis, the Government passed a decision to establish in industrial enterprises what is known as a director's fund.

Such a fund can be established and payments of bonuses can be made from it only when the given enterprise has fulfilled the state assignments for output in full conformity with the plan, and primarily with the assignment for reducing cost of production.

Cost accounting strengthens the connections between industries in accordance with the planned distribution of social labour. The material connections between separate state enterprises are expressed in a system of contracts which ensure mutual control through the medium of the ruble.

The economic contracts entered into between central administrations (general contracts) and between enterprises (direct contracts) concretize the plan and are a means for checking up on its fulfilment. The contracts specify the quantity, the assortment and

grade of products contracted for, dates of delivery, the manner of settling accounts and the liabilities of the suppliers and consumers for failure to comply with the terms of the contracts (penalties, forfeits, fines) As Comrade Molotov has pointed out: "The system of contractual relations is the best means for combining the economic plan with the principles of cost accounting."<sup>1</sup>

Finally, cost accounting enables the financial bodies to control fulfilment of the state plan by enterprises. Control by means of the ruble is exercised by supplying fixed and circulating funds and also by furnishing credit to economic organizations.

Cost accounting stimulates the initiative of enterprises in discovering new production reserves and in exercising economy, helps to increase their financial accumulations, and is one of the decisive factors ensuring success in socialist planning.

In connection with the enormous scale of socialist accumulation, the strengthening of cost accounting acquires special importance in the new five-year plan period. As A. A. Zhdanov said: "We must strengthen and develop socialist methods of management, the exercise of economy and cost accounting, resolutely eliminate mismanagement, over-staffing and high cost of production, and mobilize our internal resources, all

<sup>1</sup> V. M. Molotov, *The Struggle for Socialism*, Russ. ed., 1935, p. 258.

sources of accumulation, for the purpose of rehabilitating and developing our national economy.”<sup>1</sup>

By stimulating the initiative and independent action of the enterprises in fulfilling the plan, cost accounting facilitates the struggle to fulfil the plan. Planning without real cost accounting leads to red tape and bureaucratic methods of directing enterprises. Furthermore, improper cost accounting leads to anti-state practices by enterprises. “Sometimes cost accounting is reduced to formal routine and references are made to plans and contracts between economic organizations which are actually slipping into bureaucratic methods. On the other hand, cost accounting is sometimes understood too ‘freely.’ Indeed, are there not cases of heads of trusts, cooperative organizations, factories or state farms who sell their products ‘to the best advantage’ and in doing so upset established prices and, failing to carry out their obligations to the state, actually slip on to the sordid path of profiteering? And yet the plan, contracts, and cost accounting are all elements of a single Bolshevik economic policy, the application of which, of course, demands a Bolshevik attitude towards oneself.”<sup>2</sup>

<sup>1</sup> A. A. Zhdanov, *The Twenty-Ninth Anniversary of the Great October Socialist Revolution*, Russ. ed., 1946, p. 11.

<sup>2</sup> V. M. Molotov, *The Struggle for Socialism*, Russ. ed., 1935, p. 380.

## THE MASSES OF THE WORKING PEOPLE IN THE STRUGGLE TO FULFIL THE PLAN

A fundamental feature of socialist planning is the widest utilization in planning the national economy of the initiative and labour enthusiasm of the vast masses of the working people—the direct participants in the struggle to fulfil the plan.

Socialist emulation is one of the greatest advantages Soviet society possesses over capitalism, one of the most decisive indices of its superiority to that system. The epoch-making change from slaving for the exploiters to free labour, to working for oneself, for one's own Soviet State, brought into being a new mighty force for the economic and cultural development of the country—socialist emulation of the broad masses of the working people. Socialist emulation is a great force that accelerates the onward march of Soviet society and helps to overcome the difficulties encountered in the accomplishment of the tasks of socialist construction. Lenin and Stalin revealed the inexhaustible forces inherent in free socialist labour and scientifically explained the importance of socialist emulation as an effective method of mobilizing the activities of the vast masses of the working people for achieving the tasks connected with the building of Communism.

Socialist emulation is most directly and closely connected with the work of planning the national econ-



omy of the U.S.S.R., it is its most important vital nerve. The national-economic state plans promote the progress of Soviet economy and determine the concrete aims and tasks of socialist emulation.

At the same time, the stimulation of mass initiative at work by developing socialist emulation is a most important condition for the successful fulfilment of the plan. Socialist emulation in the course of fulfilling the plan makes it possible to utilize new reserves and potentialities for increasing production and thus ensures overfulfilment of plans.

In dealing with the single economic plan, the Ninth Congress of the Russian Communist Party (Bolsheviks) stated in its resolution: "The indicated plan can be carried out not by a single, simultaneous heroic effort of the advanced elements of the working class, but by persevering, systematic, planned labour in which ever-increasing masses of the working people will take part."<sup>1</sup>

The GOELRO plan and the economic plans that followed it have been mighty instruments for mobilizing the masses of the working people to carry out the tasks of building Socialism.

The First Five-Year Plan period was a period of development of socialist emulation in the struggle to

<sup>1</sup> *Resolutions and Decisions of Congresses and Conferences of the C.P.S.U.(B.) and of Plenary Sessions of Its Central Committee, Part I, Russ. ed., p. 330.*

fulfil the plan. The Sixteenth All-Union Conference of the C.P.S.U.(B.), which adopted the First Five-Year Plan, issued an appeal to all the working people to organize socialist emulation throughout the country. The appeal said: "To overcome the difficulties connected with socialist construction, to develop further the attack on the capitalist elements in town and country, to fulfil the five-year plan, organize emulation in all spheres of construction, organize emulation between mills, factories, pits, railways, state farms, collective farms and Soviet institutions."<sup>1</sup>

With the growth and consolidation of socialist relationships in the U.S.S.R. and with the development of planning, the masses of the working people kept on finding new forms in which to display their labour initiative and daring enterprise in their work.

In the course of socialist emulation the slogan of "The Five-Year Plan in Four Years" originated, and, in the struggle to fulfil the plan, there emerged such forms of the creative initiative of the working class as counter-proposals to the industrial-financial plan and counter-planning for the shift.

Noting the decisive successes achieved in fulfilling the First Five-Year Plan in four years, Comrade Stalin pointed to the main forces that ensured us this historic victory.

<sup>1</sup> *Ibid.*, Part II, p. 357.

“They are, first and foremost, the activity and self-devotion, the enthusiasm and initiative of the millions of workers and collective farmers, who, together with the engineering and technical forces, displayed colossal energy in developing socialist emulation and shock work. There can be no doubt that without this we could not have achieved our goal, we could not have advanced a single step.

“Secondly, the firm leadership of the Party and of the Government, which urged the masses forward and overcame all the obstacles that stood in the path to the goal.

“And, lastly, the special merits and advantages of the Soviet system of economy, which bears within itself the colossal potentialities necessary for overcoming any and all difficulties.

“Such are the three main forces that determined the historic victory of the U.S.S.R.”<sup>1</sup>

In the course of fulfilling the Second Five-Year Plan there arose a new and higher form of socialist emulation, viz., the Stakhanov movement, “. . . the most vital and irresistible movement of the present day.” (Stalin)

The Stakhanov movement caused the old technical standards and production plans to be discarded and created new opportunities for increasing production.

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<sup>1</sup> J. V. Stalin, *Problems of Leninism*, Moscow 1947, pp. 425-26.

During the Great Patriotic War the self-sacrificing labour of the working class, the kolkhoz peasantry and the Soviet intelligentsia was a mighty force that ensured the successful execution of the war economy plans and the growth and consolidation of the country's war economy.

The wartime Stakhanovites became the continuators of the technical revolution that was begun by the pioneers of the Stakhanov movement. The foremost Stakhanovites—Bosy, Yankin, Semivolos, Lunin, Valeyev, Zaverailo, Agarkov and the others, radically improved production methods, and revealed new potentialities for increasing the productivity of labour.

Socialist emulation was a powerful means for mobilizing the broad masses of the workers, engineers and technicians in the struggle to carry out the plan, to utilize all the reserves of the national economy for the purpose of increasing the aid given to the front and of accelerating the economic recovery of the districts freed from German occupation. Characteristic was the range of creative initiative of the workers, technicians and engineers in increasing productivity of labour and economizing material resources. One of the forms in which this initiative of the masses was displayed in making better use of production and labour potentialities during the war was the public inspections of the organization of work that were conducted at many plants. For instance, the public in-

spection which took place at the Ural Heavy Machinery Works was carried out with the aid of thousands of workers, foremen, engineers, technicians and office workers, who suggested an enormous number of efficiency and innovation proposals. At eight plants of the tank industry alone where public inspections were conducted, some 15,000 proposals were made for improving the organization of work and for perfecting technological processes.

Forms of collective Stakhanovite work such as the mass organization of front brigades in industrial enterprises and the big-crop teams movement in agriculture assumed wide dimensions during the war. By the middle of 1944 there were 115,000 front brigades in industry, uniting 800,000 young workers who strove to increase production with fewer workers. The method introduced by Yegor Agarkov, a brigade leader in a tank factory, who showed that by enlarging brigades and production sections it is possible to release a considerable number of skilled workers, and at the same time to increase productivity of labour, was widely employed in industry.

Socialist emulation on the collective farms acquired vast importance during the Great Patriotic War, in the struggle to fulfil and overfulfil the plans.

The adoption by the Supreme Soviet of the U.S.S.R. of the Five-Year Plan for the Restoration and Development of the National Economy evoked new

labour enthusiasm among the Soviet people. As was the case in the period of the execution of the historic tasks of the Stalin five-year plans and in the execution of the economic plans during the war, the Soviet people again turned to socialist emulation, the tried method of successful plan fulfilment.

Socialist emulation in fulfilling the plan for the second year of the current five-year plan ahead of time, undertaken in honour of the thirtieth anniversary of the Great October Socialist Revolution, assumed exceptionally wide dimensions. The personnel of the leading Leningrad enterprises, after weighing the possibilities and counting up their reserves, issued an appeal to all the workers, engineers, technicians, foremen and office workers in industry all over the Soviet Union in which they took the following pledge:

“To mark the thirtieth anniversary of the Great October Revolution by fulfilling the plan for the second year of the postwar five-year plan ahead of time, i. e., by November 7, 1947.

“In carrying out this pledge, the personnel of each of our plants has discussed and adopted concrete measures to ensure the execution of assignments, in full, a further increase in productivity of labour and reduction in cost of production, an improvement in the quality of their products, improvement in technological processes, and the introduction of the latest and most efficient production methods.”

In response to the Leningraders' appeal,<sup>o</sup> the coal miners, oil workers, metallurgical and machine-building workers, chemical workers and those of other industries, all joined the emulation contest. On the initiative of the collective farmers in the Altai Territory a socialist emulation contest arose among the workers in socialist agriculture. The collective farmers and all others engaged in agriculture in the Ukraine, Byelorussia, Georgia, Kuban, Siberia, the Volga area, Moscow Region, and other republics and regions of the Soviet Union, wrote letters to Comrade Stalin in which they pledged themselves to attain in 1947 a rich harvest and an advance in socialized livestock breeding, and to fulfil their obligations to the state in full and on time. The builders at the Zaporozhye Steel Works initiated an emulation movement among building workers, and socialist emulation developed extensively in the transport industry. Of equally nationwide dimensions was the range of socialist emulation in 1948, conducted under the slogan—"Fulfil the plan of the third year of the Stalin five-year plan ahead of time."

Characteristic of the present stage of socialist emulation is the profound, differentiated approach to the potentialities and reserves of the various industrial enterprises, collective and state farms and machine and tractor stations, which makes possible the extensive employment of the methods practised by the best enterprises and helps to pull the lagging plants up to

the level of the advanced ones. This was reflected in the concrete pledges taken by various industries and plants and by leading collective farms in letters they sent to Comrade Stalin.

Beside the names of Stakhanovites already known throughout the country: the coal miner Gerasim Zaporozhets, the textile worker Maria Volkova and the shoe operator Vasily Matrosov, socialist emulation constantly brings out the names of new Stakhanovites of the current five-year plan period. Among these are: Nikolai Reshetnyak, a Donets Basin coal-cutting machine operator, who attained high productivity for such a machine; Ivan Kutsakovsky, a Krivoi Rog driller, initiator of a new method for tunneling; Ivan Pronichkin, brigade leader of the North Urals bauxite mines, one of the initiators of accelerated tunneling methods; Ivan Rummyantsev, an installation worker, initiator of rapid methods in installation operations at the Zaporozhye Construction Job, and many others. Socialist emulation in the countryside constantly brings to the front new leaders in the struggle for rich harvests and an advance in socialized livestock breeding.

A powerful stimulus for mass emulation on the collective farms is the system of conferring the title of Hero of Socialist Labour, and awarding orders and medals of the U.S.S.R. established by the Government for collective farmers and for workers of machine and tractor stations and state farms who attain high yields.



The participants in socialist emulation consider the state plan as a minimum target and endeavour to exceed it. The socialist pledges of every enterprise are backed by a carefully prepared system of organizational and technical measures covering the introduction of new machinery, mechanization, improvement of technological processes, application of the line production method and measures for economizing raw and other materials and fuel, and for raising the production and technical qualification of the workers. The organizational and technical measures for carrying out the pledges are worked out with the wide cooperation of the engineers and technicians, foremen and Stakhanovite workers.

Especially typical of the initiative of workers and leading engineers in rapidly popularizing up-to-date production methods are the plans for introducing Stakhanovite work methods that are drawn up in many plants on the proposal of Vasily Matrosov, a worker at the Paris Commune shoe factory. Stakhanovites, foremen and engineers are invited to help draw up such plans, and their suggestions constitute the basis for the plans.

More than 4,000 workers, engineers and technicians took part in working out such plans in the light and textile industry plants in the city of Moscow alone. In a brief period over 20,000 efficiency proposals were collected.

The success of socialist emulation is to a large

extent decided by the wide cooperation of the managerial personnel in production. It is the cooperation of the Stakhanovites and engineers that primarily ensures the rapid dissemination of the achievements of the Stakhanovites. Nikolai Reshetnyak, the Donets Basin coal-cutting machine operator, who managed to more than quadruple the output standard, is much indebted for his success to his section chief, Bridko, who was able to organize the work cycle at the coal face. The accelerated tunneling methods employed at the North Urals bauxite mines were popularized with the active cooperation of the engineers and technicians and also the mine managers. A more than twofold increase in productivity of labour in machining a certain tractor part at the Kirov Works in the Urals was the result of the initiative of Alexander Ivanov, a technologist of that plant, who worked out and applied new machining methods.

The movement of the technologists who apply the Ivanov methods has assumed wide dimensions in industrial plants and has made it possible to utilize considerable production reserves for overfulfilling the plan. Initiated by Nikolai Rossiisky, a senior foreman at the Moscow Calibre Works, a movement spread among foremen in the industrial enterprises throughout the country to organize collective Stakhanovite work in their respective sections. In 1948 a new patriotic mass movement arose, a movement to mobilize internal reserves, to put plants on a profitable basis

and to secure accumulations over and above the amount laid down in the plan. This movement testifies to the growth of Communist consciousness among the workers, peasants and intellectuals of our country.

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The struggle waged by the entire people to fulfil the Stalin postwar five-year plan has yielded splendid fruit. Vivid proof of this are the reports published every year by the Central Statistical Board of the Council of Ministers of the U.S.S.R. which sum up fulfilment of the Five-Year Plan for the Restoration and Development of the National Economy of the Soviet Union.

The results achieved during the past three years of the Stalin postwar five-year plan period testify to the powerful forces that are inherent in the socialist organization of the national economy, to the further prospering of our country and to the inexhaustible potentialities of the Soviet social and state system, of the planned direction of the national economy and the free socialist labour of the Soviet people. During the first three years of the postwar five-year plan period (1946-48), industrial output in the U.S.S.R. steadily increased from year to year, agriculture and transport developed, and trade increased. Moreover, the rate of increase in production rose constantly. In 1946 industrial output showed an increase of 20%,

in 1947 22 %, and in 1948 27 %. An extremely important factor in the postwar development of socialist economy is the steady increase in production and the accelerated rate of development of the major branches of industry—the iron and steel and coal industries, electric power stations, and the machine-building industry—which are the basis for the advancement of all other branches of the national economy.

The annual national-economic plans are being successfully fulfilled and overfulfilled. The industrial output plan for 1947 was fulfilled 103.5 %, which made up for the underfulfilment of the plan in 1946; as a result, the plan for the two years was fulfilled 100 %. The 1948 results were even better: industrial output that year, the third and decisive year of the five-year plan period, was fulfilled 106 %. Thus, the plan for the first three years of the five-year period has been fulfilled 103 %. These achievements in the fulfilment of the plans of the first three years are a guarantee that the Soviet Union will fulfil the five-year plan as a whole ahead of time.

The Bolshevik Party and the Soviet Government have been and are now devoting an enormous amount of attention to the restoration of the economy of the regions that were occupied by the Germans and are rendering these regions extensive aid. In 1948 capital construction in these regions amounted to 20,000 million rubles. This ensured a rapid rate of restoration of industry in these devastated regions. Thus, in 1946,

industrial output in these regions showed an increase of 28 %, in 1947 33 %, and in 1948 41 %. Moreover, the output of pig iron increased by 41 %, steel by 66 %, rolled metal by 65 %, cement by 49 % and sugar by 75 %. These facts go to show that the regions of the U.S.S.R. which suffered from German occupation are fully attaining their former industrial capacity and are making an ever-increasing contribution to the achievements of the national economy of the Soviet Union as a whole.

Thanks to the rapid growth of industrial production, prewar industrial output was already reached by the end of 1947. In 1948 industrial output exceeded the 1940 level by 18 %. Thus, notwithstanding the enormous damage inflicted upon our country by the war, the Soviet people have been able within the three postwar years not only to reach the prewar industrial output level, but even to surpass it.

The years of the postwar five-year plan period are characterized by a high rate of reproduction of fixed funds and of skilled labour. In 1946, the volume of capital construction in the national economy showed an increase of 17 % compared with the preceding year, that of 1947 10 %, and that of 1948 23 %. During the first three years of the present five-year plan period some 4,000 state industrial enterprises were built or restored and put into operation, equipped with the most up-to-date machinery. During the postwar period the handling of new types of highly-productive machin-

ery, mechanisms, apparatus and measuring instruments has been mastered and advanced technological and production processes have been introduced in the national economy.

One of the very important tasks accomplished by the Soviet State in the postwar period is the training of skilled workers on a very large scale. During the first three years of the five-year plan period the trade, railway and industrial training schools trained more than two million young workers. In addition, seven million workers received individual or team training, or training in special courses, and ten million workers improved their qualifications in the same manner. Like the old, experienced workers, the new workers, trained in the postwar years, show high skill in the handling of machinery and also high productivity of labour. The rise and development of new forms of Stakhanovite labour, the utilization and wide dissemination of the methods employed by the leaders in socialist emulation and the innovators of new methods, have ensured a steady growth of productivity of labour. In 1947, productivity of labour in industry increased 13% compared with the preceding year and in 1948 it increased 15% and surpassed the 1940 level.

Agriculture in the U.S.S.R. is also advancing at a tremendous rate. After overcoming enormous difficulties—the consequences of the war and the unprecedented drought of 1946—the Soviet peasantry is successfully carrying out the decisions on the postwar

promotion of agriculture adopted at the February (1947) plenary session of the Central Committee of the C.P.S.U.(B.). In 1947 the total grain crop exceeded the 1946 crop by 58%, and in 1948, notwithstanding the drought in most of the Volga districts, the total grain crop of the U.S.S.R. as a whole amounted to over 7,000 million poods, and was only slightly below that of the prewar year of 1940. The average yield per hectare was above prewar. In 1948, the crop area was 13.8 million hectares larger than in 1947. The state plan for the sowing of winter crops for 1949 was overfulfilled, and the area of such crops sown in 1948 was about 3 million hectares larger than in 1947. Autumn fallow land ploughed in 1948 for 1949 crops was 17 million hectares above the 1947 figure. Considerable success was achieved in developing and increasing the productivity of livestock breeding.

Much attention was paid to the technical equipment of socialist agriculture. It is a noteworthy fact that in 1948, agriculture received from the state three times as many tractors and twice as many trucks and agricultural machines as in the prewar year of 1940. This fact indicates the mighty growth attained in the Soviet Union by the machine-building industry, which has already far surpassed the prewar level.

One of the most important factors in the advancement of socialist agriculture is the introduction in agricultural production of the achievements of Soviet agrobiological science based on the accomplishments

of the great scientists of our country: I. V. Michurin, V. V. Dokuchayev, P. A. Kostychev and V. R. Williams. The decision adopted in 1948, on the initiative of Comrade Stalin, by the Council of Ministers of the U.S.S.R. and the Central Committee of the C.P.S.U. (B.) on the "Plan for the Establishment of Shelter Belts, the Introduction of Travopolye Crop Rotation and the Building of Ponds and Reservoirs for Ensuring High and Stable Crops in the Steppe and Forest-Steppe Districts in the European Part of the U.S.S.R." is destined to play an exceptional role in further advancing agriculture in the U.S.S.R. This decision, which is distinguished for the grandeur of the tasks it sets, is called by the people the Stalin plan for transforming nature. The face of a vast territory equal to the combined area of many European states is to be transformed in an exceedingly short historical period, from two to three decades. In this territory are situated about 80,000 collective farms having a total of 120,000,000 hectares of land on perpetual lease. The plan adopted provides for the introduction on a wide scale, beginning with 1949, of a series of agronomic measures for advancing agriculture, the most important elements of which are the travopolye crop rotation system and the planting of shelter belts. The extensive campaign against drought and for high and stable crop yields has already begun; the plan of great undertakings is already being put into operation, thus opening prospects of an unprecedented advance



of agriculture and an abundance of articles of consumption that is possible only in a socialist land, which is effecting the gradual transition to Communism.

The successes achieved in developing socialist production and the steady advance of all branches of the national economy have been the firm foundation for the uninterrupted rise in the material well-being of the working people of the U.S.S.R. In capitalist countries, on the contrary, the monopolists are, in the postwar period, waging a fierce offensive against the standard of living of the workers and office employees; inflation is increasing, wages are declining and unemployment is growing. In the United States, for instance, there are, according to official figures, about 2,000,000 totally unemployed, which is an underestimation by at least two-thirds; the number of partially unemployed is about 10,000,000. In contrast to capitalist countries, the number of employed workers and office employees in the U.S.S.R. has been steadily growing in the postwar period, the increase for the first three years of the present five-year plan period amounting to 6,200,000; in 1948 the number employed exceeded the 1940 figure by 10%. The improvement in the well-being of the working people of the U.S.S.R. is vividly reflected in the growth of real wages. In 1947 the wages and salaries fund showed an increase of 23%. The abolition of rationing and the currency reform carried out at the end of 1947, together with the reduction in state retail prices for both food and

manufactured goods doubled the purchasing power of the ruble. As a result of the reduction in state retail prices and the lowering of prices in the kolkhoz markets and cooperative stores that followed, the population profited to the extent of 86,000 million rubles in 1948. Thanks to the further price reductions announced on March 1, 1949, the population will gain an additional 71,000 million rubles in 1949.

Housing construction is proceeding on an extensive scale in the country. During the first three postwar years about 51,000,000 square metres of living space were built or restored in cities and industrial townships, and more than 1,600,000 houses were built or restored in rural areas.

The year 1948 is distinguished for further progress in cultural development in the U.S.S.R., for an immense advance in science, art and literature, for the rise in the cultural standard of the working people. In 1948 the number of pupils attending primary and secondary schools increased by over 2,000,000, and the number of students in institutions of higher learning reached 734,000, which was 26% more than in 1940. Not a single capitalist country can show such achievements.

The successful fulfilment of the postwar Stalin five-year plan signifies a further increase in the productive forces of Socialism, the rise in the material and cultural level of the Soviet people, and the further strengthening of the camp of Socialism and democracy.

The new feats of construction performed by the Soviet people strengthen the forces of Socialism and of democracy and fill the hearts of the working people throughout the world with courage and confidence.

The progress made in fulfilling the present five-year plan is further evidence of the supreme advantages of socialist planned economy that was born of the Great October Socialist Revolution; it is a striking index of the great organizing power of the Party of Lenin and Stalin and of the inexhaustible creative power of the Soviet people.

The Soviet Union, which bore the main burden of the Second World War, is strongly imbued with the desire to work peacefully to carry out the Stalin plans of great undertakings—plans for increasing the economic might and still further raising the level of the culture of the Land of Socialism. It is precisely for this reason that the Soviet Union is tirelessly exposing the instigators of another war and has come forward as the herald of the struggle for a firm and lasting peace, for the freedom and independence of nations, of the working people the world over, of all advanced and progressive mankind.

