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Stalin on Institutional Obstacles to Soviet Development
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Stalin on Institutional Obstacles to Soviet Development

Edward Ames

On October 3 and 4, the Soviet press published a series of statements by Stalin under the general title of "The Economic Problems of Socialism in the USSR", and simultaneously announced that they were to be published in book form in an edition of 1,500,000 copies. On October 5, the XIX Congress of the Soviet Communist Party opened. It is quite possible that the book was intended as Stalin's contribution to the Party Congress, since his participation was otherwise limited to a short speech emphasizing Soviet solidarity with foreign communist parties.

This book appears to contain an important analysis of basic Soviet economic problems and a tentative approach to their solution. Analysis of the material, however, is made difficult by the fact that the "Economic Problems", unlike most of Stalin's published work, is not a unified, organized document. It is based on the draft of a textbook on the political economy of socialism, which in the economic field, will apparently occupy the authoritative position now occupied in the political field by the "Short History of the Communist Party", published in 1938. The preparation of the text began before the war; in 1948 the head of the Institute of Economics of the Soviet Academy of Science criticized the delay in publishing it, and said it should be completed in 1949. Not until November 1951 was the draft actually ready. At that time, a conference of Soviet economists was held in Moscow to discuss it. The minutes of this meeting, which have not been published, were then sent to Stalin, together with the draft of the textbook and supplementary memoranda. Stalin's book consists of 1) a series of notes on the draft of the textbook, with references to the minutes of the 1951 ~~meeting~~, dated February 1, 1952; 2) an answer dated April 21 to a letter from the economist Notkin; 3) an answer dated ~~May 22~~ to a letter from the economist Yaroshenko 1/; and 4) an answer dated September 28 to a letter from the economists Sanina and Venzher. The commentator is therefore in the position of having Stalin's remarks, but not the documents to which they relate. He also must construct for himself a central theme running through the various separate papers. He must also translate them from the Marxist terminology in which they are couched into terms more intelligible to the ordinary reader, and then try to determine the extent to which Stalin's analysis may be considered as a valid one. 2/

1/ Yaroshenko, after criticizing the draft, suggested to the Politburo that he be appointed to write a suitable textbook. His letter appears to contain a direct criticism of some of Stalin's views. Stalin was most caustic in his treatment of Yaroshenko, calling him un-Marxist, and Bukharinist (after a member of the opposition, executed in 1938). The non-Soviet observer will be surprised to find a Soviet economist taking as independent a view as did Yaroshenko.

2/ One particular aspect of this difficulty is that it is not possible to tell whether Stalin has correctly represented the views of people he criticizes. In the past, he has often distorted their views. In this case, it is necessary in some cases to assume that quotations which he subjects to criticism are not drawn out of context.

Industrial development as the basic economic law of the USSR

Stalin's argument relates primarily to the influence of existing economic institutions upon the future course of Soviet development. 1/ He is concerned with showing that in particular the present collective farm system may act as a brake upon industrial development, and with suggesting a remedy. His analysis, however, is expressed in the rather baffling Marxist terminology of the laws of social development.

The laws of political economy in general, according to Stalin, are "a reflection of objective processes which take place independently of the will of the people". 2/ The development of an economy is thus determined by factors other than a simple decision of its people that they want to develop. While the Soviet government may, for instance, exercise some freedom in deciding what it will do in the economic field, its decisions are basically the result of Soviet Social institutions and the existing level of Soviet output. The Soviet Government, in short, cannot make water run uphill, and it cannot ignore Social and economic realities, even though its legal powers may be unlimited. In emphasizing this fact, which he says may seem obvious, he states that "every year we, the directing nucleus, receive thousands of young personnel, who burn with the desire to help us and to advance themselves", but who "are dazzled by the achievements of the Soviet power and ... begin to imagine that the Soviet power can 'do everything'..., that it can annihilate the laws of science and form new laws." 3/ In this sense, Stalin's book is an attempt to caution the enthusiasts, and to point out the real obstacles to the achievement of Soviet aims which may still exist.

The Marxist law relating economic institutions to output is the particular economic law on which Stalin bases his argument. This law of "the necessary correspondence between productive relations and the character of productive forces", contains terms current in all Marxist economic literature, which are defined in this way in the authoritative "Short History of the Communist Party":

The tools of production ... people ... productive experience ... and habits of labor ... constitute the productive forces of society. But the productive forces constitute only one side of production ... expressing the relation of people to things and the forces of nature ... The other side of production ... consists of the relations of people to each other in the productive process, the productive relations of people. 4/

1/ His comments upon the textbook, of course, include remarks on many subjects, including international affairs. To the writer, however, it appears that they were incidental to the subject discussed here.

2/ From discussion of the textbook draft, page 2. (Page numbers cited will refer to the text as published in Bolshevik, No. 13, 1952).

3/ Ibid, p. 5.

4/ 1945 Russian edition, pp. 114-5.

An example of what is meant by the "relation" between these two aspects of production is the Marxist assertion that in capitalist countries increases in production (productive forces) are hindered by the fact that capitalists do not find it profitable to produce more than a certain amount because of the operations of the market mechanism (productive relations). The Soviet Government claims that by not considering profitability it has been able to achieve a much more rapid growth of output than it would have if it had been guided by the market ("the law of value"). Thus Stalin says:

It is ... completely incorrect to assert that in our present economic system ... the law of value regulates the "proportions" of allocations of labor among various branches of production.

If it were true, it would be incomprehensible why we do not develop light industry above all, as the most profitable, in preference to heavy industry, which is in part less profitable and sometimes not profitable at all.

If it were true, it would not be comprehensible why we do not close down a number of still unprofitable enterprises in heavy industry, where the labor of workers does not produce the "necessary result" and why we do not open up new, unquestionably profitable enterprises in light industry, where the labor of the workers could give the "necessary results"....

It is obvious ... that we would have to abandon the supremacy of capital goods production in favor of consumer goods production ... This would mean the destruction of the possibility of an uninterrupted growth of our economy, for it is impossible to achieve an uninterrupted growth of our economy without giving primacy to capital goods production. 1/

The basic law of Socialism, then, according to Stalin, is not any insistence on what might be called market equilibrium, 2/ but rather

may be formulated in approximately this way: the assuring of a maximum satisfaction of the constantly growing material and cultural needs of society as a whole by means of a constant growth and modernization of socialist production on the basis of modern techniques. 3/

1/ Stalin, discussion of textbook draft, pp. 12-13.

2/ "To use a modern expression, the law of value is essentially a theory of general equilibrium developed in the first instance with reference to simple commodity production and later on adapted to capitalism". Paul Sweezy, "The Theory of Capitalist Development", New York, 1942, p. 53.

3/ Stalin, discussion of textbook draft, p. 22.

Heavy industry in particular, but other industry too must grow, according to Stalin. It is clear, from the statement quoted above, that Soviet policy is to increase production as rapidly as possible, with emphasis on heavy industry. However, as he emphasizes, an economic law is not the same as a Soviet government decree. Can one find a reason why the Soviet Government must adopt this policy? In this connection, it is interesting to refer to two quotations from Yaroshenko's letter which are perhaps relevant. Yaroshenko (with surprising boldness) had suggested an alternative to Stalin's "basic law" cited above:

The size and relations of the material funds of social production and reproduction are determined by the present and prospective growth of the labor force attracted into social production.

The relations between the production of capital and consumer goods in socialist society are conditioned by the necessity or producing means of production in amounts necessary to bring the entire employable population into social production.^{1/}

If we assume, as Marxists do, that "laws" are basic tendencies, then it could be agreed that these formulations of Yaroshenko are reasons why Stalin's law might hold, rather than acceptable statements of a law. It could then be argued that the Soviet Government must increase output if it is to maintain full employment, and it must not increase total output too fast (or increase too much the rate of growth of capital goods in relation to the growth of consumer goods) if it is to avoid inflation. In particular, an analogy could be made between Yaroshenko's statement that the relation between capital and consumer goods must depend upon the size of the employable population and Domar's argument ^{2/} that since new investment increases the efficiency of labor, full employment can be maintained in the long run if investment is not only high (as the Keynesians have argued) but actually increasing.

Stalin does not discuss these two interesting points. In particular, he does not try to refute them, as he does other points made by Yaroshenko. Instead he dismisses them with the statement that since on other occasions Yaroshenko has referred to other "basic laws" of socialism there is no reason to take this particular pair seriously.

1/ Quoted in Stalin's answer to Yaroshenko, p. 39

2/ Evsey Domar, Capital Expansion, Rate of Growth and Employment, Econometrica, April, 1946; Expansion and Employment, American Economic Review, March 1947; The Problem of Capital Accumulation, American Economic Review, December 1948.

It is obvious that they are not acceptable to him in this form as a statement of Marxist law, but the foreign reader will find it interesting that even a heterodox Soviet economist should think along lines familiar in the West.^{1/}

An institutional obstacle to Soviet development is pointed out by Stalin. By making such a point, he is making an important change in Soviet economic theory of socialism, which had hitherto denied the existence of any such obstacles. The "Short History of the Communist Party" had asserted that:

... An example of the full correspondence of productive relations to the character of the productive forces is the socialist economy in the USSR, where social ownership of the means of production are in complete correspondence with the social character of the production process, and where, for this reason, there are neither economic crises nor a destruction of productive forces. ^{2/}

As recently as June 1951, this view was expressed in a Soviet economic journal. ^{3/} Now Stalin specifically rejects it, saying that:

It would be incorrect ... to think that there are no contradictions between our productive forces and productive relations. There are, and will be contradictions without doubt, to the extent that productive relations lag, and continue to lag behind the development of productive forces. With correct policies of governing bodies, these contradictions cannot turn into opposition, and matters cannot reach a conflict between the two... It will be another matter if we carry on wrong policies ... In this case conflict will be inescapable, and our productive relations can turn into a serious brake upon the further development of productive forces.

^{1/} In a later paragraph Stalin criticizes a statement by Yaroshenko to the effect that in the Soviet economy there are no value (i.e. market) factors linking production of capital and consumer goods. (The statement cited in the text relates to employment only.) To this extent, we can actually find Stalin supporting a somewhat different statement of the substance of Yaroshenko's remarks, simultaneously criticizing Yaroshenko for not holding to them.

^{2/} 1945 Russian edition, p. 118.

^{3/} I. Kuzminov, Nopreryvny podem narodnogo Khozyalstva SSSR--zakon sotsializma, Voprosy Ekonomiki, No. 6, 1951.

It follows that economic policy must be concerned with transforming existing Soviet institutions, and Yaroshenko's definition of Communism as "the highest scientific organization of productive forces in social production" is no substitute for Lenin's "Communism is the Soviet power plus electrification of the entire country", which recognizes both institutions and output as factors in economic policy. 1/

Collective farming and markets as obstacles to Soviet development
Stalin describes the "contradiction", namely the brake which Soviet institutions can exert upon the development of Soviet production in terms of two interrelated factors: the fact that there exist two types of property in the Soviet Union, namely state-owned factories and collective farms; which are not state property and the fact that although capitalism has been abolished, commodity exchange and money have not been. These two phenomena, he holds, are intimately connected, and are at the root of the difficulty which he finds inherent in the present Soviet structure.

In state enterprises the means of production and the output are national property. In collective farms, although the means of production (land, machinery) belong to the state, nevertheless the products are the property of individual collective farms, since labor on the collective farms and seed belong to the farms, while the land, to which the collective farms have a perpetual right although they cannot sell, buy or rent it, is at the disposal of the farm.

This circumstance means that the state can dispose of only the production of state enterprises, while collective farm output, being [farm] property, can be disposed of only by the collective farm. But the collective farms do not wish to dispose of their output except in commodity form, in exchange for which they wish to receive goods they need... Therefore commodity production and trade are as necessary to us now as they were, say, thirty years ago, when Lenin spoke of the need of a general development of trade. 2/

Collective farm property and collective farm rights are, of course, extremely limited. The collective farms do not own their own machinery, but rent it from the State. They do not own their land,

1/ Such a position finds some support in Western economics. Thus Barone, in his discussion of "The Ministry of Production in the Collectivist State" indicates that a rule governing the distribution of incomes must be given a priori if the ministry is to determine optimum production and price policies. (Reprinted in F. A. Hayek's symposium, Collective Economic Planning, London, 1935)

2/ Discussion of textbook draft, p. 8 - 9.

although they have a grant in perpetuity for the use of it. 1/ In fact, Stalin states that their property consists basically of their "surplus output". This surplus consists of total output minus compulsory payments to the State and the internal requirements of the farms, and is paid out to collective farm members on the basis of the work they have performed on the farm 2/ or is sold, either to the State or on the free market. The compulsory payments to the State (consisting of payments for the services of the farm machinery establishments, and compulsory grain deliveries to the State) and the internal requirements of the farms themselves (largely for seed and feed) each amounted to slightly over one-third of total grain output in the late 1930's, leaving the "surplus" equal to slightly less than one-third of total grain output. 3/

This "surplus output", together with the output from the garden plots privately cultivated by the collective farm members, may be consumed on the farm, or sold on the open market in the cities, or sold to the Government. The Government uses a variety of incentives to attract this "surplus" to it. To some extent, it pays higher prices for products sold above the minimum compulsory delivery level; to some extent it agrees to sell to the farms industrial goods which may be otherwise unobtainable because of scarcities; and to some extent it provides industrial or consumer goods in direct barter payment for the products delivered. In Stalin's words,

The point is that a considerable part of output, the surplus of collective farm output, enters the market and is thereby included in the system of commodity circulation. It is precisely this circumstance which prevents us from raising collective farm property to the level of national property. 4/

1/ Nevertheless the Government was able to amalgamate small collective farms into large ones in 1950, in many cases by more or less forceful means.

2/ To some extent collective farm members resell this grain on the free market.

3/ Lazar Volin, A Survey of Soviet Russian Agriculture, U. S. Department of Agriculture, Monograph 5, 1951, Table 67, page 188.

4/ Letter to Sanina and Venzher, p. 49. Stalin emphasizes, however, that the rest of agricultural output is not a part of "commodity circulation": "First, our prices for agricultural raw materials are firm, established by plan, and not 'free'. Second, the amount of production of agricultural raw materials is not determined by chance or accidental elements, but by the plan. Third, the instruments of production necessary to produce agricultural raw materials (farm machinery -- E.A.) are concentrated not in the hands of individual persons or groups of persons, but in the hands of the state." (Letter to Notkin, p. 29)

The situation with regards to the disposition of this surplus output may be contrasted with the situation in Soviet capital goods industry.

A commodity is a product which is sold to any buyer; following the sale the former holder of the commodity loses his property right in it, and the purchaser becomes owner of the commodity, which he can sell, store or let rot. Are means of production in this category? It is clear that they are not. First, means of production are not "sold" to any purchaser, they are not even "sold" to collective farms, they are only distributed by the state among its enterprises. Second, ... the state in transferring them to an enterprise does not lose its property right to means of production, but on the contrary fully maintains it. Third, the directors of enterprises receiving means of production from the state not only do not become their owners, but are established as plenipotentiaries of the Soviet state over the utilization of the means of production according to plans prepared by the state... Why in this case do they speak of the value of means of production, of their cost, of their prices, etc?

First, this is necessary for accounting, for payments, to determine the profits and losses of enterprises, to control and audit enterprises. But this is only the formal side of the picture.

Second, it is necessary that in the interests of foreign trade these resources be sold to foreign states. Here, in the area of foreign trade, but only in this area are our means of production really commodities and really sold. 1/

The market mechanism, in combination with collective farm institutions, has an adverse effect on development. Stalin does not spell out the consequences of the fact that although a portion of output is not "commodity production", and hence not governed by "the law of value", the rest, or the "surplus product", is to be considered as a part of "commodity circulation". It is necessary to guess which of these consequences may be in Stalin's mind. Reference to Soviet experience in the recent war is useful.

During the first two years of the ... war the excess of current budgetary outlays over current incomes was covered to a considerable degree by mobilizing material reserves and stocks in the economy of the USSR. 2/

1/ Letter to Notkin, p. 28.

2/ N. Voznesenski, Voennaya Ekonomika SSSR v period otechestvennoi voiny, Moscow, 1948, p. 135.

However, during the period of the war economy, it was impossible to do without increasing the note issue. Printing money was one of the sources of financing the ... war, although it was insignificant in comparison with such sources as profits and the mobilization of the resources of the population. 1/

In 1941, in connection with (separation pay) for workers and employees mobilized into the Soviet Army, and also in 1943 in connection with the rapid growth in wage funds, the increase in urban trade turnover lagged behind money incomes of the rural population. For this reason the amount of money in circulation in the towns rose in these years. The money incomes of the agricultural population rose considerably in 1942 compared to 1940 as a result of increases in retail prices on the collective farm (free -- E.A.) markets on which the peasants sell their excess agricultural goods. Money expenditures of the agricultural population also rose in 1942, in comparison with 1940, but to a lesser degree than money incomes... which meant that a part of the money supply remained in the distribution process. 2/

...With the introduction of the ration system and some depreciation of the currency during the war, the stimulus of prizes, as well as of money wages in general somewhat declined. Incentive payments in kind assumed major importance. But rewards in kind cannot be strictly correlated with the results obtained by each individual worker, and contain elements of equalitarianism in distribution. 3/

The multiplicity of state retail prices during the war, the lowering of the purchasing power of the ruble decreased the real importance of delivery prices as an economic lever. The system of incentive money prizes for above-plan deliveries of agricultural raw materials likewise lost its former importance. At the same time, during the war the advantages to collective farms from the sale of surplus food on the market considerably increased, and the gain from the sale of industrial crops /to the state -- E.A./ decreased. Therefore, during the war it was necessary to stimulate deliveries of some farm products

1/ Ibid., p. 139.

2/ Ibid, pp. 136-7

3/ P.M. Pavlov, O planovykh rychagakh sotsialisticheskogo gosudarstva, Moscow, 1950, p. 139.

by strengthening special barter trade in industrial goods with the collective farms. 1/

These statements amount to the assertion that under wartime conditions, the "surplus output" of agriculture was diverted from state hands to the free market, in response to an increase in the uncontrolled prices. These prices, in turn, rose in response to an increase in urban money incomes together with a decrease in available goods in the state-owned stores. With the diversion of purchasing power from urban to rural hands, and with the free market assuming a greater relative importance than in peacetime conditions, the State's incentive system, both in the cities and rural areas, was greatly weakened.

Very similar conditions have existed since the end of the war in the satellite countries. 2/ It can be suggested, on the basis of Soviet and satellite experience that the free market, although normally of minor economic significance, can prove to be an obstacle to communist governments which wish to increase their investments or armaments programs beyond a certain limit. It would appear likely that Stalin's discussion is built around a realization of the "contradiction" between Soviet industrialization and armaments programs, and the ability of the collective farms and their members to dispose of the "surplus output" of agriculture.

Stalin's solution to the problem of collective farm property and the market mechanism is given in this formula:

The point is that a considerable part of output, the surplus of collective farm output, enters the market and is thereby included in the system of commodity circulation. It is precisely this circumstance which now prevents us from raising collective farm property to the level of national property. Therefore it is just from this direction that it is necessary to begin work to raise collective farm property to the level of national property. 3/

1/ Ibid., p. 94.

2/ See the Rumanian publications Scanteia of January 27 and January 30, 1952; Lupta de Clasa of May 1952, and Contemporanul, of May 23, 1952 for discussions of Rumanian difficulties which sound very much like those given above. The reader may judge for himself whether they were the result of a fiendish plot by the then Minister of Finances, aimed at restoring capitalism.

3/ Letter to Sanina and Venzher, p. 49. Italics added.

Stalin's problem is to enable the State to obtain the collective farm surplus without having to compete for it with the urban population. He suggests that the Soviet Government must impose several limitations upon the choice of solution. First, he says it is "improbable" that the collective farms should simply be nationalized, "For this would be considered as an expropriation of the collective farms". 1/ Second, the solution should be non-violent: "... even under socialism there will be backward, inert forces, which do not understand the need for changes in productive relations, but they, of course, will be overcome without difficulty, and without bringing matters to a conflict." 2/ Third, the solution need not take place immediately, "but it is necessary to introduce it without hesitation, step by step, cutting down the sphere of activity of commodity exchange." 3/

Stalin suggests that the problem may be solved by the development of "product exchange", which is now practiced in some degree by collective farms producing industrial crops such as sugar beets and cotton. The State contracts to purchase the entire "surplus crop" of a collective farm in exchange for specified amounts of consumer goods or in some cases kerosene, fertilizer and other materials needed for productive purposes. He presumably advocates extending this system to collective farms producing grain, potatoes and vegetables. Stalin says that collective farms which now follow this practice are better off than those which do not, and he argues that the general adoption of this system would improve the welfare of the farm population, besides giving the State assurance of receiving the entire surplus product without having to compete in its terms with the free market.

Two questions will be raised in connection with this proposal. First, what problems might be encountered in extending this system to all collective farms? Second, what does this proposal suggest about the economic nature of "communism", the social system toward which Stalin says the Soviet State will be moving if it adopts this proposal?

Under present arrangements, the Soviet Government is able to purchase the entire output of collective farms producing industrial crops, but in the case of grain farms it does not do so. A portion of the output is given to members of the farms in payment for their work. In addition, members produce a certain amount of food on their private plots, and can sell any excess from either source on the free market. Thus the supply in the free market is made up in part of the sales of collective farms, and in part of the sales by individual members.

1/ Discussion of the textbook draft, p. 9.

2/ Letter to Notkin, p. 27. Stalin's concept of "conflict" may be narrower than that which American economists would use. Apparently he simply means that the violence of the collectivization period should be avoided.

3/ Letter to Sanina and Venzher, p. 50.

If the free market is to be completely abolished (as Stalin indicates), it will presumably be necessary to eliminate both sources of supply. The Government could achieve this aim either by indirect means, offering both individuals and farms such terms that they would prefer to sell to the Government rather than the market. This method, however, would simply revive the present system (with Stalin's objections) in a slightly different form. Alternatively the Government can adopt direct methods, limiting the amount of food which the individual farmer can obtain from the collective farm to a level where he will not have any surplus to sell, and permit the collective farm to distribute in kind to the individual not only food, as at present, but also industrial goods.

A somewhat extreme form of controls which could be introduced to achieve this result would be the following: 1) collective farms would be forbidden to conduct transactions in notes, and required to conduct all transactions through their bank accounts. 2) They would pay their members in special coupons, which could be spent only at a special store operated by the collective farm. 3) The Government would buy the entire "surplus output" of the collective farms, permitting them to purchase in exchange industrial goods for resale through the farm store. The industrial goods would become available only to the extent that the collective farm sold all output to the state except that which was to be consumed by members of the farm. 1/ The farm and its members would have no other access to industrial goods, since the coupons could not be spent in city stores; it would therefore have an incentive (now lacking) to sell more to the State.

This system would be a revival of a proposal made in 1919-1920 for the creation of a money based on units of labor. 2/ The earlier proposal was rejected because it properly belonged to the "War Communism" of the civil war period, rather than the "New Economic Policy" of the early 1920's, which allowed somewhat greater freedom to private trade. Lenin's objection at that time was that market forces should be encouraged under existing conditions; there seems to have been no objection to it as a possibility for use under conditions when market forces were to be discouraged.

1/ By setting this amount equal to some estimated per capita level of Food consumption, minus the estimated output of the individual garden plots of the farmers, the Government could in effect force in the individual farm members to consume all of the output of their plots instead of, as now, selling a portion on the free market.

2/ See A.Z. Arnold, Banks, Credit and Money in Soviet Russia, New York, 1937, pp. 99-107.

Even if such an extreme solution were not adopted, it would be possible to devise schemes for setting up a rural distribution which, unlike that now existing, would be independent of the urban distribution system. It would be necessary in general to isolate the prices and quantities traded in this system from prices and quantities of goods traded elsewhere in the economy. The existing Soviet system maintains two sets of prices and two distinct sets of markets now (the capital goods and consumer goods markets being almost completely separate) and there is no reason to suppose that an additional barrier could not be created between urban and rural consumers.

The transition from Socialism to Communism

If this is the type of development which can be expected in the collective farm system, it is possible to interpret Stalin's statements concerning "the transition from socialism to communism", which is the declared aim of present Soviet economic policy. The transition from a "lower" to a "higher" social system, in Marxist theory, may be described roughly as the process whereby the operation of "basic economic laws" leads to a change in the "productive relations" of society. Stalin suggests the following stages in social development: 1) capitalist production, which involves "antagonistic classes"; 2) socialist production, which occurs after a revolution, which overthrows capitalism and thus leads to the abolition of "antagonistic classes", but in which market forces continue to operate in retail trade and agriculture; 3) communist production, in which market forces have been completely overcome. Thus the elimination of market forces in the disposition of the agricultural "surplus product" means a movement in the direction of communism.

The market, not poverty, is thus the main obstacle to the higher Soviet society. Discussions of communism typically start from the principle upon which distribution would take place in a communist economy, "From each according to his ability; to each according to his needs." This principle contrasts with the present Soviet distribution principle, "From each according to his ability; to each according to his work". It has been ordinarily assumed that under the communist rule, there would in fact be free distribution of goods, and an abolition of "scarcity" as the word is used by economists. If this were so, the consumer could walk into a store, take all he wanted, and walk out without paying. 1/ Similarly, a first reading of Stalin's basic law of

1/ A discussion of the question of the transition to communism took place in the Soviet Academy of Sciences in 1950, and was summarized in Voprosy Ekonomiki, No. 10, 1950. Most of the speakers stressed the free distribution of goods, and were mainly concerned with whether all goods would become free at once, or whether a few goods at a time would become free. It may be supposed that they have been surprised to learn that (as Stalin said) a doubling of per capita consumption would be enough to achieve communism, provided that the "law of value" can be dispensed with by a device such as that outlined by Stalin.

socialism, quoted above, would suggest that "maximum satisfaction of the constantly growing material and cultural needs of society" must mean an advocacy of consumer preferences as a guide to economic planners.

In fact, Stalin's proposal seems to indicate that quite a different definition of "needs" must be used, and that the distribution system implied by the new definition is rather different from the optimistic version given above. If, in fact, consumer preference is the guide to the distribution system, then, as Stalin said, the Soviet Union would be governed by the "law of value"; it would abolish inefficient plants and high-cost industries; it would encourage consumer goods industries rather than capital goods industries. Since Stalin holds that it is impossible to do this, and since he apparently maintains the concept of "needs" in his definition of socialism, he must have a different concept of "needs" than do most people.

Such a definition would run in Marxist terms. "Needs" are not "what individuals want", but are goods which will help a given society move in the direction indicated by its "basic laws". Since the "basic law" of socialism involves the subordination of consumer goods production to capital goods production, the Soviet consumer "needs" capital goods rather than consumer goods. The Soviet economist would argue this way: needs are set forth by the economic plan; the plan is determined by the interests of the state; the State rules in the interests of the people. The foreign economist would reject the last statement, but not the first two.

The practical significance of Stalin's book

If the foregoing argument is correct, the Soviet Government cannot now allocate goods the way it wants to because remnants of market forces are still operating in the economy. The "needs" of the Soviet Union (capital goods and armaments) cannot be satisfied unless these market forces are done away with. This abolition would seem, in turn, to require the separation of the price system in the cities from that in the countryside, so that direct allocation can more readily be undertaken by the Government. It might even be concluded that the ideal distribution system is a system of direct allocations in the manner of a quartermaster corps, since the state can best take care of people's needs by depriving them of the opportunity to buy anything in amounts which they do not need, that is, in amounts beyond the interests of the State.

Stalin's analysis suggests that if this organizational change can be effected, communism can readily be achieved over a period of years, the problem is one of establishing controls over market factors rather than of production of consumer goods in such quantities that the problem of scarcity disappears. Stalin does not ordinarily write about abstract issues of no practical importance. It would seem that these conclusions would be of major interest, and that they would have been a central point of attention of the Communist Party Congress opening on October 5. Nevertheless, while all speakers at the Congress applauded the profundity of the work and the genius of its author, only one of them made any practical use of its content. Malenkov, the keynote speaker, and Saburov, the head of the State Planning Committee, quoted

long excerpts from it in the concluding sections of their speeches, but did not make any use of it in the body of their remarks. The agricultural specialists paid less attention to the issues raised. Only Mikoyan, former minister of both domestic and foreign trade, and the ranking Party specialist in these matters, made any substantive comment.

This absence of comment could be explained by the disjointed nature of the text, which requires considerable exegesis to become intelligible; or by the reluctance of practical officials to engage in theorizing; or by possible unawareness that the documents were to be published. 1/ Why the text should be less coherent than is usual with Stalin; why the leading government officials should not have attempted to align their policies specifically with a new Stalin policy pronouncement; why the paper was published if it was not a policy statement; why officials should have been unaware of a decision to release such a text are all questions which will puzzle the foreign observer.

It is possible that adequate comment upon Stalin's book requires more discussion of Soviet economic shortcomings and problems than Soviet officials care to make; it is possible that an authoritative Soviet interpretation will make it possible for Soviet writers to discuss the issue more freely. It may then become possible to determine whether the interpretation given in this paper of the practical Soviet problem which has led to Stalin's often obscure pronouncement is actually the right one.

1/ The content of the documents could not have come as a complete surprise. At least one provincial paper (Komunist Tadzhikistana) had published extensive excerpts under the name of a local party leader, suggesting that the name of the author, but not the contents of the document, was classified information.

NOT FOR PUBLICATION