

Reconversion and Reconstruction in the U.S.S.R.

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The following article on the principles and methods underlying reconversion and reconstruction in the planned economy of the U.S.S.R. is based on reports of various factories and branches of industry, articles on economic reconstruction, the report of the President of the State Planning Commission to the Supreme Soviet of the U.S.S.R. on 15 March 1946 and the ensuing debate, and the text of the Fourth Five-Year Plan, which was adopted by the Supreme Soviet as a Law on 18 March 1946.¹ It may be remembered that a detailed analysis of the Fourth Five-Year Plan appeared recently in these pages.²

SPECIAL CHARACTERISTICS OF THE ECONOMIC SYSTEM OF THE U.S.S.R.

THE social and economic conditions under which reconversion is being carried out in the Soviet Union are basically different from those prevailing in other countries.

In the Soviet Union, where there is no private enterprise, the decisive incentives are the interests of the national economy as a whole or the needs of the population³, and the development of the entire economy and of its separate branches is decided by a general economic plan. The relations between the branches of industry,

¹ Cf. Report by VOSNESENSKY, President of the Gosplan, *Pravda*, 16 Mar. 1946; discussion of the report on the Fourth Five-Year Plan in the Supreme Soviet, *Pravda*, 16-22 Mar. 1946; Law of the Five-Year Plan of Rehabilitation and Development of the National Economy of the U.S.S.R. (1946-1950), *Pravda*, 21 Mar., 26, 27, 30 and 31 May 1946. The facts and statistics quoted in this article are drawn from these sources unless another specific source is given.

² See A. ABRAMSON: "The Fourth Five-Year Plan of the U.S.S.R.", *International Labour Review*, Vol. LIV, Nos. 1-2, July-Aug. 1946, pp. 45-58.

³ Cf. BIENSTOCK, SCHWARTZ and YUGOW: *Management in Russian Industry and Agriculture* (Oxford University Press, 1944).

the volume of production, consumption, the amount of money in circulation, prices of commodities and the level of employment are not the result of market supply and demand, but are determined by the plan. The influence of market factors is negligible. The Five-Year Plan and the annual plans are developed according to Government directives, and take into account the new patterns and processes inherent in a planned social economy.¹ In the drawing up of the plans in the organs of the U.S.S.R. (the Gosplan and its departments), a long struggle was waged between the adherents of "goal planning" and those who favoured planning on the basis of objective factors. The system finally adopted combines the two methods: the plan is worked out in conformity with Government directives, but with due consideration of objective economic factors. The experience of many years of planning has demonstrated the viability of this system.

The Russian problem of reconversion is complicated by two factors. In the first place, the ravages inflicted upon the country by the war and the long German occupation are so great² that the national economy can resume its normal task of serving the needs of the population only after tremendous work in restoring the ruined cities, villages, dwellings, factories, collective farms, schools, hospitals and railroads. Secondly, reconversion and reconstruction are regarded as a continuation of the task of achieving the radical reorganisation and development of the entire economy which was begun under the First Five-Year Plan (1928-1932).³

But the Soviet Union does not have to change its economic system in its transition to peacetime functioning. Whereas most of the other participants in the recent war consider it necessary, in reconverting their economy, to free it more or less completely from "the shackles of wartime Government controls", and strive to return all or part of its former rights to private enterprise, the Soviet Union, both before, during and after the war, has had a nationalised and planned economy. The plan for reconverting industry, agriculture, supply and transport from military tasks to serving the peaceful needs of the population and the economy was developed by the planning organs of the U.S.S.R. even before the end of the war. Today this plan is being carried into effect under

¹ Cf. GOSPLAN: *Pyatiletnii Plan Rasvitiya Narodnogo Khozyaistva — Diskussiya v Kommunisticheskoi Akademii* (The Five-Year Plan of Development of the National Economy — Discussion at the Communist Academy), Moscow, 1929; A. YUGOW: *Russia's Economic Front for War and Peace* (Harper Bros., New York, 1942); A. KURSKI: *Sotsialisticheskoye Planirovaniye Narodnogo Khozyaistva SSSR* (Socialist Planning in the U.S.S.R. National Economy), Gosizdat, Moscow, 1945.

² Cf. *International Labour Review*, Vol. LIII, Nos. 1-2, Jan.-Feb. 1946, p. 71.

³ Cf. *Pravda*, 10 Feb. 1946.

conditions of tremendous effort, but without any breaks or changes in the economic system.¹

Since the end of the war the programme for the basic branches of the economy, and the articles produced by them, have undergone radical changes. Many of the largest factories are now under the jurisdiction of the newly restored civilian ministries instead of the war ministries.² Despite these changes, however, the factories remain under Government ownership and management, and their basic capital, equipment and raw materials continue to be utilised by the Government in the interests of the national economic entity. Hence reconversion does not face such problems as surplus industrial capital (superfluous plants, unused railroads, unnecessary machines and equipment) or industrial undertakings unprofitable in peacetime. Every large factory, every mine suitable for exploitation is marked for conversion under the plan to civilian uses.

The rehabilitation of the economy was begun in most regions immediately after they were liberated from occupation.³ By the first anniversary of the end of the war, the Government had restored in the liberated regions 25 per cent. of the destroyed blast furnaces, 30 per cent. of the rolling mills, 62 per cent. of the coal production. The largest engineering plants in the Ukraine had been rebuilt and put into operation. Work had been resumed in iron ore, nickel and manganese mines. Repairs were being completed in the textile, chemical and food undertakings of the south. The work of rebuilding the blasted Dnieper power station had in great measure been completed.⁴

RECONVERSION AND THE FOURTH FIVE-YEAR PLAN

The formal programme for reconversion and reconstruction was set forth in the Fourth Five-Year Plan, ratified on 18 March

¹ Cf. *Pravda*, 21 Aug. 1943, 19 Aug. 1945; *Izvestia*, 5 Feb. 1944; *Neoilzhnye Meropriyatiya po Ekonomicheskoy Vosstanovleniyu Rayonov Osvobozhdenykh ot Nemezhkoi Okkupatsii* (Urgent Measures for the Economic Rehabilitation of Areas Liberated from German Occupation), Gosizdat, Moscow, 1943.

² The Decree of 14 Oct. 1945, liquidating the Narkomat (People's Commissariat) for the Tank Industry and transforming it into the Narkomat for the manufacture of Transport; Decree of 13 Jan. 1946, liquidating the Narkomat for Military Supplies and transforming it into the Narkomat for Agricultural Machinery; Decree of 20 Jan. 1946, transforming the former Narkomat for War Industry Construction into the Narkomat for Construction; Decree of 18 Feb. 1946, transforming the Narkomat for Minethrower Armament into the Narkomat for Machine and Apparatus Construction; Decree of 20 Feb. 1946, concerning the transfer of artillery-making factories to the jurisdiction of the Narkomat of Heavy Engineering. In March 1946, all People's Commissariats were renamed Ministries.

³ Cf. *International Labour Review*, Vol. LIII, Nos. 1-2, Jan.-Feb. 1946, pp. 71-74.

⁴ Cf. *Pravda*, 10 Feb. 1946.

1946.¹ Indeed, the tasks of rehabilitation demand such a vast mobilisation of labour and such tremendous material investments² that a considerable part of the Fourth Five-Year Plan must be devoted to them.

Industry and Transport

The Fourth Five-Year Plan seeks to achieve by 1950 an industrial level 48 per cent. above that of the last pre-war year, 1940. The output of ferrous metals will increase by 35 per cent., coal by 51 per cent., petroleum by 14 per cent., electric power by 70 per cent., engineering by 100 per cent., and so forth.³ If it is taken into account that in many regions the economy was left in ruins by the occupants, it will be seen that the proposed rates of expansion are very high, especially since the country was already undergoing an extremely rapid process of industrialisation in the pre-war years.

The tasks set before industry are being carried out along two lines. First, there is the restoration of industry in former basic industrial regions, such as the Ukraine, the Donbas, the central industrial region, etc. This requires the rebuilding of thousands of factories, blast furnaces, open hearth furnaces, mines and power stations whose equipment was either destroyed by the Germans or evacuated to eastern Russia. All the rehabilitated factories will receive new technical equipment. Secondly, all the industrial enterprises evacuated to the Urals, the Volga, Siberia, Kazakhstan and the Far East will remain there; it has also been decided to continue the construction of new plants begun in these regions during the war. In addition, the Fourth Five-Year Plan proposes to create new industrial centres in the country, which had only been begun during the war. Thus, the Fourth Five-Year Plan calls for the completion of the building in the north of European Russia, beyond the Arctic Circle, of the Pechersk coal basin, which is to become the basis for the new gigantic Kila-Leningrad-Perchersk Coal and Metallurgical Combine. The Plan will also continue the industrialisation of the national Republics which constitute the U.S.S.R., thus bringing industry close to the sources of metal, raw materials and fuel, as well as to regions of consumption. By 1950 it is proposed to build and restore over 6,000 of the largest factories.

¹ For a more detailed description of the Plan, see A. ABRAMSON, *op. cit.*

² The sum of 250,000 million roubles will be spent during the five-year period for rehabilitation and new construction.

³ The Fourth Five-Year Plan proposes to achieve, by 1950, the following annual output levels: coal — 250 million tons; steel — 25.4 million tons; oil — 35.4 million tons; electric power — 82,000 million kilowatt hours; automobiles — 500,000, and so forth. However, the Five-Year Plan (1946-1950) is only a part of the Fifteen-Year Plan, which proposes to achieve, by 1960, an annual output of 60 million tons of steel, 500 million tons of coal, and 60 million tons of oil. Cf. *Pravda*, 10 Feb. 1946.

By means of this programme, the U.S.S.R. will not only considerably increase its production and renew its basic industrial capital, but it will also eliminate the industrial hypertrophy of the European centre and south which it inherited from the past, and put an end to the backwardness of the remaining regions of the country, achieving an economically rational distribution of industrial centres throughout the territory of the Soviet Union. This attainment of a new industrial geography is one of the most important results of wartime evacuation and post-war reconversion.

During the first three Five-Year Plans the planned investments in the coal and steel industries were considerably higher than those in industries working directly for the population's needs, and that determined the more rapid tempo of growth in heavy industry as compared with light industry. During 1929-1940 the output of means of production rose almost eightfold, while the output of consumer goods rose by only 3.8 times. The new Five-Year Plan, however, defines its task as follows: "the growth of the output of the means of production must exceed only slightly that of the output of consumer goods". In contrast with the earlier Five-Year Plans, the new Plan strives for almost simultaneous restoration and development of the production of coal and steel, and of textiles and shoes. The directive of the Law of the Fourth Five-Year Plan is: "to achieve the expansion of agricultural and industrial production of consumer necessities in order to assure the material well-being of the peoples of the Soviet Union and to create an abundance of basic consumer goods".¹

The conversion of industry to the work of producing for the civilian population is being carried out very intensively and according to plan. A series of the largest metallurgical plants have been converted to the production of types of cast iron, steel and rolled iron which are used for peacetime needs. The engineering industry has been radically reorganised. Railroad cars, turbines, lathes, tractors and threshing machines are being produced today instead of cannon, mortars and shells.

At present the chief emphasis is placed on engineering for the needs of the light industry: the machines produced include textile and typographical machines, machines for paper, chemical and optical undertakings, for road construction and city improvement, as well as apparatus and equipment for hospitals and laboratories. The Plan also envisages extensive development in the building of food-producing machines, especially for the meat, dairy, sugar, vegetable and fish-preserving industries.

¹ Cf. *Pravda*, 18 Mar. 1946.

A similar process has taken place in the chemical industry; instead of explosives, it is now producing soda, fertilisers, dyes, lacquers, etc.¹

The programme of industries working directly for the satisfaction of consumer needs has also been considerably expanded. The textile, footwear, sewing, soap, furniture and other branches of light industry must increase their programmes by 50 to 100 per cent. The output of meat, butter, sugar, sausages, bakery and tobacco products will rise in the coming years by 25 to 60 per cent.²

Railroads, which have suffered heavy damage during the war, must in the coming years perform the immense tasks of transport involved in the reconstruction of the national economy. The Fourth Five-Year Plan has therefore projected large investments both into the expansion of old roads (construction of additional lines), and the building of new steam, Diesel and electric locomotives and of cars.

The results attained during the first post-war year show that on the whole the country has relatively rapidly and successfully accomplished the reconversion of industry from military to civilian production, and that today the overwhelming part of the restored industry works for the satisfaction of the population's basic needs.

Agriculture

Reconversion in agriculture consists chiefly of the re-establishment of the organisational forms of Soviet agriculture (collective farms, state farms and tractor stations) and of the restoration of the material basis of agricultural production — livestock, machines and implements. During the years of intensive industrialisation the collective farms had provided the cities and industry with food and raw materials; during the war they supplied the army's needs. This form of agricultural production has also satisfied the social aspirations of the peasantry. This explains the fact that, as soon as they were liberated, the peasants immediately began to rebuild the collective farms and tractor stations destroyed by the Germans, at first on their own initiative, and later with the aid of the Government.³

As the experience of the Civil War period (1918-1920) had shown, agriculture generally restores its production more rapidly than industry, which has a more complex productive structure.

¹ *Ibid.*

² *Idem.* 23 Nov. 1945, 24 Mar. 1946, and I. KUSMINOV's article on reconversion to peacetime economic development (*Bolshevik*, 1945, Nos. 17-18).

³ For the Government plan for the development of agriculture in 1946, see *Pravda*, 9 Mar. 1946.

In 1945 the Ukraine, the most devastated section of the U.S.S.R., sowed 50 per cent. of its former sowing area, while in 1946 80 per cent. of the former sowing area was again under cultivation. During the first post-war year the agriculture of the entire Soviet Union restored 85 per cent. of its sowing area and produced a grain harvest equalling 75 per cent. of the 1940 harvest. By 1950, the Fourth Five-Year Plan expects to raise the total agricultural output by 27 per cent. and the grain output by 7 per cent. in comparison with 1940.

The chief objective of the plan in agriculture is qualitative improvement: increase of yield per hectare and expansion of multiple-field crop rotation. The Government proposes to supply agriculture with the necessary tractors, combines, threshers, seeders and other equipment which was almost entirely destroyed during the war. The most difficult task, demanding much time, is the restoration of livestock. A considerable proportion of the livestock perished during the war and the occupation. In the Ukraine, for instance, only 6.5 per cent. of the horses, 6.2 per cent. of the cattle and 1.8 per cent. of the sheep have survived.¹ The authorities evacuated a part of the cattle from the occupied regions to districts beyond the Urals, and later, after the end of the war, returned it to the former owners. Unfortunately, this measure saved only a small proportion of the livestock. By 1950, the Fourth Five-Year Plan expects to increase the number of horses by 46 per cent., cattle by 39 per cent., goats and sheep by 75 per cent., and pigs to three times their number in 1946.

In addition to its long-range schedules, the Plan calls for a substantial increase in agricultural output within one to two years, so that the village will again be able to supply the products needed by cities in sufficient quantities.

Housing and Urban Reconstruction

The restoration of dwellings, schools, hospitals, and factory and farm buildings is today one of the most urgent and difficult tasks. Construction work is carried out by the central and local building organisations. The rehabilitation of cities, large civic and residential buildings, etc., is conducted by the State building organisations. Several of the large cities that have suffered the greatest destruction, such as Stalingrad, Sevastopol, Minsk, Odessa, Kiev and Rostov, will be radically replanned and partially rebuilt.² The Fourth Five-Year Plan projects, for the next five years, the building

¹ Cf. *Sotsialisticheskoye Semledeliye* (Socialist Agriculture), 28 Dec. 1943.

² Decree of 1 Nov. 1945.

of 100 million square metres of dwelling area; of this area, 72.4 million square metres will be built under the central plan and the rest by factories, housing co-operatives and individuals.

The centralised plan also takes care of the construction work in repairing water-supply and sewage systems, building street-car lines, digging canals, draining and irrigating entire districts. In the building and repairs of small houses and road repairs much work is being done by co-operative building organisations. The system of "Saturday-Sunday Workers" is widely applied in repairing and building work of civic and community importance. This work is done without compensation by thousands of volunteers. As an example, we may cite the "Sunday Workers" of the Zhitomir region, initiated by workers' organisations and participated in by 300,000 workers, with wagons, materials, tools and instructors. These volunteers repaired 1,405 schools and 1,415 teachers' dwellings, as well as numerous desks, tables, blackboards, etc. The Zhitomir "Sunday Workers" plan to repair all the school buildings in their region during the first half of the summer, before the harvest season.¹ The role of such voluntary popular enterprises in rebuilding the country is very great. The Government has allotted 42,300 million roubles for construction and housing, and an additional 10,000 million for credits to individual and group builders.

Fuel, Materials, and Equipment

During the period of reconversion, it has not been necessary to introduce any special measures to supply the economic units with scarce materials. The supply of fuel, metals, raw materials, construction materials and machines both before and during the war was conducted in a planned fashion, according to the norms and priorities fixed by the planning organs. The plans for the supply of basic materials (fuel, electric power, metals, machines, tools, cotton, rubber, construction materials, etc. — comprising about 400 listed materials) and scarce commodities are always determined in centralised fashion. On the basis of the reports of local, district, regional and Republic economic organs, the Union Gosplan develops a plan of supply, in accordance with objective productive possibilities (such as productive capacity, raw materials, fuel, etc.) and needs, as well as the political and economic directives of the higher Government organs. After its ratification, this plan becomes law, and the Ministry of Supply and its organs develop the supply contingents for the branches of industry, districts and undertakings, determining for each of them the exact proportions, the priority

¹ Cf. *Pravda*, 9 June 1946.

categories and the dates of delivery.¹ During the reconversion the work of supply continues in the same planned manner. The system of priorities has been retained, but with changed criteria.

The first projects to be supplied are works of national importance, such as the building of the Dnieper dam or the reconstruction of Stalingrad, or those of social importance, such as the construction of hospitals and schools. Basically, supply is conducted by plan, which has striven beforehand to estimate the extent and urgency of the consumers' needs. Seeking to facilitate supply, the Government has preserved and supplemented the exemptions incorporated in the law passed on the eve of the war. This law permits small enterprises to produce articles from local materials and to sell them outside the general national plan, under the control of the local Government organs.²

MANPOWER AND EMPLOYMENT

The Soviet Union's past experience and long-term outlook with regard to manpower and employment are different from those of other industrial countries. From the earliest days of its industrialisation, the Soviet economy has known no unemployment on any considerable scale. On the contrary, one of the most acute problems of both the Second (1933-1937) and Third (1938-1942) Five-Year Plans was the chronic shortage of labour. During the past few years, all Government measures with regard to employment were directed not, as in other countries, at the liquidation of unemployment, but at combating the manpower scarcity and at the rational distribution of existing cadres among the various branches of industry. The Government combated this bottleneck by stimulating the inflow of new workers, raising the productivity of labour, mechanising industries demanding much manpower, and creating cadres of trained workers and technicians.

Pre-War Manpower Planning

Before the war there was a definite system of manpower planning. The number of workers grew rapidly: in 1929 it was 14.4 million; in 1932 it was 22.9 million; in 1937, 27 million. The plan, which was interrupted by the war, called for 32.7 million workers in 1942.³ As a result of improved conditions of life and work in the collective farm village, the usual flow of workers from the villages to cities dropped considerably and failed to satisfy the needs of

¹ *Ekonomika Sotzialisticheskoi Promishlennosti* (The Economics of Socialist Industry), Academy of Science, Moscow, 1940.

² Decrees of 7 Jan. 1941 and 6 Sept. 1945.

³ Cf. GOSPLAN: *Trud v SSSR* (Labour in the U.S.S.R.), Moscow, 1936; *Pravda*, 2 June 1939.

industry. The Government imposed on the collective farms the obligation to send a specified number of young people to the cities annually, for work in the factories. In a given region, the undertakings conclude agreements with the collective farms and their members for work over a definite period. In order to train workers, the Government established a large number of lower, middle and higher technical schools. At the same time, the system of training in the factories under skilled masters has gained wide application, and evening courses have been organised for the improvement of skills. In addition, in 1940 the Government announced an annual mobilisation of one million of 14-17 year-olds into technical and trade schools. A Bureau for National Manpower Reserves was created and entrusted with the task of organising the training and full maintenance of these students. In 1946, in response to its growing tasks, this Bureau was reorganised into the Ministry of Manpower Reserves.¹

Post-War Needs and Plans

The Soviet Union now has an even greater need of workers. The 8-hour day has now been restored, and the number of overtime hours restricted. Millions of workers are needed for the work of rehabilitation and reconstruction. The Fourth Five-Year Plan estimates the number of workers needed by 1950 at 33.5 million. And yet, owing to war losses, the number of workers had dropped by 1946 to approximately 27 million — the 1937 level. The need for labour was so great in the first post-war year that the reabsorption of demobilised men was very rapid and did not cause even temporary unemployment.²

In the next five years, the plan proposes to draw 4.5 million new workers from the villages, 1 million new workers from the cities, and about 2 million trained workers and technicians from the technical schools.³ The training of workers will take place in technical, day and evening schools, in courses for the improvement of skills and in factories under skilled masters. The retraining of workers to new skills is another urgent and important problem in reconversion. Special day and evening courses, supplemented by practical work in the factories, have been organised for this purpose. These courses will retrain over 150,000 workers in 1946 alone. The re-

¹ Regulation of 2 October 1940 concerning Government manpower reserves; and Decree of 15 May 1946 concerning the organisation of a Ministry of Manpower Reserves. See *International Labour Review*, Vol. LIV, Nos. 3-4, Sept.-Oct. 1946, p. 218.

² The first demobilisation took place on 23 June 1945 (13 age classes); the second, on 26 Sept. 1945 (10 age classes), and the third, on 20 Mar. 1946 (6 age classes).

³ Cf. the report of P. MOSCATOV on labour cadres (*Pravda*, 22 Mar. 1946).

training programme is carried out at Government expense; 2,500 million roubles have been assigned by the Government for the training of new workers (beginners) and the retraining of old ones during 1946-1950.¹

The collective farms will continue to supply new workers. In order to draw workers into the heavy industries, such as metallurgy and mines, higher wages will be paid in these branches. The proportion of women workers has dropped somewhat, but women continue to work in all branches of industry. Extensive plans have been drawn up for mechanisation and increase in the productivity of labour. Mechanisation, according to the Fourth Five-Year Plan, must not only be a factor of technical progress, but must aid in reducing the need for manpower in industries with high manpower requirements.²

Under the law, the system of training and utilisation of the labour of war invalids is widely applied.³ All measures for the attachment of workers to the undertakings as a means of combating labour turnover have been retained; generally, free travel throughout the country is not yet permitted.⁴ The Fourth Five-Year Plan proposes to "assure industry and transport permanent cadres of workers on the basis of improved organisation of work and provision of better housing and material conditions".

PRICE CONTROL AND RATIONING

Commodity prices are fixed by two methods. For goods produced by State industry (all industrial commodities), as well as a considerable proportion of agricultural products, which enter under the Government jurisdiction as taxes in kind or by contract with the collective farms, prices are fixed by the Government at every stage of trade. Furthermore, the Government levies a turnover tax on all commodities — the basic tax of the State budget.⁵ For the rest of the agricultural products, sold by the collective farms in the market, prices are determined by demand. The price level for the former group of commodities is fixed by the Government on the basis of cost and of fiscal and economic policy.⁶ But even the

¹ Cf. the article by V. PRONIN, Minister of Labour, on labour reserves (*Pravda*, 4 July 1946).

² *Bolshevik*, 1945, No. 21; *Pravda*, 27 Mar. 1946.

³ See *Spravochnik Gosudarstvennogo Obespecheniya Voenno - Sluzhashchnego i yego Sem'i* (Handbook on Government Care of Servicemen and their Families), Moscow, 1943; *Izvestia*, 25 July 1945.

⁴ Decree of 15 May 1946 (concerning free travel within the country beginning 1 June 1946).

⁵ Cf. M. BOGOLEPOV on prices in industry in *Planovoe Khozyaistvo*, 1936, No. 5; BIENSTOCK, SCHWARTZ and YUGOW, *op. cit.*, Chap. VI.

⁶ S. TURETSKI on socialist accumulation in *Planovoe Khozyaistvo*, 1939, No. 3.

prices of goods on the collective farm markets are subject to the Government's influence, for the Government is the largest buyer and seller.

Thus, the influence of market factors is almost entirely abolished with regard to the vast majority of products. They do have a slight importance with reference to a small part of the collective farm products, being the barometer of the degrees of satisfaction of consumer needs. Of course, even in the U.S.S.R. the Government cannot fix prices arbitrarily, however; as experience has shown, the Government can rationally fix the price level of a country by taking into account the growth of production, the cost levels, and the needs and purchasing power of the population, and by the regulation of currency issue.

Post-War Price Policy

What, then, is the price policy during the period of reconversion? The country has a vast unsatisfied demand and a relatively small quantity of goods. Under the free functioning of the laws of supply and demand the prices of consumer goods would rise and inflationary phenomena would make their appearance. To prevent any such development, the Government has retained rationing, and simultaneously stimulated the production of scarce commodities. Three times during the reconversion period, the Government has actually reduced prices on all basic consumer goods. In June 1945, food prices were cut by 6 per cent., and the prices of unrationed products by 15 per cent. In November 1945, bread prices were lowered by 25 per cent.; and, in February 1946, the price of bread was reduced by 40-65 per cent., sugar by 50 per cent., meat by 10-20 per cent., milk by 10 per cent., cigarettes by 40 per cent., and so forth. Finally, since 1 July 1946, according to the Decree of the Ministry of Trade, prices of industrial consumer goods have been lowered on an average by 40 per cent. Thus, the prices of textiles and clothing are reduced by 38-50 per cent.; footwear by 40 per cent.; soap by 46 per cent.; paper by 35 per cent.; dishes by 54 per cent., and so on.¹ These measures have substantially raised the level of real wages of the working masses of the cities and villages, and were achieved without increasing inflation.

In May 1946, the Government launched an internal loan for 20,000 million roubles — the first loan to finance restoration and reconversion.² This measure freed the Government of the need for an excessive currency issue, which might upset the circulation equilibrium. It must be remembered, however, that

¹ Decree of the Ministry of Trade, *Pravda*, 30 June 1946.

² Decree of 3 May 1946.

under a planned economy it is easier to combat inflation, the manifestations of which are different from those in countries existing under a market system.

RATIONING

In the pre-war years the supply of products for the people's needs was on a relatively high level. It was carried out by the Government stores and collective farm market. The Government stores sold goods to all, without rationing, at fixed prices, and the collective farm markets sold chiefly food products at free prices, which were higher than those in the Government stores. The war compelled the introduction of a strict rationing system. The citizens were divided into categories by age, strenuousness of work and its social usefulness (class and differentiated rationing). A ration norm was established for each category. The size of the rations was rather small. Clothing, underwear and footwear were distributed to the civilian population rarely and in very small quantities.

On 15 April 1944, the Soviet Government introduced another method of supply, supplementing the first. Commercial Government stores and restricted distribution centres were established in the cities.¹ In the former, goods could be bought by all citizens at high prices; the latter were open only to specified categories. Thus, there were distribution centres for workers in tank factories, for actors, etc. In addition, trade was allowed on the collective farm markets, where prices were specially high. In this manner, the Government assured the population of a minimum supply of necessities through the rations, and what was obtained beyond that depended on the population's earnings.

In organising the commercial stores, the Government was prompted by the following basic considerations. By creating these stores, the Government gives the well-paid groups of employees and workers an opportunity to satisfy their wants; furthermore, thanks to this system, they achieve this within the framework of the Government trade network and thus do not have to resort to any speculative black market. The Government is interested in satisfying these needs, since the high salaries paid to engineers and skilled workers, the premiums to Stakhanovites, the prizes for inventions, etc., lose all material reality if the money cannot purchase anything except the meagre general ration. The Government therefore stocks the commercial stores with better quality clothing, footwear, perfumery, foods, furniture, photographic apparatus,

¹ Cf. the report of A. LUBIMOV, *Pravda*, 22 Mar. 1946.

radios, and other products which are not produced in sufficient quantities for the whole population, but which may be sold for higher prices to highly paid employees and workers.

The Government's second consideration in organising the commercial stores is of a fiscal nature: by means of these stores it extracts from the well-paid groups their accumulating excess money. Under the Soviet selling-price structure, the "price mechanism" is the universal method by which the Government accumulates the monetary funds of the lower industrial and trade units, and primarily those of the population. In the Soviet budgetary system (1937-1941) the turnover tax yields over 60 per cent. of the entire revenue, and the tax on the profits of industrial and commercial undertakings over 10 per cent.; thus, these two taxes yield over 70 per cent. of the total revenue budget. Therefore the restoration of the activity of commercial stores with their high prices is of tremendous significance to the Government, being one of the most important methods of regulating purchasing capacity and the population's monetary accumulations.¹

After the end of the war, the Government immediately adopted measures to expand the production of articles of mass consumption. Later it increased the population's rations. When it succeeded in achieving steady growth in the output of mass consumption products, it reduced prices, as we have indicated above, both in the commercial stores and in the distribution centres. The increase of output and the reduction of prices in Government trade induced the collective farm markets to lower their prices as well.

The Government plans to achieve improvement of the general welfare by liquidating rationing, expanding the output of necessities and regulating the purchasing power of the people. It is expected that "in comparison with 1940, retail turnover will rise by 23 per cent. for food products and 36 per cent. for industrial goods". "Total earnings will reach 252,000 million roubles by 1950", i.e., they will rise by 26 per cent., and "the average annual earnings will rise to 6,000 roubles".²

CONCLUSION

Reconversion in the U.S.S.R. is carried out according to plan. A considerable part of the national income, which in wartime was used for war needs, has since the beginning of reconversion been

¹ A. YUGOW: *Russia's Economic Front for War and Peace* (Harper Bros., New York, 1942); L. E. HUBBARD: *Soviet Trade and Distribution* (The Macmillan Company, New York, 1938); *Pravda*, 22 Mar. 1946.

² *Pravda*, 10 Feb. 1946.

applied towards expanding production and raising the living standard of the labouring masses. Reconversion is not accompanied by the struggle of various social classes for their share in the division of national income. Full employment is assured as a result of the rapid tempo of economic development. The Government guides the execution of economic plans not by indirect pressure through market factors, but by the direct management of undertakings, organs of distribution, transport, etc. In contrast with other countries, the U.S.S.R. suffers not from a surplus, but from a shortage of workers, especially of trained workers. Therefore all measures of the Government in this field seek to draw a maximum number of new workers for industry from the villages, to achieve a planned distribution of workers in the various branches of industry, and to create new cadres of engineers, technicians and trained workers.¹

¹ We have omitted from the present study the question of Soviet foreign trade. To most countries foreign trade is of considerable importance for the assurance of "full employment", since in "excess-saving countries" exports provide additional work for industrial undertakings, while "devastated and underdeveloped countries" can obtain the necessary equipment, raw materials and foodstuffs on short order only through imports. In the U.S.S.R. the situation is different. Full employment is already assured by domestic production and consumption. While the extent and character of Soviet foreign trade may have considerable effect upon the employment levels of countries trading with the U.S.S.R., this question lies outside the scope of our theme.