

THE FIRST "FIVE-YEAR" PLAN IN RUSSIA

" . . . Against the doctrine of 'permanent revolution', expounded by . . . Commissar of War Leon Trotsky, Stalin expounded his doctrine of 'Socialism in One Country', a . . . formula which affirmed the possibility of 'building Socialism' in Russia whatever the Western Europeans might or might not decide to do. His doctrine gained the day . . . Acceptance of Stalin's doctrine was the ideological preliminary to the large-scale planning and construction during the Five-Year Plan that was to follow. . . .

The Gosplan was instructed to prepare a long-term plan to last for five years. This was prepared in two versions, a less optimistic one and a more optimistic. The two variants projected the same general programme, but rested on different assumptions; the less optimistic would accomplish as much as the more optimistic, but would take about a year longer. The Party adopted the more optimistic version, which was entitled the Five-Year Plan (*Pya-tiletka*) or now in retrospect the *First* Five-Year Plan. A period of five years was chosen because average agricultural results could then be expected; because such a period should be long enough to complete all but very large new projects; and because it was long enough for contemplation of real shifts in resources and substantial output increases.

To secure the country's defence, and as a basis for developing other branches of industry and of agriculture (really, for the quintessence of the reasons that shaped the decision in favour of industrialization), heavy industry was to be developed as a first priority; although the outputs of light industry and of agriculture were also intended to increase. Agriculture was to supply manpower to the factories, exports to pay for imports of foreign machinery, and greatly enlarged quantities of foodstuffs to feed the bigger industrial labour force. Labour productivity both in industry and in agriculture was supposed to rise sharply. There was little reason to expect these latter hopes to be fulfilled.

The main effort was expected to be in the field of capital investment. The paramount need for capital investment was considered so obvious that there was no need to demonstrate it. As foreign

loans on a large scale were not expected—this is before the era of international economic aid—and in accordance with the doctrine of 'Socialism within one Country', Russia was to provide from its own resources the capital required for development. However, no world economic crisis was foreseen, and the optimal variant presupposed a broad development of links with the outside world.

In the anticipated relations between industry and agriculture a deadlock was encountered. Industry could not be developed without an increased supply of food, while agriculture could not be developed without a growth of industrial production to supply it with agricultural machinery.

The gravamen of the issue involving agriculture and industrialization was, however, more deep-rooted. . . . After the Revolution the interrelations between the two main sectors of the economy had become still closer. In this context, the vital issue was whether agriculture could be relied on to deliver, and would in fact deliver, sufficient foodstuffs to the towns to satisfy the needs of what would necessarily be an expanding urban population.

It is not intended here to enter into the controversy over a comparison by Stalin of prewar and 1926/27 grain marketings. These were lower at the later date, perhaps 25 or 40 per cent lower, even if not the more than 50 per cent lower that Stalin claimed. The reduction pointed in any case to a conclusion that adequate supplies would almost certainly not be available. If that were so, dare the government give the go-ahead signal? In such a situation, it would indeed be very understandable if the government exaggerated the quantitative gap, in order that the case for action should appear more overwhelming. In any event: Stalin claimed that the reduction in size of individual peasant properties was the reason for the decline in marketed produce, and deduced that they would have to be combined into larger collective units. As long as agriculture was fragmented, the government would not control the terms or the extent to which the peasants were willing to exchange their products for what the towns had to offer. Because of the anticipated concentration on heavy industry, the towns would have little to offer the peasants. But to implement its programme the Party needed, by one means or another, to be able to ensure food supplies for the towns, whether the peasants were willing to provide them or not. When, in Soviet economic history, a vicious circle is encountered, recourse is had to the government's power to alter the forms of economic organization. The means selected to ensure these supplies was collectivization, by which was meant:

1. The dispossession and deportation into the interior of the better-off groups of the peasants or 'kulaks' ('elimination of the kulaks as a class');
2. The merging of land and other means of production;
3. The creation of a relatively small number of large farms in place of the huge number of peasant holdings.

The organizations which extracted 'procurements' of grain and other produce from the peasants had already been streamlined and simplified. Whereas, when NEP was introduced, the peasants had been granted the right to dispose of their own grain, this right was

now (March 1928) abrogated. Measures were taken to isolate the richer peasants who had made good during NEP. The overcoming through government action of seasonal difference in prices

had helped the poorer peasants against the better-off ones. Other measures of inducement and pressure were employed. Goods funds were shifted about like armies. Kulaks were prosecuted and their grain confiscated. Illegal searches and other applications of force took place. The method of contracting (*kontraktatsiya*) began to be widely applied from 1928/29 onwards (peasants and government accepted varied mutual obligations to supply produce, seeds, etc.). This also served to emphasize the crops particularly required as industrial materials or for workers' supply. It acted as a 'bridge' leading towards collectivization.

Collectivization had begun earlier, but so far had been voluntary. In 1930 the decisive step was taken to make joining collective farms compulsory. In January 1930 the goals of complete collectivization within three years and of the 'liquidation of the kulaks as a class' were announced.

Forced collectivization was announced at a time of special stress in the implementation of the Five-Year Plan. This had begun well—the growth of industrial output was accelerating—but per head consumption had declined and the atmosphere of struggle, both of government against the peasants and in particular their better-off strata, and of combating obstacles to industrialization generally, was intense. The government had certain incentives to induce collectivization at its disposal, notably a certain number of tractors, to be released only for the use of collective farms (*kol-khozy*) and State farms (*sovkhozy*). It had stirred up animosity against the better-off peasants which had the most to lose by any agricultural upset. The Party's theory was: ally with the poorer peasants; neutralize the middle peasants; and eliminate the richer peasants. The administrative and propaganda machines were now turned against these latter. There ensued . . . process of Party-engineered invasion of the households of those labelled as kulaks (who themselves were not well-off by any Western standard); the stripping them of their belongings; their deportation eastwards. This was in mid-winter, when the Russian countryside is bitterly cold. The actual timing may have been decided because this would be a slack period for fieldwork, but surely the contribution that would be made by the climate to the discomfiture of what was seen as the class enemy was not disliked.

On March 1930 (three months after the beginning of forced collectivization), Stalin issued a statement entitled 'Dizzy from Success'. He said that there had been excessive haste and laid the blame on cadres (trained Communists) who had exceeded their orders—a distasteful subterfuge. Forced collectivization was halted. Peasants who wished were permitted to leave the collective farms, and very many did so. From 1930, collective farm markets (where prices were allowed to find their natural level through supply and demand) were permitted to function.

The course of collectivization was therefore erratic. A steep rise in the percentage of peasant households collectivized begins in the last quarter of 1929; then after Stalin's statement 'Dizzy from Success' there is a steep fall; then after a pause the upward move-

ment is resumed, this being achieved by less terroristic methods, for instance by penal taxation of would-be independents. By July 1932 60 per cent of peasant households were collectivized.

The economic effects of forced collectivization were far-reaching. Most visible now in statistics (data were not published at the time) is a catastrophic decline in numbers of livestock and horses. Everywhere the peasants killed their stock. This was probably due to a combination of sabotage; of a belief that the collective farm would not pay fair prices for livestock; a wish not to be classed as a kulak; and a naïve belief that the farm would provide whatever was needed. The scale of the decline is astonishing—it actually exceeded the livestock losses suffered during World War II. Between 1928 and 1933 the head of horses and pigs declined by more than a half; of sheep and goats by almost two-thirds; of cattle by almost a half. Official statistics state that total agricultural output declined by 23 per cent between 1928 and 1932. (According to the Five-Year Plan, it should have increased.) The output of livestock products took about ten years to recover even to the 1928 level.

A recent Soviet interpretation of the damage wrought by forced collectivization is as follows:

The reduction in the gross output of agriculture, and particularly of livestock rearing, was connected with crude mistakes and sharp turns in the carrying out of the collectivization of agriculture, which were evoked by Stalin's artificial forcing from above of the tempos of collectivization, which led to the replacement of organizational-explanatory work among the peasants by crude administerizing. Infringements of the Leninist principle of voluntariness in collective-farm construction evoked discontent among the peasants, especially among the middle peasants.

At the time, collectivization was hailed as a great victory. . . .

It is seldom that the possible courses in economics are so narrowly restricted, or their eventual full consequences so perfectly known, that a particular course of action can be positively identified as the single unique solution to a difficulty. Where such a course cannot fail to overturn the established economic structure of the largest sector of the economy, whatever else it may or may not accomplish, it is at the very least necessary to examine with great care whatever imaginable alternatives may exist and what would probably be the final results of one course or another. In the Soviet approach to collectivization these elementary requirements were far from fulfilled. The government decision to go for all-out collectivization was taken hurriedly . . .

The reason was, of course, that the decision was intended to serve a political as well as an economic purpose: to crush the peasant private sector and so complete the political consolidation of the régime.

In staging a massive reorganization of agriculture, the Bolsheviks were following in the footsteps of Tsar Alexander II and of Prime Minister Stolypin. But collectivization differed in two fundamental respects from these earlier reforms. Whereas these were undertaken primarily for the sake of their beneficial effects on agriculture itself, collectivization in so far as it had an economic objective was undertaken for the sake of non-agricultural sectors

—for the contribution which it was expected to make to industrial development. And whereas these earlier reforms rowed with the stream by creating more scope for individual initiative, by creating conditions in which the more ambitious and efficient could get ahead, collectivization, because it involved the uprooting and destruction of precisely the more successful farmers, had at least in its early stages a directly opposite and deleterious effect.

On many occasions then and subsequently collectivization has been presented . . . as if it were synonymous with mechanization. However, the equipping of farms with machinery proceeded much more slowly, and in principle the two processes are quite distinct.

Collectivization had profound effects other than the directly agricultural ones. One to which collectivization appears to have largely contributed was that urban unemployment disappeared. During NEP, unemployed registered at labour exchanges (which latter were mainly in urban areas) were quite numerous (about 1½ million), and their numbers were not showing any tendency to decline. From about April 1929 the number of registered unemployed began to fall away sharply, and on 9 October 1930 the People's Commissar of Labour announced that unemployment had disappeared and that payment of unemployment relief was to cease forthwith. Soviet statistical handbooks report that unemployment disappeared in the fourth quarter of 1930, and from that day onwards there has officially been no unemployment in the U.S.S.R.

The most commonly advanced explanation of this alleged disappearance (which, it is generally accepted, was not fictitious) is that the demand for labour expanded during industrialization. Certainly this was *one* important cause. However, probably a larger role was played by collectivization, as farmers who were working only temporarily in towns now returned to establish their status as members of the collective farm, to stake their claim to property looted from the kulaks, or to protect their families and secure their interests in a time of upheaval. Moreover, the farms themselves, since they were required to extend to dependants of collective farmers who were away working the same or better rights as those who remained behind, had an incentive to require working members of households to stay and work on the farm. Collective farms consequently discouraged their working members from going away to work. Acting in this way, the farms reassumed powers which the forerunner of the collective farm, the mir—itsself now superseded—had possessed. At the same time, collectivization prevented any escape *back* to the land by the industrial worker. It thus hindered labour mobility between agriculture and industry in either direction.

Another consequence of collectivization was a large expansion of forced labour. Dispossession of probably about 1 million kulak families may have resulted in the deportation of some 5 million people (the average peasant family had about five members) to various forms of exile, in part to forced labour camps. This movement doubtless gave a fillip to the development of sectors where forced labour could be most usefully employed (such as mining, and construction especially involving earth-moving), and to de-

velopment in the Far North and the Far East. Some at least of these schemes were flagrantly uneconomic, but owing to lack of data no complete history of forced labour can be written at this time.

No official mortality figures due to forced collectivization are available, but a Soviet demographer recently admitted that: 'at the start of the 1930s the radical breaking of the age-old order of peasant economy could not fail to react on demographic processes'. This means that more people than usual died while fewer than usual were born. The census results of 1939 revealed a deficiency of about 10 million persons, a loss which is partly attributable to forced collectivization.

Because of the halving in the number of horses—the main motive power in agriculture—industrial plans had to be hastily revised to enable the production of more tractors, while other changes had to be made in the direction of producing the equipment of larger dimensions required by collective farms rather than the smaller tools previously bought by small cultivators. Stalin reported that other diversions had to be made to build up armaments to counter an external threat from Japan. Large numbers of workers were taken on in the factories, while average labour productivity dropped.

As the wage bill mounted, especially in heavy industry, retail prices rose. According to Malafeyev, all trade price indices rose as follows: 1927/28, 100.0; 1928/29, 106.6; 1930, 132.0; 1931, 179.7; 1932 (first half), 251.8. There were sharp rises in retail prices on 27 January 1932. Prices of foodstuffs on the free market rose even more steeply—for the most important items, to 12–15 times the level of the fixed market price. Rationing in towns was introduced (1929–34), a maximum of about 50 million people—nearly one-third of the population—being included in the bread-rationing scheme. Real wages declined, as expressed in index-numbers, from 100 in 1928 to 88.6 in 1932. Owing to the derangement of agriculture in 1931 and 1932 the harvests in those years were bad, while in addition the grain collections were exorbitant; the consequence was famine conditions in some southern areas in the winter and spring of 1932–33 which doubtless contributed to the retardation of population growth. An area of the Ukraine and North Caucasus was placed under a form of martial law. Food shortages were further accentuated by increased exports, to pay for increased imports of industrial equipment necessitated by the investment programme.

While these damaging consequences were in preparation, during the first two full years of the Five-Year Plan, 1929 and 1930, industrial expansion had been accelerating. . . . This went to the heads of the Soviet leaders . . . stepped up the targets. The statistics were constantly being revised upwards. Naum Jasny has called this the period of 'Bacchanalian planning'. But the revised targets were not reached, and in 1932–33 owing to various reasons, including the famine, the momentum of growth fell off: gross industrial output rose by 22 per cent in 1930 but by only 5 per cent in 1933.

The Five-Year Plan was terminated prematurely at the end of

1932—after only 4½ years. It was claimed to have been fulfilled, as regards 'all industry', by 93·7 per cent. In spite of this apparently rather satisfactory outcome the general results were quite out of balance. Consumption per head had been supposed to increase, but actually declined sharply. On the other hand, heavy industry had in certain respects, especially engineering, developed faster than the Plan had expected. And this has turned out to be the usual pattern of Soviet plan results: heavy industry has received priority over the production of consumer goods. One's suspicions that plans are not by any means the only forces that govern the development of the Soviet economy are reinforced, and we shall revert to this problem.

The industrial results of the Plan were mixed. Coal, oil and iron and steel did not rise to the output levels planned for them. On the other hand, the outputs of machinery and of electrical equipment surpassed the Plan targets. According to official statistics, industrial gross output increased from 132 in 1928 to 267 in 1932 (1913 = 100), and thus approximately doubled. However, there are good grounds for supposing that the true increase in total industrial output is exaggerated. . . .

We may note . . . that local handicraft industry, which had been very important as late as the beginning of the century, went into a steep decline which in part offset the rise of large-scale industry.

During the Plan period six-sevenths of total investments in industry went into heavy industry. The orientation of investments was austere, the biggest share going into branches which would yield no immediate benefit. Producer goods were emphasized above all: for example, out of 24,065 motor vehicles produced in 1932, 23,845 were lorries. Certain quite new industries were set up (such as tractors and synthetic rubber), and a new 'metallurgical base' was established in Magnitogorsk in the Urals. In general, a foundation of heavy industry was laid which did prove to be indispensable later, in circumstances which were foreseen more accurately than is normal in international relations. However, this was secured at very heavy cost to many other areas of the economy, in disruption of social and economic patterns, of a slowdown in population growth, and generally in human hardship and suffering. This is a classic case of industrialization at artificially pricked-on tempos, under orders from the State. The problems of industrialization, involving the construction of enterprises in untrodden regions, recruitment of new and untrained workers on a massive scale, the supposed necessity to synchronize industrial and agricultural reorganizations, were more acute at this time than ever before or since.

Other organizational changes affected labour, trade and finance, while simultaneously there was an upsurge in foreign trade. All this contributed to organizational tenseness: the period was hard on the nerves, which perhaps helps to account for some aberrations in behaviour displayed later on, during the period of the purges. It was also an epoch which demanded—and evoked—heroic deeds and great sacrifices. In Soviet experience it is a unique period, and it cannot be paralleled in the experience of any other country. None had adopted the Soviet choice of priorities in

economic development; Soviet circumstances were exceptional, but in view of the Soviet experience, none will adopt it.

One should avoid concluding that growth rates rose during the Plan. Actually, they fell Although the industrial growth rate speeded up in 1929 and 1930, this was from a low starting-point. In percentage terms the NEP period recorded more impressive progress than the Five-Year Plan, but it had the easier and less complex task. One must also make the following qualification as regards the effort required in industry during those years, that many hands tended to make lighter work. The working day had been *reduced* in 1927 to seven hours, and was not increased again, and then only to eight hours, until June 1940. The 'shift coefficient' (the average number of shifts worked per 24-hour spell) in industry generally rose from 1.2 in 1927 to 1.6 in 1931.

Throughout the NEP total imports of producer goods had been on a lower level than in 1910-13. An important contribution to implementation of the Plan was made by imports of machinery and equipment.

The Plan was accompanied by changes in industrial organization. In 1929 (by a decree of 5 December) more emphasis was put on the plant or enterprise, as distinct from the trust, as the basic unit of industrial administration. In 1930 the Supreme Economic Council (VSNKh) was reorganized. In 1932 it was dissolved. Its place was taken by three 'people's commissariats' of heavy industry, light industry and timber industry. From then on the number of people's commissariats grew. As a rule, each one was made responsible for a particular 'branch' of industry; there was no single formula for defining 'branch', but type of final product was the normal criterion.

As long as VSNKh survived the Gosplan could concentrate on long-term planning. It had now in addition to hold the balance between newly created branches of industry, each of which was competing for available supplies and for more than its fair share of investment funds.

The Gosplan was expanded, and began to resort to a method of priorities.

A system of materials allocation grew up. From 1927/28 onwards categories of consumers were gradually exempted from the common pool of the mass market, and goods funds were allocated to these categories. By 1933 the 'mass market' had shrunk to a single clause in a heterogeneous assembly on the same footing as the GULAG (Chief Administration of Camps—a forced labour organization—21 May 1933), and the OGPU (secret police). Allocation was necessitated by the shortage of materials. In engineering, for example, three main production sectors received priority supplies: equipment for ferrous metallurgy, for rail transport, and the established programme of mass consumption goods; some other branches such as agricultural machinery received supplies matching their programmes, while all other branches shared what was left.

In contrast with earlier practice, the Five-Year Plan proposed building specialized factories which were to 'co-operate' with each other: for instance in engineering, automobiles, electrical equipment. One of the features of the period was the beginning of construction of large combined projects, which would involve the

co-operation of major industrial branches. The Urals-Kuznetsk combine (the building of coalmines in the Kuznetsk basin and metallurgical works in the Urals) is the best example of this kind of combination, whose characteristics included: very large size signifying a more complete utilization of raw materials, the linking together of a number of productive stages, and the fact that such a combination might transform the whole life of a region, attract new industries. However, extreme specialization in manufacturing proved to be difficult to attain. Never popular with industrial executives, who had actually to procure the supplies which the planners could assume would be available yet could not assure, the policy of specialization and co-operation found it hard to make headway against the long-standing tradition of maximizing self-sufficiency. In metallurgy, for instance, 1932 was the watershed: experience showed that factories which had not aimed at self-sufficiency paid for it with lower construction tempos, and industrialists drew the conclusion which economists were reluctant to admit, until it was underlined by wartime experience.

Many factories were built on a larger scale than the original plans had allowed for. Construction was sometimes begun in advance of detailed plans, as this helped to ensure that funds would be released. Many existing factories were greatly enlarged. The attempt to do everything at once could not succeed, and a substantial backlog of unfinished building, and of other unfinished business, was left. . . . "

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