The Soviet planning process for rapid industrialisation

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A. AN OUTLINE OF THE SYSTEM

Our first article established that the Soviet government set itself the objective of a more rapid rate of industrialisation, with a greater investment in capital-consuming industries and processes, than could be achieved within the framework of the market economy of the 1920’s. It was shown that the main objective was achieved, but with a much slower increase in living standards (consumer goods, agricultural output) than had been intended. To enforce its priorities, the Soviet government abandoned the major assumptions of its earlier policy:

1. A market relationship with the peasant was replaced by administrative or coercive control over his output. The centres of economic and political resistance in the rural commune were destroyed, and hundreds of thousands of “kulak” families were expelled from their home villages. Twenty-five million individual peasant farms were combined into 250,000 collective farms (kolkhozy), one or several to each village. The old boundaries and strips were destroyed, and most land and cattle were pooled and worked in common. Agricultural machinery was gradually made available from several thousand state-owned Machine and Tractor Stations (MTS). The kolkhoz was required to supply a substantial part of its output to the state collection agencies at low fixed prices in the form of compulsory deliveries. These supplies were then used by the state (i) to make available a minimum amount of foodstuffs to the growing urban population; (ii) for export. Exports of grain fell from 9 million tons in 1913 to 2 million tons in 1926/7 and 178 thousand tons in 1929: they rose (temporarily) to 4.8 million tons in 1930 and 5.1 million tons in 1931, and this increase was used to pay for imports of equipment and industrial materials. In the new circumstances, the “right-wing”

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1 This is the second of a series of three articles on Planning in the USSR, based on a lecture course given at the Institute of Social Studies, The Hague, Holland, and in the Centre for Russian and East European Studies, University of Birmingham, England,

2 *Economics of Planning*, No. 1–2, 1965, pp. 74–86.
“Sokol’nikov solution” was thus utilised; but with a far more drastic exploitation of the output of the peasantry than the “left-wing” Preobrazhensky had anticipated (for Sokol’nikov and Preobrazhensky, see the first article in this series).

2. Inflation was permitted to develop: the wages of the expanding industrial and building labour force were partly met by increasing the flow of paper money. Prices began to rise, but the inflation was partly repressed through price control in both the producer goods market and the retail market (private shops and trading agencies were taken over by the state to facilitate this). For several years (1929-1935) a rationing system was introduced in the towns, supplemented by state sales of goods above the ration at high prices. In this way, the available supply of consumer goods and foodstuffs was distributed over the old and the new urban population, and consumption per head in the towns was forced down. This was then an extreme form of the “regime of economy”.

3. Within industry, the system of physical controls which had already existed during the 1920’s was greatly extended. Prices were fixed, and there was no market for producer goods: instead, materials and equipment were distributed to existing factories and new building sites through a system of priorities, which enabled new key factories to be built and bottlenecks in existing industries to be widened. The plan set targets for the output of major intermediate and final products, and the physical allocation system was designed to see these were reached.

To sum up these first three points: the policy of 1928-1932 enabled a new allocation of G.N.P. to be imposed on the economy. The discussions of the 1920’s had assumed that savings would be made by the state within the framework of a dynamic equilibrium on the market between agriculture and industry: this placed a constraint on the proportion of G.N.P. which could be invested, and on the allocation of that investment (investment in consumer goods industries would need to be sufficient to enable the output of consumer goods to increase at the rate required for equilibrium). Now this constraint was removed: urban and rural living standards could be temporarily depressed, and physical controls used to divert resources to the establishment of new capital-intensive industries and techniques which gave no return during the construction period, and were relatively costly in the medium-term. This method of obtaining forced savings through physical controls resembled the war-time planning controls used in capitalist economies to shift resources towards the end-