CHAPTER III

AUTHORITARIAN COMMUNIST PLANNING

OF

SOVIET RUSSIA
Karl Marx and, to a lesser degree, Frederick Engels, are usually awarded the palm as the founders of what is called Scientific Communism.

It needs be pointed out, however, that communism is not the original discovery of Karl Marx and Engels. In reality communism is at least as old as Plato. In "The Republic" Plato considered the feasibility of setting up an ideal State. In fact, he made an elaborate study of the ideal State in which communism was assigned a role of far-reaching importance.

Plato focussed his main attention on the governing class known as "The Guardians". This class was in turn divided into two groups - the Perfect Guardians and the Guardians per excellence, and the military class or the auxiliaries. Very often, however, Plato referred to both these groups as "Guardians". The larger portion of Plato's Republic deals with a consideration of the Guardians, the term being used in the broader sense -

(that
(That is inclusive of the perfect Guardians and the somewhat less advanced Guardians called the military class or the auxiliaries). The present study purports to refer to the communistic ideas above. He worked them out and indicated the necessity of their application to the "Guardians." Plato gave a vivid description of the Guardians' manner of life. Very pertinently he observes:

"In the first place, no one shall have any private property, unless it is absolutely necessary. Secondly, no one shall have dwelling place or store house which anyone who pleases may not freely enter. To supply the proper necessities of men who are warrior athletes, both prudent and courageous, they shall receive from the other citizens a fixed reward for their Guardianship, large enough to support them for a year and leave nothing over. They shall live in common, taking their meals at the public tables, as in an army. As for silver and gold, we shall tell them that they have the divin metals always in their hearts, given them by the Gods, and have no need of men's silver and gold; say, that it is an act of impiety to pollute their possession of divine gold by conjoining it with the mortal; for many unholy deed are done for the common currency, but the coinage in their souls is unsullied. They alone in all the cities are not allowed to handle or touch silver or gold, ought to be under the same roof with it, or hold it in their hands, or drink out of gold or silver vessels; this will be their salvation and salvation of the city". 1

1. A.D. Lindsay : The Republic of Plato. (Last Reprint 1961) p.102
The question arises whether it would be advisable to deprive the Guardians of personal property in the form of excellent and magnificently furnished houses. To this, however, Plato turns a deaf ear and goes on reflecting that the Guardians will "only get their food, and no wages in addition to it like the other citizens, so that if they want to travel at their own expense they will be unable; they will have nothing to give a mistress, no money to spend on anything, they may happen to want ........" 2

Plato deprives the Guardians not only of property but also of enjoyment of any kind. The severe character of his communism becomes more potent when he considers the mating of male and female guardians. Women are admitted to what Plato considers the dignified status of guardianship. But at the same time he disallows only private marriage between male and female guardians. He proposes what is known as the "Community of Wives".

Ignoring the details in this connection, the broad fact remains that the rulers and the military men of the State are subjected to poverty and hardship. In sum, they are denied practically any kind of pleasure. Their sole concern was to devote themselves whole heartedly to the business of the proper management of the State.

Sir Ernest

2. Ibid; p.104
Sir Ernest Barker has carefully evaluated Plato's peculiar ideas in respect of property. It is the latter aspect of the matter with which the present study is practically concerned. In reference to Plato's idea in this regard, Barker points out that he (Plato) "invents a new social order, under which the governing class surrenders both family and private property, and embraces a system of communism". Aristotle had occasion to criticize strongly Plato's theory of communism. Barker, however, puts Plato's theory in perspective by making certain observations which he supports with relevant quotations from Plato's writings. Barker writes: "If we turn to Plato's own position and seek to apprehend the balance of his own convictions, we cannot for an instance doubt that communism is only a material and economic corollary of the spiritual reformation which, first and foremost, he sought to achieve. A really good education, he holds, furnishes the best safeguard of the State's unity if our citizens are well-educated they will easily see their way through other matters, such, for example, as marriage, the possession of women, and the procreation of children". In spite of Aristotle's criticism, it cannot be doubted that it was primarily by spiritual means that Plato sought to regenerate man and society. Barker's further remarks in justification of Plato's communism deserve a serious notice: "He (Plato) believes communism of property to be necessary.

4. Ibid: p.239.
necessary, for the simple reason that the union of political and economic power in the same hands is proved by universal experience to be fatal to political purity and political efficiency." 5

Communism that Plato proposes for the Guardians is, indeed, of a strange character. "The Guardians to whom the system applies are distinguished from the rest of the society by being partners in poverty. Property they have none. Neither individually, nor collectively, do they own a single acre: the land and its products are in the hands of the third estate of farmers. They (Guardians) have no houses: They live 'encamped' in common barracks, which are always open and public." 6

Barker vividly brings out the difference between Platonic communism and Modern Communism or Socialism. A few quotations from Barker's book will go a long way in clarifying the point. Says Barker: "Without land, without houses, without gold or silver, the Guardians are to live on a salary paid in kind by the farming classes according to a regular assessment, a salary paid year by year, and consisting of such necessaries as will suffice for the year. These necessaries are not divided among the Guardians for private consumption: they are to be consumed ------- at common tables". 7 It is, thus, a strange socialism that differs from modern socialism, "for it is

5. Ibid.; pp. 243-244.
6. Ibid.; p. 245
7. Ibid.; p. 246
a socialism in which, limited as are the divisors, the dividend is still less". He observes further:

"Platonic Socialism, it is obvious, is a way of asceticism, here again, it parts company with modern socialism. The modern socialist, whatever the ultimate importance he may attach to 'Community of Education' and the spiritual emancipation of the working classes, starts primarily from the goods of this world, and, assuming their desirability, he advocates a juster division of those goods for the sake of a more general difference of happiness which they can give more than once the question occurs in the Republic whether the Guardians, who are placed under this system are not been condemned to forfeiture of happiness. Plato's point in favour of his Communism is: "the general welfare of the State that counts; and that, for the sake of that welfare, the Guardians must be compelled or induced to their work in the best way, even if, in order to do that work in that way, they must lose the things which most men most desire".

Yet another point of difference between Platonic Communism and Modern Communism or Socialism has been aptly emphasised by Barker: "While Plato a political aim, which issues in some thing of an economic programme, modern socialists are primarily concerned with an economic programme, on which, their political aims are consequential. Their

8. Ibid. 9. Ibid: p. 246
10. Ibid
Their primary and economic object is the socialisation of the means of production; their consequential and political aim is the control of such socialised property by a democratically organised State. They desire to rectify what they conceive to be the inequality and injustice of the existing scheme of distribution, which is based on private capital, by nationalising capital and transferring the control of distribution from the private capitalists to the State.

The whole community must own the means of production; the whole community must control, through such ownership, the methods of distribution.

In this regard Plato's communism is poles asunder. Plato is concerned only with the product; even of that he would socialise only part - the part to be paid annually to the Guardians by members of the third class, who, so far as we may speak of capitalists, are the capitalists of his State. This is, because, his scheme of communism is secondary, and not, like that of the socialists (Modern), prior to his scheme of Government, and because his scheme of Government is not democracy, but an intellectual aristocracy.

In a sense, however, Plato's communism does not go the whole hog. It is rather a sort of half-communism. His is a communism that is not meant for the whole society. It seeks to bring in its ambit only a particular part of the society, i.e., for the Guardians only.

Ancient

11. Ibid; p.247 (Here Barker is thinking in terms of Democratic Socialism and not in terms of Marxian Socialism which envisages the dictatorship of the proletariat).
Ancient communism of the Platonic variety received a death-blow at the hands of Aristotle, the pupil and philosophical successor of Plato. Aristotle made no bones about delivering a diatribe against his master's communism. To Aristotle the problem presented itself as a question of sharing of goods and families among the members of the association. The basic issue, in brief, boiled down to: "what are the things in which the members of a political association are associated and what is the extent of their association". Barker says that in the opinion of Aristotle three alternatives are worthy of consideration: "All the citizens must have all things in common; or they must have nothing in common; or they must have somethings in common and others not. The second alternative — that they should have nothing in common — is clearly impossible; the constitution of 'Polis' involves in itself some sort of association, and its members must initially be associated in a common place of residence".

Aristotle sums up Plato's communist theory as follows: "It is certainly possible (to adopt the first alternative, i.e.) that the citizens should share children, wives and property with one another". Aristotle proceeds to criticize this scheme of Plato but this aspect of the matter is not within the scope of the present dissertation. Modern Communism has, in fact, nothing to do with this.

16. Ibid.
An examination of Aristotle’s criticism of Plato’s theory of ‘Community of Property’, is, however, germane to the study in hand. Barker points out that, according to Aristotle, there are three possible systems of property. In the first place, both ownership and use may be common. Secondly, ownership is private and use is common. Thirdly, there may be private ownership as well as private use of property. This last system has nothing to do with communism. The first system suffers from serious defects. Human nature being what it is, does not approve of common ownership and common use. Every man has an inherent desire for private ownership of property. Of course, a lot may be said in favour of second system under which ownership is private and use is common. It gives more pleasure and it encourages greater goodness. On the whole, however, Aristotle is opposed to Plato’s scheme of ‘Community of Property’.

John Stuart Mill in his essay on "Representative Government" made an interesting comment on communism: "I have no difficulty in admitting the communism would even now be practicable among the elite of mankind and may become so among the rest". Despite this opinion of his, he adds that it may not be acceptable to most of men. He refrains from entering into any elaborate discussion of communism.
For many centuries the term 'Communism' referred to the pooling of property, usually in consumption goods, by a group of people working within a given social system and order. It may be noted here that 'Communism' in the sense of collective ownership of property existed for a part of the ruling community in Sparta. The idea of communism as a Community of Property for all and as a whole social system and order was developed in Sir Thomas More's Utopia, (published in 1516). It is for the first time that More dwells at length on the ideal of common ownership as the basis of society's whole system of production and distribution.

A discussion on Modern Communism or the Scientific Theory of Communism advocated by Karl Marx and Engels will be taken up in due course.
THE INDUSTRIAL REVOLUTION
AND
THE GROWTH OF THE FACTORY SYSTEM

The chief interest of the present work lies in the development of authoritarian planning system in Soviet Russia. The background of this discussion comprises the large scale mechanised industry, mechanised agriculture, and the system of transportation. Before the 19th century most Europeans, as most of the peoples of other countries, lived in rural communities, worked on farms and been agriculturally minded. 1

The mode of living in Europe, however, underwent a far-reaching change from about the last quarter, or perhaps, from 1750 onwards. The change was so widely applicable that it was characterised as the "Industrial Revolution". Some writers have preferred to use the term 'industrial evolution', because there was no chaotic development but a natural process of growth. 2

England was the pioneer in the process of industrial revolution. There was a series of mechanical and chemical inventions which chiefly affected the cotton

1. Karlton J. H. Hayes: Contemporary Europe since 1870, p. 2 (1964)
2. Ibid, pp. 3-4.
cotton industry. The flying shuttle was invented by John Kay in 1733; the spinning jenny by James Hargreaves in 1769; the power loom by Edmond Cartwright in 1785; and the various chemical, bleaching and chemical-dyes came into use before the commencement of the nineteenth century.

Metallic industries also developed more or less during the same period. The mining of coal in England had started in the sixteenth century. English iron production increased considerably as a result of the utilisation of Darby's coke blast process. To these were added James Watt's steam hammer, Huntsman's steel process (1740), the hot blast (1828), etc. The noteworthy changes in the nature began from the eighteenth century and continued till the early part of the nineteenth. The power used first was the physical power of man himself, then the power of animals, e.g., mules. The power of wind and the power of water were used in succession or in combination. But a remarkable revolutionary change followed the invention of the steam engine by James Watt. The said engine was harassed to industrial use from 1776 onwards. In 1814 George Stephenson successfully introduced the use of the locomotive. P.T. Ellsworth says: "The mechanical inventions in the textile and iron industries, the chemical discoveries in the use of coal and the manufacture of iron, set in motion a technological revolution, a revolution that was to alter completely the physical bases of industry". 3

There were various reasons for England's pioneering work in bringing about its far-reaching industrialisation. "England was well-endowed with just the resources needed for industrialisation. Its climate was damp enough to be highly suitable for mechanical spinning and weaving. Its water-power was ample. More important, England was abundantly endowed with iron and coal." 4

In regard to transportation also England had considerable advantages. Ellsworth's observations have brought about these advantages adequately:

"With its many ports and extensive shipping, England was well-equipped, by the 18th century for sea-borne transport. Then, during the later half of the century England modernised its mediaeval inland transportation by the construction of a network of roads and canals. Since no part of the country is much more than sixty or seventy miles from salt water, these roads and canals soon put many inland towns in a position to share directly in the growing British trade". 5

Above, everything else, England developed, obviously to her huge advantage, a large market by gradual stages. The Union of England with Scotland in 1707 extended the market for English goods all over Britain. The advantage in this respect became all the greater when Ireland was united with Great Britain in 1800. Then by a double process of colonisation.

4. Ibid; p. 6
5. Ibid; pp. 6-7
colonisation and conquest, England expanded her markets to America, to Africa, and to Asia. By about 1830 England had completed her industrial revolution. The factory system of production followed in its wake. What happened in Britain was repeated in European continents, particularly in France and Germany between 1830 and 1870. During the same period there was a considerable development of both agricultural and industrial productions in U.S.A. as well.

The factory system of production brought into greater prominence the system of capitalism which became the target of criticisms at the hands of socialist thinkers. Before any consideration of the reactions of socialists, an objective estimate of the capitalist system by the distinguished historian J.S. Hayes is worth noting. He observes "capitalism had long been an important feature of European economy, but prior to the 19th century it was managed and directed by landed nobles, and upper middle class persons, whose activities did not radically undermine the traditional society of Europe. This was still a society of landlords and peasants, of bourgeoisie and artisans; and the capitalism was mainly agricultural and commercial in source and use. It is true that capitalism had been applied, fairly early, to the 'heavy' industries of mining and metallurgy, which were owned by wealthy employers and manned by wage-earners who were neither farmers nor guild artisans, but such industries were exceptional."

"It
"It is also true that throughout the 19th century there was a notable growth of a kind of industrial capitalism in the form of 'putting out' and 'domestic' systems, in which an employer furnished raw material, such as wool for instance, to peasants to work up for a wage and then sold the finished products for profit to himself. Yet under these systems, peasants did the manufacturing in their own homes and in combination with farm work. And in most industries a premium was put upon skilled artisans, while in most countries guild regulations about apprenticeship were respected. Then came a fundamental change. This is also best described in the words of Hayes: "The development of industrial machinery, say in England at the close of the 19th and the beginning of the 20th century, sharply altered matters. It greatly enhanced capitalism and gave it a distinctively industrial character. Most of the new machinery was far too expensive to be owned by peasants or artisans and much too cumbersome and complicated to be housed in their cottages or operated by them without Superintendence. Hence, it was purchased by wealthy men or by 'promoters' with the backing of wealthy men and it was installed and operated in special buildings, factories or foundries - which the same wealthy men put up and to which they could bring numerous workmen to tend the machines under expert central guidance."

"In other words, the factory, the factory (or mill) came with industrial machinery only with the

6. Ibid; p.25
the advent of much machinery at the end of the 18th century did the factory become a common and usual centre of individual production. Thereafter, we may speak of a factory system prevailing in the 'great industry' and carried on by machines in capitalist's factories. It was obviously very different from domestic system. For a long time the new factory system and the old domestic system existed side by side. But in measure as an industry has been mechanised, the factory system has tended to dominate and then to supplant the domestic system. 7

Ogg and Sharp have analysed the causes of the rise of the factory system and indicated its adverse effect together with its compensating advantages. They have also pointed out that the great inventions were responsible for both the industrial revolution and the growth of the factory system. Before the rise of the factory system, tools and machines were used and operated by the workers themselves either in their homes or in a separate establishments. The distinguishing feature of what was called the 'domestic system' was the subordination of tools and machines to the workers.

This relationship was reversed by the factory system under which there was a subordination of the worker to the machine. According to Ogg and Sharp, the factory grew side by side with the domestic system. Even to this day the domestic system prevails to some extent.

extent. Round about Birmingham there are still villages in which small articles of hard-ware are manufactured by the villagers. Nevertheless, the domestic system has almost dwindled into insignificance in comparison with the great expansion of the factory system. To quote the remarks of Ogg and Sharp: "The domestic system has quite lost its hold upon the nation, and the emphasis of 19th and 20th century industrialisation is distinctly upon the factory". 8

A clear understanding of the nature of the factory system is imperative. In this connection, the observations of Ogg and Sharp deserve a careful study: "The fundamental feature of the factory system is the bringing together of large numbers of wage-earning workmen in capitalist-owned establishments where more or less costly and elaborate machinery is operated by water or steam power. Why the invention and improvement of spinning and weaving apparatus, e.g., should have led to the growth of textile factories requires only a word of explanation. In the first place, the new machines were, as a rule, too expensive to be bought and used by the cottage workman. The old spinning-wheel and the handloom had been so simple in construction, so easily obtained and so easily repaired.

8. Ogg and Sharp: Economic Development of Modern Europe (14th Reprint, 1959). (Let it be noted that in this content Ogg and Sharp are dealing with conditions in England which took the lead in industrial revolution. Further, it should be noted that when industrialisation took place in other countries of Europe the same trends and characteristics were noted.)
repaired that no labourer need be embarrassed by the cost of the tools of his trade. Crompton's 'mule' and Cartwright's powerloom, however, were expensive, even in their rudimentary forms and with their introduction the possession of some capital became for the first time imperative in textile manufacture. In the second place, it was almost impossible to operate the new appliances within the home. The machines were large, heavy running, and built for great output. They called for the application of water-power, or better, system \ldots\ldots\ldots where either sort of power was utilised at all, there was certain to be enough of it to run many machines, affording employment for numbers of workmen. Such an enlargement of the scale of industry within the home was obviously impracticable. The consequence was that the country abandoned home manufacture and became an employee in some centralised establishments where numbers of labourers worked regular hands under the control of their employers in buildings in which the requisite machinery was set up and the necessary power was provided. 9

Thus we find that the cottage workers and the artisans were deprived of their independence. They were more or less reduced to the status of slaves in the new large textile factories. They became what Marx later on called "the proletariat" who had nothing to offer save and except their labour power.

This

This change occurred not only in the textile industry but also in many other industries. The extensive growth of the factory system has been detailed by a writer as follows: "The typical unit of production comes to be no longer a single family or group of persons working with a few cheap, simple tools upon quantities of raw materials, but a compact and closely organised mass of labour composed of hundreds or thousands of individuals co-operating with large quantities of expensive and intricate machinery through which passes a continuous and mighty volume of raw material on its way to the consuming public." 10

The factory system as it developed at first had serious defects. In the first place, a thorough going differentiation of capital and labour was created. "The gildsman of medieval and early modern days was at the sometime an employer and a labourer. He gave employment to journey men and apprentices, but he worked along with his employees, and in his interests and daily life he had much in common with them. The something was usually true of the relation existing between the domestic manufacturers and the little group of which he was assisted. Under the factory system, however, the line was drawn sharply between the employer and the employed. The one not only supplied the raw materials but owned the buildings in which manufacturing was carried on and also the machinery used; the other merely worked for

for wages. Under these conditions the interest of the two tended to grow apart, and to become at times irreconcilable. Furthermore, superabundance of workmen meant low wages and long hours, and opportunity to rise from the labouring to the employing class was virtually non-existent". 11

The foregoing paragraph gives a graphic description of the evils of the factory system, but this description is neither complete nor adequate. There are other serious evils of the factory system noted by Ogg and Sharp who have not, however, advocated the socialist point of view. They have just given an objective analysis of the evil consequences which came in the wake of the rise of the factory system. The evils, they refer to are: "Another effect of the new system was to throw an unprecedented industrial burden upon women and children. Machines impose a discount upon muscle and skill. In consequence of the inventions, particularly those applicable to the textile industries, it became possible for women and children to do much of the work that formally had fallen to men; since the labourer of women and children could generally be had at less cost than that of men, the tendency was for men in large numbers to be thrown out of employment entirely. It came about that non infrequently, the normal relations of the home were reversed, wives and children becoming bread-winners, while grown men mainly sought employment of sank into contented idleness". 12 This was an undesirable

undersirable and ridiculous state of affairs, to say, the least. A long but vivid and dispassionate account owes to Ogg and Sharp who remark: "Men, women, and the children are thrown together in great establishments with few facilities for the preservation of health and comfort and none whatever for the exercise of moral control. Not all factory owners were men of avaricious and morally defective character, but the proportion was beyond doubt larger than it is to-day. Such was the zest attending the operation of the first great factories that small regard was likely to be paid to the welfare of the employees. Fifteen, even eighteen hours became a not uncommon working day. Unwholesome as conditions were apt to be in the factory, the state of the working people's homes was often worse. Whereas formerly the mass of labourers had lived in humble, but not necessarily unhealthful, country-dwellings and had worked largely in family groups, now they were gathered in congested districts in the great mill centres where housing accommodation were much of the time hopelessly inadequate. As late as the occasion of Queen Victoria, it appears that not less than one-tenth of the population of the great city of Manchester lived in cellars, which reeked with filth and bred perennial pestilence.

Compared with the lot of English factory workmen of seventy years ago, that of the American Negro slave in the same period was in many respects preferable. In contrast to the circumstances in which the Negro slaves of the contemporary period lived in America, the

13. Ibid. p.145.
the conditions of living of the factory employees in England have been clearly shown by Ogg and Sharp to be far worse. The comparative estimate, they offer of the manner of living of the Negro slave in America and that of the factory employee in England is worth recording: "The slave had at least an abundance of fresh air, substantial food, and hours for rest and recreation. The veritable realities of slavery were to be seen on every side in the traffic in orphans and pauper children by which the operations contrived, in collusion with the parish authorities, to keep up the supply of cheap labour for their establishments". 14

As against the evils of the factory system, some of its advantages have also been pointed out by Ogg and Sharp: "It is not to be forgotten that the rise of the factory system contributed enormously to the increase of the national wealth and provided employment, although for a time ill-adjusted, for masses of people who were losing their grip upon the soil". 15 The writers, however, ignore the fact that the benefit of an increase of the national wealth was confined to a limited group of people. The loss of the grip upon the soil by the peasants was due to the mechanization of agriculture and to the growth of the factory system itself. Ogg and Sharp continue: "In contrast with the domestic system which kept worked people apart, the factory system brought them together and afforded opportunity for them to combine for the promotion of their interest."

Under

Under the domestic system the trade union would have an impossibility, under the factory system which rose naturally to a position of commanding interest*. 16 In this connection also the authors are not alive to the fact that under the domestic system the workers were not subjected to hardship and suffering which they had to undergo under the factory system. They quote, however, from the writings of Cunningham: "In most of the machine industries, things have already so adjusted themselves that the remuneration of the workers is greater and the conditions under which he does his work is more wholesome than in the old days. It is not in the trades where machinery is used, but in those where there is little or none, that there is the greatest suffering at present". 17 Cunningham's description relates to the developed factory system which reflects the beneficial consequences of a great deal of factory legislation. It was the result of Government interference in industry in the broader interest of the nation at large. Ogg and Sharp describe the early phase of the development of industry in England in its characteristically true aspects. This phase of the factory development is of great significance at this stage of the present study.

J.H. Hays draws attention to two categories of machine-owning capitalists. Some of them who belonged to the upper middle class had already been enriched by the earlier commercial capitalism. By their ownership of

16. Ibid, p.145
of extensive estates as well as by their association with banks and their familiarity with joint stock companies, they were in a position to apply new machinery and new processes to coal mining and iron working". 18 The other class of capitalists are "machine-owning capitalists, however, were 'self-made' men, drawn from the lower classes, without previous name or fame. These came to the fore, particularly in the textile industry, by reason of inventive genius, and ability as 'promoters'. Arkwright, an ex barber was such a 'self-made man' and such to with the assistance of Matthew Boulton, was James Watt. In numerous like cases the 'self-made' man showed profits of factory production with an established capitalists' and often became an outstanding capitalist himself". 19

As capitalism developed, it assumed a more and more complicated character. To this also pointed attention has been drawn: "As time went on and the factory system became more complicated and specially as larger industrial enterprises, like railways were undertaken, the individual capitalist tended to play a less active role. Ownership of large scale industry passed from individuals and partnership to joint stock companies and operations, which entrusted the superintendence and dealing, even the management and promotion, to salaried employees and which contented themselves with floating the necessary loans (in the form of stocks or bonds and distributing ensuing with form of dividend or interests)

18. Hayes; op. cit; p.27.
19. Ibid, p.27.
among their directing officers and 'investors' outside. In this way, many industrial capitalists came to have no personal relationship with the business from which their profits were deprived. They were mere investors, delivering profits which they have obtained from one industry to a banker or broker for investment in another industry and receiving income, perhaps from several different industries, without serious expenditure of mental or physical energy on their part. There was of course a considerable element of gambling in this procedure". 20

F.T. Ellsworth's observations are, again, quoted here: "Urbanisation and the growth of an urban industrial proletariat were two of the social consequences of the Industrial Revolution. Still another was a tremendous increase in the importance of capital and the capitalist. Men like Arkwright, the cotton manufacturer and, like the iron masters Boulton and Wilkinson, were typical of the new 'captains of industry' who became the innovators, the entrepreneurs of the new age of iron and coal". 21 "... what made the innovating activity of this class of industrial capitalists possible was an inheritance of the previous century - 'the liberal' view of society that had arisen out of the constant pressure of business interests seeking to take advantage of expanding opportunities, and

20. Ibid, p.28
and out of the stimulus to individual freedom of thought and action furnished by the rise of scientific thought and the parallel decline in the hold of religion and authority". 22 Friedmann argues: "The Industrial Revolution greatly deepened the cleavage between the economically privileged and the economically underprivileged, ......... The growth of industry has led in all highly developed industrialized countries to the gradual depopulation of the country and the congregation of vast masses of people in cities". 23

22. Ibid, pp. 55-56.
23. Friedmann: op. cit; p. 61.
ATTITUDES OF ECONOMISTS DURING INDUSTRIAL REVOLUTION
AND AFTER
POSSIBILITY OF CAPITALIST PLANNING

The Industrial Revolution had a powerful impact upon the economic thinking of the so-called classical economists. In the period before the Industrial Revolution a school of economic thinkers flourished in France who were known as 'Physiocrats'. This school laid all the emphasis on land as the factor of production. Land had been endowed by nature with wonderful productive capacity so that it could produce all the good that was required for the sustenance of all classes of people. High praise was bestowed upon the bounty of nature as manifested in the productivity of land.

Before the Physiocrats there was another School of thought which was known as Mercantilist School. Its peculiar line of thinking was confined to the idea of a country consisted in gold and silver, and that it was right
right for every nation to increase its exports and reduce its imports so that it might have a favourable balance of trade which might enable a nation to receive the maximum possible quantity of precious metals. The underlying fallacy of this trend of thought was that every nation could not at the same time have a surplus of exports at the one and the same time. Possibly the Mercantilists thought that Europe should have a favourable trade balance at the expense of oriental countries. Even then there could not possibly be an incessant outflow of precious metals from the latter to the former. The main point sought to be emphasised by the Mercantilists was that the real wealth of a country consisted in gold and silver.

Lord Keynes recognised the decisive role played by the Mercantilists. In "General Theory of Employment, Interest and Money", he devoted quite a large bulk of a chapter to the Mercantilist theory. The fallacious thinking of the Mercantilists was thoroughly exposed by Adam Smith who pointed out that the wealth of a country consisted in various factors of production, land, labour and capital. To some extent, however, Adam Smith was still under the influence of the Physiocrats in that he thought that land had a special power of production. He also did not fail to recognise the importance of labour and capital. Keynes observes: "As for earlier Mercantilist theory, no intelligible account was available, and we were brought up to believe that it was little better..."
better than non-sense". A study of the observation of Keynes on Mercantilism may lead us to assume that many of his theories were anticipated by the Mercantilists. It is the considered opinion of Keynes, Schumpeter and other economists that any account of the evolution of the theory and practice of economic planning should begin with a brief discussion and evaluation of the ideas and theories of the Mercantilists and the economic theory that was framed and put into effect on the basis of these ideas and theories. The Mercantilists may be looked upon as the pioneers in the development of the concept of economic planning. Leslie Lipson's observations on Mercantilism deserve a special notice: "The new doctrines that emerged to supersede those of the Middle Ages, and that provided in economics a counterpart to sovereignty in politics, have been generally known since Adam Smith's critique as Mercantilism. In order to augment the national wealth, the Mercantile system considered it necessary to increase the volume of production and exchange, to which end the restrictions of the medieval order had to be modified or eliminated. The new philosophy held that a surplus of exports over imports was a sign of strength, the surplus being measured by the importation of bullion from the purchasing countries. Hence an inflow of gold and silver to replace an outflow of goods was approved as the sure index of a prosperous economy. The political implication, however, are relevant and important. The prime objective of policy, as it seemed to the Mercantilists, was the furtherance of national power.

power, and their emphasis was thus placed on national, in contrast to local or regional, interests. To this goal, so pre-eminently political in character, economic policy was supported to contribute. The means that the Mercantilist advocated, as distinct from the ends (that is, the stimulation of exports, and the desire to accumulate bullion), could, of course, be argued as essentially economic propositions. But the employment of such means led directly to political consequences - to trade wars, struggles for markets and for sources of raw materials, control of colonial settlements and the rest. Hence, under the aegis of Mercantilism, economics was necessarily the serving-maid of politics.

The difference between the medieval and the Mercantilist economics lay not in the latter's emancipation of the economic order from Governmental controls, but rather in its substitution of one type of Governmental control (particularly if nation wide in scope) for another. According to E. Lipson, the Mercantilist economy may be described as the "First Planned Economy of England".

At the same time the term 'Mercantile System' denotes "the system of economic and legislative policy based on the principle that money alone constitutes wealth". Many have misunderstood the concept of Mercantilism. Therefore, E. Lipson cannot help remarking: "For many decades it has been regarded as axiomatic that whole structure of Mercantilist doctrines and policy was grounded

3. E. Lipson: A Planned Economy or Free Enterprise (1944), p.43.
grounded upon a confusion of money with wealth. Yet it is, on the surface, a singular notion that a system of economic policy which endured for several centuries should have had its basis in pure phantasy; or that the business men of the seventeenth century should have entertained delusions about money and wealth which are patently absurd. It can be demonstrated that the bulk of Mercantilist thinkers or writers did not believe in the crude falacies generally attributed to them. They did not misconceive the true nature of wealth which they elucidated in comprehensive term 'as every kind of useful possession', nor were they ignorant of the true functions of money. A clear idea of the Mercantilists towards money is possible by a careful study and examination of the observations of J.M. Keynes. Keynes attempted to explore 'the element of scientific truth in the Mercantilist doctrine'. Keynes observed: "When a country is growing in wealth somewhat rapidly, the further progress of this happy state of affairs is liable to be interrupted, in conditions of laissez faire, by the insufficiency of the inducements to new investment. Given the social and political environment and the national characteristics which determine the propensity to consume, the well-being of a progressive State essentially depends on the sufficiency of such inducements. They may be found either in home investment or in foreign investment (including in the latter the accumulation of the previous metals), which, between

4, Ibid, p.45.
them, make up aggregate investment. In conditions in which the quantity of aggregate investment is determined by the profit motive alone, the opportunities for home investment will be governed, in the long run, by the domestic rate of interest whilst the volume of foreign investment is necessarily determined by the size of the favourable balance of trade. .......... Mercantilists were under no illusions as to the nationalistic character of their policies and their tendency to promote war......... Intellectually their realism is much preferable to the confused thinking of contemporary advocates of an international fixed gold standard and laissez faire in international lending .........." 5 E. Lipson remarks: "One object of England's first planned economy is the acquisition of precious metals". 6 According to E. Lipson, in the sphere of industry the avowed aim of the first planned economy (the Mercantilist economy) was to bring capitalism under control. Be it noted that the acquisition of precious metals was not due to any confusion of wealth with money but it was due to the apprehension of a shortage in the supply of money. At the hey day of Mercantilism, the shortage of gold posed a real problem. The Mercantilists were, therefore, believed to be deeply concerned with the prevention of the shortage of money. At the same time Mercantilists wanted to increase the quantity of money because they thought that a rise in prices was favourable to industry. E. Lipson, therefore, states: "In the sphere of industry the avowed aim of the first planned economy was to bring capitalism under control. The

5 Keynes: op. cit., p. 335-342
6 E. Lipson: op. cit., p. 42.
industrial entrepreneur was to submit to restrictions in six different ways. First, he was not at liberty to decide the terms on which he hired his labour since he was bounded by legal rates of wages. Secondly, he is not at liberty to expand or contract his demand for labour in response to a fluctuating market for his wares, since pressure was exerted on employers to keep their men at work. Thirdly, he was not at liberty to draw freely upon the available labour, since he might only employ trained workmen who had served an apprenticeship. Fourthly, he was not at liberty to manufacture his goods as he pleased, since he must conform to standard quality. Fifthly, he was not at liberty to determine the prices of all his products in accordance with laws of supply and demand or the rigging of the market, since prices were sometimes fixed by public authority. Sixthly, he was not at liberty even to carry on his trade in certain circumstances, since it might be put into the hands of the monopolists who would either refuse him the right to continue in business or exact from him oppressive fees for doing so. 7

E. Lipson observes further: "Our respect for the acumen of Mercantilist writers is heightened when we find that already in early seventeenth century they drew attention to the economic stimuli of an expanding economy". 8 The unemployment problem had been analysed by Mercantilist writers in an up-to-date manner. The Mercantilists deserve credit for their demonstration of sound commonsense in various economic problems, e.g., the problem of unemployment.

8. Ibid., p. 45.
unemployment etc. Nevertheless, they developed some crude theories. They condemned hoarding vehemently. They anticipated the modern theory of spending and saving. They were entirely in favour of an increased supply of labour. They thought that such labour might be fully utilised for the production of goods that might be exported on a large scale. Though the mercantilists gave a strategic importance to labourers, yet they maintained that high wages were not at all desirable in as much as the same would lead to idleness and sloth. But it is a well known fact that high wages sometimes lead to increased productivity. The mercantilists' principle to keep the labourers as poor as possible sounds rather strange. Their theories may, therefore, be looked down upon as crude in character.

The ideas and principles of Sir James Steurt are, according to Dr. S.R. Sen, a reflection on the culminating phase of mercantilism. The concept of State control and State regulation was clearly developed by Sir James Steurt. In Dr. S.R. Sen's opinion, Sir James Steurt was free from mercantilist illusions and fallacious notions. He acquainted his readers with a complete picture of planning. The type of planning he advocated conformed to the pattern of 'planning by inducement'. He took into consideration the possibility of a thorough-going, all comprehensive plan. He studied the plan of the ancient republic set up by Lycurgus in Sparta. He considered the plan to be the 'most perfect plan of political economy', which envisaged the scheme of wholesale State regulation of production and
and distribution. Dr. S. R. Sen states that James Steurt advocated a middle course between rigid planning and free enterprise system. Dr. Sen's remarks help clear the point: "It is, indeed, strange to think that the economic programme advocated to-day by so many as an alternative to both Adam Smith and Karl Marx is essentially not so very different from what Steurt was prescribing long before Marx or even Smith came into the field. Had not the brilliance of Adam Smith and laissez-faire spirit of the nineteenth century combined to cast him into oblivion, it is quite possible that the School of thought which Malthus, Malthus, Smith and Keynes took so long to build up might have been more rapidly developed".

James Steurt considered the danger of both over-population and under-population. He also pondered over the class distribution or the occupational distribution of population. To maintain the social balance between the different classes in the State, he thought it necessary "to draw up a census of occupations which would throw light on differential birth-rates".

He was, thus, an avowed supporter of a positive State policy in regard to population. Dr. Sen has observed unerringly that "such a large scale experiment at controlled breeding is surely beyond the dream of even the boldest of modern planners". He adds that Steurt paid his attention to the question of employment. He stressed the need for ensuring full and proper employment. For this, the first step to be adopted was to make arrangements for the number of farmers who could provide food for all the State. Dr. S. R. Sen; The Economics of Sir James Steurt (1957) p.153.
The important thing was to replenish the quantity of "agricultural surplus". It, therefore, needed the improvement of agriculture. Large-scale farming should be introduced. Self-sufficiency in food was desirable, if not essential. Manufacturers should be encouraged by all possible means. In an underdeveloped country the Statesmen should give incentives to industries by extending the home-consumption of their output and by excluding all competition with foreigners (by protective tariffs on export countries) and so on. In fact countries should be allowed to make high profits as a necessary incentive to their development. The Statesman should closely watch profits in different industries.

All possible steps were to be taken to maintain the price-level. Profits were to be curbed and regulated as much as possible. Wages were to be reduced without under-mining the efficiency of the working people. The State was to adhere to an active policy of subsidising industries which stood in need of such assistance. The State was to pursue this policy with a view to attaining the most desirable stage of flourishing foreign trade. According to Sir James Steurt, an advocate of controlled economy, the State was to play a directive role of major importance. He believed that the State could not interfere with the operation of national laws in any matter it liked. The purpose of State-control was to guide the economic laws along the right path. Sir Steurt sought to influence the laws of demand and supply by means of various indirect devices. He also championed the cause of both monetary and
and fiscal controls for the purpose of controlling the national economy. He regarded money as a powerful engine in the hands of the Statesman. There should be an elastic monetary policy, and, as such, credit and currency systems were to be developed on a sound basis. The supply of money was to be increased so that the rate of interest might be lowered. A low rate of interest was needed for the proper development of trade. He also advocated the use of taxation and public expenditure as instruments of control. The Government could control the exports and imports of the country in any way it liked. It could assist or hinder any industry by encouraging or discouraging the consumption of its products by imposing taxes. statesman could also pursue the public works policy.

Thus, Sir James Steurt might be looked upon as the advocate of a comprehensive plan of control and regulation. His principle was based on the edifice of general welfare. He held the view that all particular interests or group interests must be subordinated to the general interest of the community. Therefore, he observed:

"When the well-being of a nation comes in competition with a temporary inconvenience to some of the inhabitants, the general good must be preferred to particular considerations." 10

A few lines regarding the mercantilist philosophy from P.T. Ellsworth's book are apt and worthy of being noted. He remarks: "We can express the gist of the

Mercantilist

10. Quoted by Dr. Sen; op. cit; (Sen's book) p. 152.
Mercantilist philosophy by describing it as giving first rank to the goal of national power and adopting the regulation of economic life as the preferred means of ensuring the desired increase of wealth. Mercantilists also showed what is of particular interest to us - a common theory of international trade. This may be summarily stated as follows: that a nation could only gain through foreign trade if it had a favourable balance, or an excess in the value of exports over imports. French Mercantilism stressed the guidance and control of domestic industry. Policy in this field followed two principal lines: the deliberate encouragement of manufacturers, and the close regulation of almost every aspect of production. An example of crudeness in some of their theories has been cited by P.T. Ellsworth: "A rich nation and a poor people were not incompatible, but actually complementary. To such paradoxical lengths were they led by a short-sighted view of the nature of wealth."

Physiocrats, too, were the early founders of the classical tradition. They had given a clear picture of the economic role of the State but they had not evolved any distinct theory of development. They had visualised the whole economy as an agricultural one, relegating manufacturing industries to the background. They believed in the natural order of society, God-ordained, as it were, and meant for the happiness of humanity. It was the duty

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12. Ibid., p. 33.
13. Ibid., p. 36.
duty of man to realise it and to bring their life into conformity with it. According to Prof. Side and Rist, the natural order was one which seemed to be obviously the best to national, cultural and liberal man like the physiocrats. The physiocrats, evinced much respect for property and authority, which were for them the very foundations of the natural order. They took the view that the very essence of the natural order was that an individual's particular interest could never be isolated from the common interest of all, but the identity of the two was best assured under a free system. The main idea was that the movements of society being spontaneous and not artificial, there was no scope for state action. This was, in a nutshell, the case of pure and simple laissez-faire theory.

The Physicrat's stand point in relation to the time, place, and circumstances in which it developed deserves to be considered. Side and Rist do not regard the physiocrat doctrine of natural order as one of passivity or fatalism. It affords ample opportunities for individual efforts and fair play for everyone. The Government's main task would be to uphold the rights of private property and individual liberty by removing all artificial barriers and to import instruction in the natural laws of the natural order. This is the best possible explanation of the laissez-faire theory enunciated by the physiocrats. Their conception of a 'Natural Order' was, thus, utterly inconsistent with any notion of deliberate planning and state control. They gave

undue importance to agriculture but to-day much emphasis is laid upon industrialisation as a fundamental theory of the development of a State.

Adam Smith, the reputed economist, was under the influence of the Physiocrats in that he thought that land had a special power of production. However, he also recognised the importance of labour and capital. In a sense, he was the great philosopher of the Industrial Revolution. He was voluminous in praising the divisions of labour and the large scale production. He pointed out how inventions led to a greater division of labour and how at the same time the division of labour itself promoted inventions. He showed how large scale production was possible with the investment of capital on a large scale. It also made possible the production of goods at a lower cost. Adam Smith's proposition was that man is "led by an invisible hand to promote an end which was no part of his intention". He was the advocate of the spontaneous development of economic institutions. According to him, the economic world is the result of instinctive and spontaneous acts of many individuals, each pursuing his own interest. All economic institutions or systems, viz: the division of labour, monetary system, the market mechanism of demand and supply, etc., were the result of the operation of collective instinct. A distinguished critic has observed that Adam Smith was bitter and violent in denouncing the self-interest of the capitalist class, viz: merchants and manufacturers,
manufacturers, and he was more lenient with peasants and labour classes. He realised that the profit hunger of the capitalist class "conflicts with the public interest". To him profit meant "infamous covetousness". Adam Smith was a staunch champion of the competitive system. The monopoly system was very much against his grain. He felt convinced that competition answered the purpose of public interest because competition lowered the price and augmented the output. His criticism of monopoly capitalism might have led to the development of a policy of State control and direction in economic matters. But State control or interference appeared to him as much artificial as monopoly capitalism. Capital is, for him, the motive power behind any economic development—capital resulting from the individual acts of saving. He had a great faith in the regime of free-enterprise and competition in opposition to State control. He referred to what he called "the natural progress of opulence". According to him, "capitals are increased by parsimony, and diminished by prodigality and misconduct". He contemplated a continuous process of development. The surplus capital, he held, should be developed to what he called the 'carrying-trade'.

Adam Smith was quite alive to the distinction between the widening and the deepening of capital. He observed: "The annual produce of the land and labour of any nation can be increased in its value by no other means."

means but by increasing either the number of its productive
powers of those labourers who had before been employed.
The number of its productive labourers, it is evident, can
never be increased, but in consequence of an increase of
capital, or of the funds destined for maintaining them,
the productive power of the same number of labourers
cannot be increased but in consequence either of some
addition and improvement to those machines and instru-
ments which facilitate and abridge labour, or of a more
proper, division and distribution of employment. 15
As a robust and incorrigible optimist, Adam Smith contem-
plated a continuous process of development. 16 Said Smith:
"When the capital stock of any country is increased to
such a degree that it cannot be all employed in supplying
the consumption and supporting the labour of that partic-
ular country; the surplus part of it naturally disgorges
itself into the carrying trade, and is employed in perform-
ing the same offices to other countries". 16
The carrying trade is employed in transacting the commerce
of foreign countries, or in carrying the surplus produce
of one to another". 17 Adam Smith also thought of the
possibilities of carrying trade to be almost infinite.
He wrote: "The extent of the hometrade and of the capital
which can be employed in it, is necessarily limited by
the value of the surplus produce of all those distant
places within the country which have occasion to exchange
their respective productions with one another; that of
the foreign trade of consumption, by the value of the
surplus

15. Adam Smith - The Wealth of Nations, (Every man's
surplus produce of the whole country and of what can be purchased with it; that of the carrying trade by the value of the surplus produce of all the different countries in the world. Its possible extent, therefore, is in a manner infinite in comparison with that of the other two, and is capable of absorbing the greatest capitals”. 18

Malthus succeeded Adam Smith, and came to the forefront as an economist. He concerned himself mainly with the problem of population. He propounded that population increased in geometrical progression, whereas food supply increased in arithmetical progression. Evidently the operation of the law of population applied particularly to the lower classes of people. The gist of his argument was that the poor people were to blame for their misery. Their numbers multiplied so fast and quickly that they could never attain a reasonable standard of living. Initially Malthus seemed to think that people had no way of escape from the condition of misery and suffering because the positive checks to the growth of population were extremely harsh and cruel while the preventive ones were calculated to encourage immorality. In the second edition of his book, however, he laid a greater emphasis on moral self-restraint as an infallible means of checking the growth of population. Nevertheless, the general trend of his way of thinking boiled down to the ideas that population among the poor increased too much. This is why all efforts at any appreciable improvement of their standard of living proved abortive.

Next, comes David Ricardo in the early part of the 19th century. His two chief contributions were: one, the development of the theory of Rent, two land. He also evolved what is known as the subsistence theory of wages or what is also known as the Iron Law of Wages. After Adam Smith, Ricardo gave a new turn to the assessment of the role of capital in the economic development of a country. He was much too optimistic in this regard. He criticised Adam Smith's view in this context and commented: "...... he does appear to see that at the same time that capital is increased, the work to be effected by capital is increased in the same proportion. Malthus, Say (J.B) have, however, most satisfactorily shown that there is no amount of capital which may not be employed in a country, because demand is only limited by production". Ricardo also added: "Productions are always bought by productions; or by services; money is only the medium by which the exchange is effected. Too much of a particular commodity may be produced, of which there may be such a glut in the market, as not to repay the capital expended on it; but this cannot be the case with respect to all commodities; the demand for corn is limited by the months which are to eat it, for shoes and coats by the persons who are to wear them; but though a community or a part of a community, may have as much corn, and as many hats and shoes as it is able or may wish to consume, the same cannot be said be every commodity produced by nature or by art. Some would consume more wine, if they had ability to procure it. Others having enough of wine, would wish to increase the quantity or improve the quality of their furniture. Others

Others might wish to ornament their grounds, or to enlarge their house. The wish to do all or some of these is implanted in everyman's breast; nothing is required but the means, and nothing can afford the means, but an increase of production. If I had and necessary at my disposal, I should not be long in want of workmen who would put me in possession of some of the objects—most useful or most desirable to me". To be precise, Ricardo was more of a pessimist than of an optimist in respect of his appraisal of the consequences of capital accumulation. But Malthus, be it noted, brought about a profoundly revolutionary outlook. At the same time it should be borne in mind that the Ricardian rent theory is a more refined version of the core of the Malthusian argument. The main point in his analysis of the theory of rent was that rent was a surplus income which did not owe to the bounty of nature but to her niggardliness. Good land being available in sufficient quantity, the lower grades of land had to be cultivated. As the price of the agricultural product was determined by the cost of production of the marginal land, the owner of the good land also fixed the price of his commodity at the same rate as the producer of agricultural goods from bad lands did. Naturally the owner of the good land earned a surplus income which was called rent. In the second place, his subsistence theory of wages has a special importance because it was utilised by Karl Marx to uphold his theory of the capitalist exploitation of labour.

labour. There was, however, nothing particularly new in Ricardo's theory of wages. He maintained that the wages of the workers could not possibly be raised to a higher level. It was fixed at a particular level; it could not be made either higher or lower. He proceeded on the assumption that the Malthusian theory of population was 100% correct. If wages were raised above the accustomed level, the workers would have more children and the supply of labour would increase to a great extent. This increase in the supply of labour would bring down the wages to the former level that prevailed. If wages were reduced below this level, the workers would die of starvation and there would be a shortage of labour. The employers would, then, feel bound to the level of wages which might be called the natural or normal wages.

J.A. Schumpeter is of the opinion that the classical economists like Malthus, Ricardo and Mill presented a specific type of 'vision' of the economic future of humanity - a vision tinged with extreme pessimism. J.A. Schumpeter has observed: "Its well known features were pressure of population, present already but still more expected; nature's decreasing response to human effort to increase the supply of food; hence falling net return to industry, more or less constant real wages, and ever increasing rents of land. The most important thing to observe is the complete lack of imagination which that vision (pessimistic) reveals. These writers lived at the threshold of
the most spectacular economic development ever witnessed. Vast possibilities matured into realities under their very eyes. Nevertheless, they saw nothing but cramped economics struggling with ever decreasing success for their daily bread". 21

The classical economists assigned no positive role to the State. Ricardo's imagination fell far short of any principle of the regulative role of State in economic life. He favoured free trade in corn. This freedom meant England's considerable dependence on the foreign sources of supply of corn. Ricardo foresaw that the freedom of international trade was the only solution of the problem of rising rent. He disfavoured State-interference in the field of trade and commerce.

The American economist Carey and the French economist Bastiat presented another version of this classical theory and their vision was highly optimistic. But their ideas did not carry the same weight as those of Ricardo, Malthus, and James Mill.

Classical economic thoughts thus, took a definite shape in the writings of Adam Smith, J.B. Say (a French thinker who popularised Adam Smith's ideas in the continent of Europe); Thomas Robert Malthus, and David Ricardo. As already indicated, their political

political philosophy might be summed up in one sentence: the Government should keep its hand off from the economic field. Against the background of this economic and political philosophy, an assessment of the development of the Marxian theory of Communism becomes quite easy.
This theory rests on the theories of Karl Marx and Frederick Engels. Karl Marx's theory is also called the scientific theory of socialism. Lenin, Stalin, Khrushchev, Tito, Mao-Tse-Tung, and others have additions to, and modifications of, the communist theory advocated by Karl Marx and Engels.

To study communism properly, one has got to dive deep into the works of Karl Marx, Engels and others. The communism of Soviet Russia and other countries is mainly based on the principles of Karl Marx, Engels, and Lenin. The communist theory is chiefly described into two books, viz., "Manifesto of The Communist Party" and "Das Capital".

To Karl Marx, Socialism means a society in which "the full and free development of every individual form the ruling principle". It is held that: "By proving scientifically that the fall of capitalism and the victory of Communist Society were inevitable, Marx made socialism — until then a vague dream of a better future for mankind — into a science. "

"Marx"
"Marx indicated the way to socialist society through proletarian revolution and the dictatorship of the proletariat. The teaching about the dictatorship of the proletariat is the basic element in Marxism." 1

Marx was every a materialist. Though a disciple of Feurback in materialist principle, he did not hesitate to criticise his master. For Marx, in every State there exists a class-structure. The State is an organisation of one class dominating over other classes. Hegel looked upon the State as a moral organisation but for Karl Marx the State was a coercive-machinery.

According to Karl Marx, there were neither coercive machineries nor any State system in primitive time-period. The class system has emerged and developed after the evolution of the family life and the private property system. To maintain the class-exploitation, the exploiter has created the State. The police, military, Government Officers, laws, and Judicial Courts help maintain or preserve the exploitation and help check the struggle of the oppressed class. According to Karl Marx when the severe class struggle ensues, the exploited labouring class takes the power of the State from the capitalist class. They adopt the path of bloody revolution. This is how they succeed in forming the classless society. Then the social production will have to be introduced. The means of production will be owned and possessed by the exploited class. At a later stage there will be no necessity of the State. The State will wither and wilt.

Marx

Marx has analysed all the events of history in terms of the materialist principle. He believes that man's actions are always dominated by economic motives, and that economic factors determine the nature of social and political organisations and tendencies. According to him, historical events are determined by the interplay of economic forces, and the evolution of human society is sure to reflect every stage of its material development. Thus, each stage of economic production corresponds to an appropriate political organisation and an appropriate class-structure. The general social order at any given time is, therefore, fixed by the existing system of production and distribution. Marx has said: "...the history of all hitherto existing society is the history of class-struggles." 2 In Misery of Philosophy Karl Marx observes: "In changing the modes of production, mankind changes all its social relations. The hand-mill creates a society with the feudal lord; the steam-mill, a society with the industrial capitalist." Engels states in this connection: "That in a historical epoch the prevailing mode of production and exchange, and social organisation necessarily following from it, form the basis on which can be built up and from which alone can be explained the political and intellectual history of that epoch." 3 The economic forces wield their influence on the course of history through class conflict. Marx represents all historical movements in terms of the material conditions of life. In his opinion,

2. Quoted from "The Communist Manifesto".
opinion, "It is not the consciousness of man that determines his existence, but quite the reverse; it is his social existence that determines his consciousness". As the human society is dynamic, it is always marching towards new social order and social system satisfying the needs and requirements of new economic system and conditions. The production system is the main determinant of the political structure. In all political and social history the conflict of different economic classes is not noticeable. The State, according to Marx, is always the instrument of that class which owns the means of production. Capitalists are exploiting the working classes. The concern of the capitalist class is profit whereas that of the working class is their material well-being. The clash of interests gives rise to the struggle and conflict which is known as "the class-war". This class war is perpetual according to Karl Marx. Capitalists, with all the means of production at their disposal, occupy all key positions in the Government. The modern State is a tool in their hands. They are keen on maintaining this State structure in order to safeguard their perpetual vested interests and rights. The laws of the State and the policies of the Government are so framed and formulated as to protect and enhance their rights. Capitalists use the entire Governmental machinery to enlarge and fortify their liberty of ruthless exploitations. History is, for Marx, a continuous and logical evolutionary process.
Marx foresaw the substitution of trusts and cartels for free competition. This accounts for the concentration of capital in a few hands. When the capitalists will be few in number, they will start disintegrating. Marx applies law of the concentration of capital to the agricultural sector also. Society is dynamic; it changes and develops. The development of the capitalist society would make a social revolution inevitable. Being exploited much, the proletariat class will grow desperate and be united to overthrow the capitalist class. According to Joad, "At this climax the proletariat will rise, overthrow the capitalist class and expropriate them of the means of production, just as the capitalist displaced or absorbed the privileged hereditary classes with whom authority formerly resided". Through the inevitable social revolution, the worker will seize political power - the State. The capitalist class will not relinquish power without a fight and counter-revolution will be there in the offing. Therefore, to stabilise the result of the revolution a proletariat dictatorship will be set up with the aim of bringing about a "class-less society". The political revolution will be succeeded and paralleled by the social revolution. It will confiscate all private capital, organise labour, set up State factories, compel all to work, and centralise finance and credit, etc. Thus, "the road to socialism lies through a period

period of the highest possible intensification of the State". This is how Marxism paved the way for the modern theory of planning.

Once the class-less society comes into being, the class-war will come to an end, and the need for State will disappear. State being the organ of one class to exploit another, with the class distinctions disappearing, the need for State will be done away with. Marx observes that during the first stage of communism, armies and police will remain where they are and may be used to combat or suppress the threats of any counter-revolution and war in order to ensure a steady and disciplined march towards the high phase of communism.

The surplus value theory of Karl Marx states and explains the actual mechanism of capitalist exploitation. He agrees with David Ricardo and others that the demand and the supply regulate the market value of a commodity. He regards commodities as the congelation of labour and value as crystallised labour. What is needed is socially necessary labour. Goods are to be so produced that these can be sold easily. If all the goods are not sold in the market, the labour expended in their production goes waste. For Marx, labour is a commodity. Labour's value in exchange is determined by the labour required to produce and maintain it. Labour is the creator of value. Workers do not get adequate wages from employers. They cannot, therefore, make
make both ends meet. By paying less wages the capitalist class make huge profits. The difference between the exchange value of a commodity and the wages paid to the labourer has been called the surplus value by Karl Marx. Schumpeter says: "The rate of surplus value (degree of exploitation) is defined as the ratio between surplus value and the variable (wage) capital." The capitalist buys the labour power only at a nominal price - the subsistence price. Profit accrues from the usurpation of the full value of labour. Labourers produce more than what they get as their wages from their employers. The modern labourer creates surplus value under a free contract. Being unprovided with the means of livelihood, he is, indeed, left with no alternative but to sell his labour at a bare subsistence level.

Marxism starts with the assumption that the ultimate reality is the matter. The material factors determine all phenomena whether physical, mental, social or political. Marx does not recognise any spiritual factor behind the universe. Marx exploits the idea of the Hegelian dialectical idealism which he modifies to serve his purpose. He discovers the key to the movement of history in the struggle between classes under the pressure of economic forces. Marx observes: "in Hegel's writings dialectics stands on its head; one must turn it the right way up again". In fact, Marx is the inventor of dialectical materialism.

5. Schumpeter: Capitalism, Socialism and Democracy; p.27.
Marx's Communist Manifesto deals with a concise and lucid exposition of the revolutionary theory of the proletariat. It anticipates the doom of capitalism as certain. The proletarian revolution will usher in the establishment of the proletariat dictatorship. World-labourers will play a historic role in bringing about the fall of capitalism. Through class-struggle they will succeed in establishing a new type of class-less society. In the Preface to the English edition of the Manifesto, Engels remarks: "The Manifesto being our joint production, I consider myself bound to state that the fundamental proposition, which forms its nucleus, belongs to Marx. That proposition is: that in every historical epoch, the prevailing mode of economic production and exchange, and the social organisation necessarily following from it, form the basis upon which is built up, and from which alone can be explained, the political and intellectual history of that epoch; that consequently the whole history of mankind (since the dissolution of primitive tribal society, holding land in common ownership) has been a history of class-struggles, contests between exploiting and exploited, ruling and oppressed classes; that the history of these class struggles forms a series of evolutions in which, now-a-days, a stage has been reached where the exploited and oppressed class - the proletariat cannot attain its emancipation from the sway of the exploiting and ruling class, - the bourgeoisie without, at the same time, and once for all, emancipating society at large from all exploitation, oppression, class-distinctions and class-struggles".

6. Manifesto of Communist Party, p.20
Progress Publishers, Moscow (1986).
The Communist Manifesto was published at the time when the bourgeois democratic revolution took place in France in February, 1848, with its influence in other European countries. Karl Marx and Engels were two unimpeachable humanitarians. The miserable plight of the working class moved their hearts tremendously. In this context, André Maurois's statement is very striking.

"The situation in Western Europe that contributed to the theories of Engels and Marx is described by André Maurois in the Yugoslav edition of the History of England: When Engels visited Manchester in 1844, he found 350,000 workers crushed and crowded into damp, dirty, broken down houses where they breathed an atmosphere resembling a mixture of water and coal. In the mines, he saw half-naked women, who were treated like the lowest of draft animals. Children spent the day in dark tunnels, where they were employed in opening and closing the primitive openings for ventilation, and in other difficult tasks. In the lace industry, exploitation reached such a point that four years old children worked for virtually no pay." 7

The Communist Manifesto makes admirable observations that "Our epoch, the epoch of the bourgeoisie, possesses, however, the distinctive feature: it has simplified the class-antagonisms. Society as a whole is more and more splitting up into great hostile camps, into two great classes directly facing each other: Bourgeoisie and Proletariat". 8

7. Milovan Djilas: The New Class (1957) - p.10
bourgeoisie, historically, has played a most revolutionary part. 9

"The bourgeoisie cannot exist without constantly revolutionising the instruments of production, and thereby the relations of production, and with them the whole relations of society. The bourgeoisie has through its exploitation of the world market given a cosmopolitan character to production and consumption in every country." 10

"The essential condition for the existence, and for the sway of the bourgeois class, is the formation and augmentation of capital; the condition for capital is wage labour. Wage labour rests exclusively on competition between the labourers."

"What the bourgeoisie, therefore, produces, above all, is its own grave - diggers. Its fall and the victory of the proletariat are equally inevitable." 11

"The distinguishing feature of communism is not the abolition of property generally, but the abolition of bourgeois property." 12

"Communism deprives no man of the power to appropriate the products of society; all that it does is to deprive him of the power to subjugate the labour of others by means of such appropriation." 14

"When, in the course of development, class distinctions have disappeared, and all production has been concentrated in the hands of a vast association of the whole nation, the public power will ..."

will lose its political character. Political power, properly so called, is merely the organised power of one class for oppressing another. If the proletariat during its contest with the bourgeoisie is compelled, by the force of circumstances, to organise itself as a class, if, by means of revolution, it makes itself the ruling class, and, as such, sweeps away by force the old conditions of production, then it will, along with these conditions, have swept away the conditions for the existence of class antagonisms and of classes generally, and will thereby have abolished its own supremacy as a class. In place of the old bourgeois society, with its classes and class-antagonisms, we shall have an association, in which the free development of each is the condition for the free development of all.

"The Communists fight for the attainment of their immediate aims, for the enforcement of the momentary interests of the working class; but in the movement of the present, they also represent and take care of the future of that movement. In short, the communists everywhere support every revolutionary movement against the existing social and political order of things."

"In all these movements they bring to the front, as the leading question in each, the property question, no matter what its degree of development at the time. "Finally, they labour everywhere for the Union and agreement of the democratic parties of all countries."

"The communists disdain to conceal their views and

15. Ibid; pp.74-75.
and aims. They openly declare that their ends can be attained only by the forcible overthrow of all existing social conditions. Let the ruling classes tremble at a communistic revolution. The proletarians have nothing to lose but their chains. They have a world to win. 16

The Communist Manifesto is called the Bible of Communism. Lenin made this comment on the 'Communist Manifesto': "With the clarity and brilliance of genius, this work outlines the new world outlook, consistent materialism, which also embraces the realm of social life, dialectics, as the most comprehensive and profound doctrine of development, the theory of the class struggle and of the world-historic revolutionary role of the proletariat - the creator of a new, Communist Society". 17

That the 'Communist Manifesto' paved the way for the modern theory of planning is also endorsed by Dr. Anup Chand Kapur. He remarks: "The immediate measures to be adopted, according to the 'Communist Manifesto', are: abolition of private ownership of land, nationalisation of the means of communication and transport, taking over by the state of credit and banking, regulation of commerce, abrogation of the rights of inheritance, imposition of heavily progressive taxation, prohibition of child labour in factories, and an enforcement of equal liability of all to work, thus, breaking all privileges. These measures are to be followed by a gradual extension of public

17. Ibid, (After the front page)
public ownership in other fields of production. The destruction of capitalism is the construction of socialism and ultimately advent of the Communistic Society". 18

Karl Marx's 'Das Capital' or 'Capital' is a great treatise on economic theory. It dwells at length on the problems of the capitalist society. It contains a detailed treatment on surplus value. Engels admires capital unstintedly: "As long as there have capitalists and workers on earth no book has appeared which is of as much importance for the workers as the one before us. The relation between capital and labour, the axis on which our present system of society turns, is here treated scientifically for the first time and with a thoroughness and acuity such as was possible only for a German". 19

In the preface to capital, Volume II, Engels write: "Thus Marx investigated labour in regard to its value creating quality, and for the first time established what labour produces value, and why and how it does this ......... Marx then examined the relation of commodities to money ......... History of money, is the first exhaustive ......... By substituting labour power, the value producing property for labour, he solved with one stroke one of the difficulties upon which the Ricardian School was wrecked ......... By establishing the distinction between constant

constant and variable capital, he was first enabled to trace the real course of the process of surplus value formation in the utmost detail. He analysed surplus value itself further, finding it two forms, absolute and relative surplus value. On the basis of surplus value he developed the first rational theory we have of wages, and for the first time the basic features of the history of capitalist accumulation and a portrayal of its historical tendency.

Marx's *Capital*, thus, furnishes the reader with thoughts on the future of the Communist Economy and the State. In the introduction to the first volume of *Capital*, Marx reflects on the subject and the method of political economy. He also discusses many vital problems of the capitalist economy and the activities of communist economy. Capitalism, according to Marx, is the last social system which concludes the pre-history of the human society. In 1862, deciding to rearrange or recast his economic writings, he published *Capital*, Volume-I, with the subtitle "A Contribution to the Critique of Political Economy". He finished drafting the three volumes of *Capital* towards the end of 1865.

The first volume of *Capital* was published in September, 1867. The second volume took a long time for its publication. Due to his sudden death, the manuscripts of the volumes II and III left unpublished were needed.
needed additional editing by Engels. Therefore, these two volumes were a product of the combined efforts of Marx and Engels. Marx decided to publish another volume of Capital. But as Engels died all of a sudden, he could not publish or edit it. It was later published by Karl Kautsky under the title *Theory of Surplus Value* (1905-10). It is stated that "Capital marked the summit of the activity of the great scientist and revolutionary. Great and difficult was the scientific exploit of Karl Marx." 20 Capital may be considered to be revolutionary in principle, method, treatment, and conclusion. It describes the rise, development, decline and fall of the capitalist society. "Tracing in his work the irreconcilable internal contradictions inherent in capitalist society, Marx proved that, in spite of all the attempts of bourgeois and petty-bourgeois "reformists" of capitalism to blunt and smoothen these contradictions, they would inevitably grow sharper in the process of development of capitalist society." 21 Marx cogitates on the historical tendency of capitalist accumulation: "The monopoly of capital becomes a fetter upon the mode of production, which has sprung up and flourished along with, and under it. Centralisation of the means of production and socialisation of labour at last reach a point where they become incompatible with their capitalist instrument. Thus integument is burst asunder. The knoll of capitalist private property sounds. The expropriators are expropriated." 22

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20 E. Stepanova *op. cit.*, p.79.
21 Ibid. p.80.
The first volume of the Capital deals with the process of producing capital, the second with the circulation of capital, and the third gives an analysis of capitalist production. Marx examines and analyses capital in its different forms. He tries to prove that the anarchy of production, crises, and unemployment inevitably accompany capitalism. In the third volume Marx and Engels endeavour to prove that the industrial profit of a factory owner, the commercial profit of the trader, the interest collected by the money lender and the banker, and the income of the landowner, all derived from surplus value. "He investigates the division of profit - the converted form of surplus value between the representatives of various types of capital, and the formation on the basis of the law of value of the average rate of profit received by the capitalists. As a result, goods are sold at prices of production which do not correspond to the value in the case of separate groups of goods, but they do correspond to the value of the whole commodity output". 23

According to Lenin, Capital is the most profound, comprehensive, and detailed confirmation and application of Marx's economic theory. In Stepanova's opinion, it is a tremendous advance in the elaboration of the components of Marx's doctrine, philosophy, political economy, and scientific communism. "........., Marx's great work - Capital has become a powerful weapon of the proletariat in its struggle against capitalist slavery". 24

Profit

23. E. Stepanova: op. cit; pp. 82-83.
Profit is, according to Marx, legalised robbery. Labour is the sole cause of value. It creates values but receives in return only a subsistence wage. It is the capitalists who enjoy the surplus value. The capitalist is the exploiter of the labour classes.

Capital regarded as a classical work and as the Bible of the Socialists points out the evils of the existing capitalistic system. Capital is a necessary, natural, and an admirable force but capitalism is bad and evil thing.

WALTER ULBRICH'T's address on Capital to the International Scientific Session, on the occasion of "100 Years of Capital", - September, 1967, is worth quoting: "Capital contains the analysis of the fundamental processes and laws valid for the whole of capitalism, the essence of capitalism.

"The inter-linking of the State and the monopolies has the result that the economic class-struggle of monopoly capital against the working class is becoming ever more closely bound up with the policy of the State in suppressing the exploited masses.

"The fact that capitalism is forced to apply forms of planning is no evidence of an approach between the two social forms, but only demonstrates that capitalist relations of production are historically outmoded". 25

Communism

Communism or Marxism may be referred to as a class-less social system, lying beyond socialism, with one form of public ownership of the means of production and full equality of all the members of society. Fundamentals of Marxism-Leninism propagates that "Under it, the all round development of people will be accompanied by the growth of the productive forces through continuous progress in science and technology; all the springs of co-operative wealth will flow more abundantly, and the great principle "from each according to his ability to each according to his needs, will be implemented". It is said that communism seeks to provide peace, happiness, fraternity, equality, labour and freedom for all and sundry. The communist society will be a classless society where all men will get sufficient opportunity for self-development and self-expression. In such a society "none shall eat who does not earn his bread by the sweat of his own brow". It tries to ensure economic sufficiency for all by enforcing the principle that all shall work according to their need. A conscious and intelligent approach is to be made for the attainment of pure communism. Friedmann says: "The idea of a classless and equalitarian society as such is only a new version of an old dream. The special power of Marxism derives from two other factors: its scientific or quasi-scientific foundation of an economic and political theory; and perhaps even more the fascination of inevitability. By its use of the

the 'dialectic' method, which portrays one movement in world history as logically and inevitably flowing from another, it gave, and still gives, great strength to its followers, who believe that they are not only fighting for a better society, but that they are the executors of an inevitable movement of history.

"Another element of strength in the Marxist attitude is its fundamental optimism". 27

Communism is a theory of method. It is an international theory. It lays emphasis on the international brotherhood of the working classes as against their oppression by the capitalists. Leontyev observes: "The growing of socialism into communism is a natural process. Communism can develop only where socialism has firmly asserted itself. The transition to communism is effected through the steady growth, development and strengthening of the foundations of socialist society. Communism is the highest form of social organisation. It is a society that has achieved enormous mastery over the forces of nature. communism puts an end to the division of society into classes. communism is the highest stage of planned organisation of all of social economy. It ensures the most effective and most rational utilisation of the material wealth and of the labour sources for the satisfaction of the growing requirements of the members of society."

"The unprecedented development of the technology of production and the enormous cultural advance of the people in Communist Society will change the nature of labour. Labour will no longer be only a means of livelihood and will become the prime vital requirement of man". 28

Any estimate or study of the Soviet system of planning as a model of authoritarian planning should be preceded by a casual observation on the socialist planning system. In this regard, a few remarks of L. Leontyev are very appropriate: "On the eve of the October Revolution Lenin aimed at first achieving political power and then, relying on it, overtaking and outstripping the advanced capitalist countries economically. Lenin emphasised that only a large scale machine industry, able also to reorganise agriculture, could become the material basis of socialism."

The socialist revolution adopts a different approach to two types of private property: the private property of the capitalists and landowners, which serves as a basis for the exploitation of the proletariat and the peasantry and that of small producers, notably of the peasants, which serves as the basis of small commodity production and is based on their personal labour.

"State property is the property of the whole people as represented by the socialist State. Co-operative and collective

collective farm property is the property of groups of working people. In State enterprises all the means of production are socialised. In collective farms - which are artels as regards their organisational form - only the main, decisive means of production are socialised: the joint production is conducted on land which is owned by the State and is given to the collective farmers for use in perpetuity". 2

"In socialist society there are no capitalists and no exploitation of man by man. Jointly owning the means of production, the working people produce with the aim of satisfying the requirements of society and all its members. The aim of socialism is the ever fuller satisfaction of the growing material and cultural requirements of the people through the constant development and improvement of social production. ..................

"In this way socialism effects the transition from anarchic production, the aim of which is profit, to planned production with the aim of satisfying social requirements. Even before the establishment of Soviet power, Lenin wrote that the socialist revolution, replacing private ownership of the means of production by public ownership, introduces a planned organisation of social production to ensure the welfare and comprehensive development of all members of society". 3  .......... 

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2. Ibid; pp. 221-222
3. Ibid; p.255.
The farsighted economic policy of the socialist State ensures that the progress to-day lays the foundation for even more impressive progress in future, taking care not to sacrifice ultimate aims for the sake of achieving current aims and vice-versa.

The management of the socialist economy is called upon to ensure the smooth and precise functioning of the whole economic organism.

The management of socialist economy is based on the Leninist principle of democratic centralism.

The improvement in economic management being carried out by the Communist Party and the Soviet Government is a further development of such time-tested Leninist principles of socialist management as democratic centralism, socialist cost-accounting, the combination of moral and material stimuli to work and improve production.

The socialist plan is based on scientifically established social requirements and an objective appraisal of the productive resources and reserves. It indicates the ways for the most effective development of the economy. Leontyev's rather lengthy observations are followed by a few of Sorokin's in this context:

"In studying the inception and development of planned socialist economy, Marxist political economy approaches the problem from a scientific, materialistic and historical standpoint. Planned economy cannot be established before

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5. Ibid; p. 246
before the necessary material pre-requisites have matured. Planned socialist economy springs from social life and cannot be forcibly imposed from without". 6  
No revolt can bring about socialism," Lenin said, "unless the economic conditions for socialism are ripe .........." 7  Sorokin adds further: "In the transition period from capitalism to socialism and in a fully socialist society planning is a form of economic management by the State, based on the knowledge and utilisation of objective socialist economic laws, independent of personal wills or desires.

"The development of planned socialist economy is a complex process whose main features are determined by the basic economic law. ................. To understand the essence of planning; all the laws regulating production, distribution, social exchange, accumulation and consumption must be apprehended, since economic planning embraces all aspects of reproduction and all the sectors of the economy". 8

The year 1917 marked the epoch-making stage of consolidation in Soviet Russia. The land was distributed to the peasants and farmers. The owners of these lands were the aristocrats and the church. All big industries, banks etc; were nationalised. No compensation was paid to their owners. The Government pursued the policy of monetary inflation in Russia with obvious consequences

8. Ibid; p.6.
consequences in its wake. The Soviet State was thrust into the throes of a very bad economic condition. An economic chaos raised its ugly head in U.S.S.R. Lenin introduced the New Economic Policy in July, 1921, when private trade, enterprise and industry were allowed to operate and compete with State-managed factories and establishments in a restricted form. The policy of labour conscription employments was introduced on the basis of contracts. The system of free enterprise, free exchange, money and pricing were introduced for the economic regeneration of the Soviet State.

Modifications and re-adjustments were made in Russian planning in accordance with the changing requirements of time and circumstances. Firstly, with the adoption of the First Five Year Plan a comprehensive scheme of rationing and a regulated allocation of resources were put into operation. All goods were divided into two main categories, viz. 'non-market supply' and 'market supply'. The 'non-market' supply consisted of goods meant for industrial needs, for the requirements of the army, for export and for other State-purposes.

The market supply was subdivided into two main types of goods - planned and regulated. The most important consumption goods and the scarcer commodities were distributed in a planned way. The collection of these goods was planned from the centre for distribution to the republics, regions, and local trading organisations.
The regulated type comprised only those goods which were less important or less scarce consumption goods. Those goods were distributed in tune with the arrangement made by the regional trade organisations.

Rationed goods were not supplied in the same quantity to different types of people. The 'class-production distinction' basis was evolved for the division of the town population into different categories. The distinction was also made between town population and agricultural population. Baykov Alexander states in this connection: "The greater part of the agricultural population was practically excluded from the supply of rationed bread and other food stuffs". 9

The scale of wages for all types of workers was not uniform. There was a considerable variation in their wage rate. The expenditure of the different types of labourers on rationed goods almost absorbed unequal parts or portions of their wages. To mop up the surplus purchasing power in the hands of a few of them and at the same time to enable some types of labourers to buy a larger amount of necessities than the rationed items, the commercial trade of various agricultural and industrial commodities was organised and introduced by the Soviet Government. The market price of the un-rationed supplies of some goods was high. Unlimited quantities of un-rationed supplies of commodities might be bought from the State-shops. The same goods might be available at

at higher prices in the black markets. Agriculturists were not supplied with rationed goods. By supplying goods to them, the commercial trade earned some profits which went into State budget or exchequer.

Rationing was withdrawn from 1934 onwards. International trade was still controlled by the State. In the opinion of Baykov Alexander: "................. the abolition of the rationing system meant only that the populations could buy unrestricted quantities of products and had freedom of choice. The Government continued to regulate prices with the same aims as before and retained control over the urban and rural population and kept in force measures for the planned absorption of the purchasing power of the population". 10 The trading network was reorganised by the Soviet Government in order to cope or meet with the demand arising from the freedom of choice. The Government developed State trade and co-operative trade on a large scale. The larger bulk of the trade turnover was State-controlled. Co-operatives took a small share, and a still smaller share was taken by Kolkhoz trade. A real free market of Kolkhoz trade existed. The producers sold their products or commodities directly to the consumers.

Before 1939, the policy of fixing up the wholesale prices was adopted by the Soviet Government. The local trading departments and branches were entrusted

with the charge of fixing up the retail prices. The Soviet Government had followed the policy of fixing up retail prices for all manufactured but essential consumer goods as well as for food products.

Thus, it goes without saying that the grip of the Soviet State over the whole national economy is remarkably firm and powerful. Its planning system is highly centralised and authoritarian. Both the Soviet Government and the communist party of the U.S.S.R. play a dominant role in the said system. I. I. Yevenko says: "State property is the dominant form of property in the Soviet Union. It accounts for about 90% of all the production facilities of the country and 94% of the total industrial output. Alongside State industrial enterprises and State-farms there are large collective farms and small industrial establishments belonging to them, as well as thousands of small industrial and service establishments belonging to consumer co-operative". All collective farms and co-operatives in the U.S.S.R. are sponsored, controlled and directed by the State. I. I. Yevenko remarks further: "General direction of national economic planning is effected by the Central Committee of the C.P.S.U. and the higher organs of State power in the country, the Supreme Soviet of the U.S.S.R. and the Government it forms. The higher organs of State power and State administration guide the work of the Gosplan of the U.S.S.R., the State Economic Research Council (Gose-Ekonomsvet) and other State Committees.

11. I. I. Yevenko: Planning in the U.S.S.R., p. 11,
Committees of all Union and Union republican ministers and departments, guide the economic councils through the republican council of ministers and republican economic councils and also direct the country's financial and credit system. The Central Committee of the C.P.S.U. makes out the principal economic and political tasks of the plans. The central figures and directing for rational economic development are approved by the Congress of the C.P.S.U. The Soviet Government, the highest executive State organs, apply in its decisions the directions of the party and give centralised direction to the national economy. Lenin's ideas on the Gosplan runs thus: "Lenin, in defining the special role of the Gosplan, pointed out that the Planning Committee of the Soviet Government was an 'aggregate of competent people, experts, representatives of science and technology, and that it must possess the maximum data for the proper judgment of national economic affairs'. He stressed that the Gosplan, having on its staff highly qualified experts in different industries, should 'provide the State with material critically analysed and well-grounded technically and economically'. A few words more about the Gosplan and Gose Konomsovot will not be out of place here. On the initiative of Lenin, the world's first State agency for economic planning was set up in 1921. The Gosplan guides and co-ordinates the means of developing the country's economy. Its role became highly

13. Ibid, p. 34.
highly effective after its reorganisation in 1957-58. A State economic research council (Goskonomsvet) was established in 1959. Yemanko observes: "The Gosplan and Gose Konomsvoet thoroughly study the requirements of the economy and the population and on this basis draw up long term national economic development plans for 20 years, central figures of plans for 5 or 7 years and annual plans based on the central figures with adjustments that follow the country's progress". 14

A comparatively recent change or re-organisation has stalked the Soviet planning system. Before the middle of 1957, all-union and union-republican ministries had directed the industrial enterprises in the different parts of Soviet Russia. This system was fraught with different defects and loopholes which are as follows: "Such a system of industrial management raised artificial barriers to solving urgent problems, specially to applying rational specialisation and coordination among industries located in a given area. It hampered the integrated economic development of the union-republics and large economic zones. The subordination of an industrial enterprise to a central body according to the developmental principle tended to weaken and upset normal territorial ties between enterprises of different industries located in the same area. In some instances it presented the local authorities from solving economic problems in a way that would

14 *ibid* p.25.
would promote the most efficient use of available material, labour and financial resources and especially of productive capacity. A certain contradiction arose between the territorial and economic community of enterprises in a republic, on the one hand, and the departmental division in the direction of the activities on the others. 15

To get over all such defects and drawbacks, a law founded on the territorial principle was passed in May, 1957, for organisational improvement and management. This new policy brought about the abolition of more than 140 all union, union-republican and republican ministries which had under their jurisdiction various branches of the national economy. The Government worked out 104 economic administration areas throughout the Soviet Union. Economic councils directed their activities. For the establishment of republican economic councils, in December, 1960, a law was passed by the Supreme Soviet of the U.S.S.R. The council of Ministers of the respective union-republics controlled the republican economic councils.

According to Yevenko, "The system of Economic Councils made it possible to combine centralised State-direction of the economy with the enhanced role of the union-republics in solving the economic problems with the stimulation of the activities of the masses. The Economic Councils direct and manage industries with the

15, Ibid, pp.18-19,
the broad participation of the masses, concentrating their efforts on the development of the productive forces and the further utilisation of the available potentialities. The transition to the territorial system of industrial management has introduced a fundamental change in the entire system of planning and also accounting and statistics. Planning on the territorial principle and on the branch principle are dovetailed in the national economic plan from the standpoint of general interests of the States. On the recent economic reform and planning system in U.S.S.R., G. Sorokin remarks: "The September 1965 Plenum of the C.P.S.U. Central Committee adopted the important decision on the improvement of planning, industrial management and material stimulation. The decision marked the beginning of a vast economic reform in the U.S.S.R. The basic aim of the economic reform was to make social production more effective and rapidly to raise on this basis the living standard of the Soviet people. The report of the C.P.S.U. Central Committee at the 23rd Congress emphasised that at the present stage the strengthening of centralised management in the U.S.S.R. is being combined with the development of the initiative and autonomy of enterprises. The Directives of the 23rd Congress set the task to improve the management of the

the country's economy through undaunting realisation of Party-decisions concerning improvement of planning, economic stimulation of production, extension of the initiative and economic independence of enterprises and the enhancement of the working people's material interest in the results of their labour". 17 The reform in planning and management, is, thus, found to have embraced the whole system of planning and touched upon basic theoretical and practical questions in relation to the drawing up and implementing of plans. The reform improved centralised planning, revived and strengthened the planning by branches, vested new important functions in the republics and regions, considerably expanded the rights of enterprises in planning and other fields. It also intensified the development of the union-republican economics and made the planning of the distribution of productive forces more effective. It brought an added importance to the role of the U.S.S.R. State Planning Committee (Gosplan) and all planning bodies. It deserves to be highlighted that all these measures are based on Lenin's directions on the single economic plan; and on the decisive role of planning grounded on the utilisation of the economic laws of socialism. The politics of socialism is found to direct and control not only the planning system of the U.S.S.R. but also the reform in planning. The September 1965 Plenum of the C.P.S.U. Central Committee emphasised the role of the U.S.S.R. Gosplan. It should try to ensure

17. G. Sorokin; op. cit., pp. 226-228.
ensure the correct economic proportion and heighten the effectiveness of production. At the same time it cannot afford to ignore working out the balance of the national income, the balance of labour resources, expenditures of the population, the balance of the cash-incomes, the most important material balances, etc. The reform also visualised that a long-term planning was to play a decisive role. The Directives of the Twenty-third Congress of the C.P.S.U. on the Five Year Plan for 1966-70 also sought to outline the main tasks of the industrial development.

The reform, be it admitted, introduces major changes in the organisation of planning at the enterprise level. It has created conditions for a fundamental improvement of production planning at the said level. To expand the economic independence of enterprises, the obligatory (endorsed) indices have been reduced considerably. On the basis of full cost accounting principle the rights of enterprises have been extended. G. Sorokin observes: "... Under the new conditions the main criteria of an enterprise's performance are: a) sold output, (b) profits, c) fulfilment of targets for the delivery of the basic output. The remuneration of workers will depend not only on the results of their individual labour but also on the over-all results of the operation of the enterprise as a whole."
The following plan indices are handed down to the enterprise by the superior organisation:

- Volume of output to be sold;
- Basic nomenclature of output;
- Wage fund;
- Sum of profits and level of profitability, payments to the budget and allocations by the budget;
- Volume of centralised capital investments and introduction of production capacities and fixed assets;
- Basic tasks in introduction of new equipment;
- Material and technical supply indices.

All other indices of economic activity are planned by the enterprise itself and need not be endorsed by the superior bodies (trusts, etc.).

"The new system of planning makes it possible to combine the independence and initiative of enterprises with centralised planning by the State.

"Under the new system of planning every enterprise is interested in selling its output. This is achieved principally through replacement of the physical output index by the sold output index. "

"Under the new conditions much closer links are formed between planning and market relations but under the new system a more intense and deeper use is made of value levers."

"The economic reform has raised the significance of the index for the profit (level of profitability) of enterprises"
The stress laid by the September Plenum of the Central Committee of the C.P.S.U. on the setting of a profit target has to be taken into account. Hereafter profitability has been assigned an appropriate niche in the system of plan indices characterising the activities of an industrial enterprise. The Plenum, it needs be emphasised, elaborated a new system of plan procurements and purchases of agricultural produce. The said 1965 Plenum also pointed out the need for replacing non-returnable financing by means of a long term crediting. One of the vital components of the economic reform was the transition to the system of branch ministries. This transition to the new system of industrial management led to the setting up of a State Committee for Material and Technical supply of the U.S.S.R. Council of Ministers. In this context G. Sorokin remarks: "To ensure the territorial planning of industrial development under conditions of the branch principle of management, the law, adopted by the U.S.S.R. Supreme Soviet on October 2, 1965, decreed that the draft plans for the development of the republican economy for all branches of industry of both Union-republican and republican subordinations, and also proposals on draft production plans of enterprises (except defence enterprises), subordinated to all-Union ministries, and located on the territory of the republic be worked out by the Union republican State Planning Committees". 19 The Directives of the 23rd Party Congress.

Congress on the Five Year Plan for 1966-70 stress that "it is essential to improve the system of material and technical supply and to prepare a gradual transition to the planned distribution of equipment, materials and semi-finished products through wholesale trade". According to G. Sorokin, "While the economic reform in the U.S.S.R. is being implemented successfully at present, there were considerable faults in its early stages. .............................

"These and other shortcomings in the implementation of the economic reform were duly remedied. At the same time corrections were made in the mechanism of the new system, which was improved and adjusted in keeping with the conditions and special features of various branches of Soviet economy". E. Leontyev reflects on the reform measure: "Excessive regimentation of the economic activities of enterprises is being eliminated. Enterprises are provided with the means they need for production development. The legal guarantees of the extended rights of enterprises have been laid down in the Statute of Socialist State Productive Enterprises. The enterprise is freed from unnecessary tutelage and is given the opportunity to solve its problems in the most expedient way in keeping with concrete production conditions.

"The economic reform is being implemented gradually, as the conditions for the transition of the enterprises

enterprises and branches of industry to the new conditions of management mature". 22

The Central Planning Authority (The C.P.S.U. and the respective Governments operating through, and with the aid of the Gosplan and Gosekonomsveot) controls all the enterprises of the Soviet land. Such a control facilitates co-ordination in advance. It makes also possible advance calculation on the basis of the objective theory of value.

The Soviet Economic Planning is usually couched in physical terms. The Soviet land has built up a very elaborate system of statistics about the different departments of economic life and of various enterprises. Soviet Planning is, thus, essentially carried out in physical terms. The importance of the role of financial controls in the Soviet economy and planning cannot be over-emphasised. The usual method is to carry out the preliminaries in physical terms as per as possible. Next, these are translated into financial terms. Finally, an estimate is made as to how much of the financial requirements of the economic plan should be met from the different state enterprises, collective farms etc., and how much from general public funds, i.e., from the State budget. The State budget really plays a very prominent part in the total financing of the national economy.

A system of indices or balances carries the co-relations or adjustments work between the different branches

branches of the plan and the continuous supervision work of their progress. For this purpose a number of indices are prepared. The main balances of the economy are three, viz., (i) material balances which relate to correlation between production and consumption of different products in kind, production depreciation and distribution of capital goods, utilisation of raw-materials, accumulation of consumer goods, exports, imports etc.; (ii) labour balances which relate to the availability of distribution and utilisation of different types of un-skilled and skilled labourers, technicians, specialists etc.; and (iii) Financial balances which relate to the distribution of national income as between accumulation and different types of consumption, the allocation of capital investments in between productive enterprises and social and economic overheads volume, and the distribution of wage funds and market funds, the volume and distribution of the cash plan of the State Bank, etc. The Planning Commission and the various ministries keep a constant watch over these indices and take necessary action for the balanced development of the national economy. 23 The Central Planning bodies work out a system of plan indices, i.e., a set of co-ordinated targets for the planned period, and a corresponding enumeration of measures to ensure the fulfilment of these targets before any work on the actual.

23. Reference may be made to the "Memorandum of the Panel of Economists" (in connection with the Second Five Year Plan of India) - Paper by S. R. Sen.
actual plan is taken up. The system of plan indices are made interdependent and inter-related by the objective links of reproduction. Indices are prepared in both physical and monetary terms. The plan also organises reproduction. Its indices are a reflection of the economic structure of society and also of the existing State and its economic system and organisation. The system of plan indices is closely linked with the economic methods used to organise labour in the economy with economic accounting, the distribution of incomes and the remuneration of labour, with price formation, etc. The plan indices are drawn up generally for all types of plans. Therefore, indices for the various branches of the economy are of much importance. Yevenko argues: "The methods of co-ordinating the development of various industries are based on balance calculations of the production and consumption of goods. Balances (material, technical and labour) are the main instruments of co-ordinating plans and establishing the plan and not the plan itself". 24

In framing a plan, the most important thing to be remembered is the determination of the efficiency of capital investments. In drafting a long-term economic plan, it is incumbent upon the Gosplan of the U.S.S.R. and the republican Gosplans to ascertain the most efficient variants in allocating capital investments. This ultimately manifests itself in a growth of productivity of social labour, i.e., in a reduction of the cost of a unit of output.

According

Yevenko: op. cit. p.171.
According to Sorokin, the problem of growth rates acquires a great significance. While drafting and implementing a plan, it should be borne in mind that an increase in consumption is dependent on corresponding increase in production and that the two are inter-related.

In each enterprise and economic administration area a plan is chalked out for the introduction of new technology in industry. The preparation of any long-term plan for the entire country should be guided by the plans of the Academy of Sciences of the U.S.S.R. and other scientific institutions. A comparative study of the indices of technology helps displace the economic efficiency of the new type of technology.

The planning of industrial production is often held up by questions of planning specialisation, co-ordination, and integration of productions. A socialist economy has greater possibilities for developing or evolving specialisation and co-ordination between different enterprises. In a capitalist country such possibilities are rarer because of its private property which disunites the producers and brings about a clash of their interests.

There must be a systematic control of plan fulfilment and which may be regarded as the main way of improving the plan. It should not be separated from planning work. This systematic control of plan fulfilment should precede the drafting of the plan and accompany
accompany its elaboration and execution control of fulfilment of directives. Economic plans are powerful instruments at the disposal of the Communist Party and the Soviet State in toning up discipline and enhancing the sense of responsibility of the executives. The Soviet Authority systematically examines the reports on progress, in fulfilment of State plans, sent by the council of Ministers of the Union Republics and the Gosplan of the U.S.S.R. From top to bottom—beginning with the Gosplans and ending with enterprises, Soviet Russia wields a precise and well-organised systematic control of plan fulfilment. Such a control is a vital necessity for carrying out the adopted plans and the thorough grounding of new plans.

Again, there exists the system of national economic accounting and centralised statistics. It provides planning agencies with the data necessary for the economic analysis of any branch. The rest of the statistics are collected by the Central Statistical Board of the Council of Ministers, its central staff, and local agencies. Its importance for the control of plan fulfilment is very great. The methods of statistical study, however, need further improvement.

A large measure of mechanisation of accounting and statistics improves their organisation and methodology. There are large calculating machine stations and computation centres in the U.S.S.R. They employ the latest electronic computers which make mathematical calculations.
calculations at an extremely quick pace. Endowed with memory, the electronic computers can compose the past with the present to collect information. The machine analyses the information fed into it. After comparing the results of this analysis with certain criteria, it chooses its own mode of behaviour. It also prepares instructions for itself and draws corresponding calculations. L. Leontyev observes in this connection:

"The system of economic accounting and statistics is a most important instrument of planning. Lenin said that socialism is accounting and that accounting is inconceivable without statistics. In the period of communist construction accounting becomes even more important.

"In Socialist Society accounting and reporting are organically linked with the economic plan. Since the plan includes monetary and physical indicators, accounting is effected both in monetary and in physical form.

"A smoothly functioning system of accounting and reporting makes it possible to control the progress made in the fulfilment of the whole plan and of its separate parts. It helps to disclose what interferes with its fulfilment and to outline measures to improve work. Data on the fulfilment of the plan provided by the system of accounting and reporting are indispensable for compiling the plan for the consecutive period."
"The principal types of accounting in socialist economy are statistics and book-keeping". 25

In the works of G. Sorokin, "The methodology of planning can develop only if it relies on Marxist-Leninist theory and practical experience ......................

"Marxist-Leninist theory and methodology of planning are materialist and their rapid development is based on the wealth of experience gained in socialist construction. .........................

"It is clear that in solving general problems connected with drafting plans the methodology of planning must be based on a detailed study of objective economic laws and should, therefore, be closely linked with political economy. The methodology of planning deals with computation techniques and therefore makes wide use of statistics, the data provided by economics of the various economic branches, economic geography, accounting, etc.

"Profitable use can be made of the mathematical apparatus to compute indices for the links between the various economic branches, between enterprises, the variants, standards for the consumption of materials and other such computations. The methods of planning production and technical progress rely also on conclusions drawn from the natural and technical sciences. ............

"All targets in the plan are laid down for two purposes: firstly, to illustrate growth rates and thus the various levels of development; secondly, to determine the structure, ratios, and proportions of the plan. ........

"The main problem for the methodology of planning is how to overcome the difficulty of planning inter-related elements. Since all elements of the economy are inter-related, it would seem impossible to determine targets for a single branch which is dependent on the targets for the other branches. A vicious circle is created since it is obviously impossible to lay down targets for all branches simultaneously." 26

Another striking aspect is the mass participation in planning. "Enormous importance is attached to the participation of the masses in drafting and implementing plans. In characterising the nature of socialist planning and in explaining the successes of planned economy, Lenin always emphasised the role played by the masses in socialist planning and in a successful planned economy.

"He also considered the masses the principal force of further progress. He taught that to be successful a socialist plan must rely on the experience of the masses and must have its roots in the very heart of the working people.

"The Seven-Year Plan is an example of a plan drafted and shaped by the masses. More than 968,000 meetings were held in enterprises, collective farms, institutions, educational establishments, etc., to discuss the draft-control figures. More than 70 million people participated in these meetings and as many as 4,672,000 took the floor to express their views on the plan.

plan and to make suggestions for its improvement. In addition Party and administrative bodies and the press received over 650,000 letters and articles containing various proposals - more than 300,000 of which were published. The draft control figures were discussed in a business-like manner at regional and territorial party-conferences and at congresses of the Communist Parties in the Union republics". 27

Any critical estimate of Russia's planning system demands a high appreciation of its marvellous economic achievements since she adopted the method of economic planning. Some misgivings about the exact measure of the U.S.S.R's achievements are, however, likely to creep in. Blodgett and D.L. Kammerer reflect on Russia's development: "With such misgivings in mind, we may note that the Soviet Economy, prior to World War II, had made considerable progress towards the industrialisation of the economy. The share of industry in total industrial and agricultural production amounted to 42.1 per cent in 1913, but it increased to 54.5 per cent in 1928 and 77.4 per cent in 1937. In 1940 the gross value of industrial products was 138.5 million rubles, while that of agricultural products was 23 billion rubles, giving industrial products 85.7 per cent of the total.

"In 1913 Russia accounted for 2.6 per cent and the United States for 38.2 per cent of the industrial production

27. Ibid; p.229.
production of large nations. In 1928 the comparable figures were 3.1 and 46.3 per cent, but by 1937 they were 15.7 per cent and 41.9 per cent. In 1937 Soviet Russia held second place in the world. In industrial production, for her 15.7 per cent exceeded England's 9.3%, Germany's 11.6 per cent and France's 5.7 percent. While industrial production in capitalistic countries increased from 97 to 114 (1928 = 100) between 1927 and 1937, industrial production in Soviet Russia increased from 90 to 583". 28 We may say 'stupendous' or 'colossal' production of important industrial commodities between 1937 and 1940. We may state here the observation of Yevenko. He observes: "The superiority of the socialist system of economy over the capitalist system in most strikingly revealed in high rates of growth of industrial production. This is confirmed by a comparison of the growth rates of industrial output.

"The socialist industry of the U.S.S.R., has greatly outstripped the United States, Britain and France in rates of growth. Between 1913 and 1959 industrial production in the Soviet Union increased at an average annual rate of 10.1 per cent. During the same period industrial output in the United States grew on the average only 3.3 per cent annually; in Britain 1.9 per cent, and in France 3.2 per cent. In the last seven years (1954-1960) the average annual growth rate in industry in American industry were 2.5 per cent and in Soviet industry 11.1 per cent". 29 L. Leontyev says: "The first five year plan, adopted by the 15th Party Congress, mapped

29. Yevenko: op. cit; p.125.
out a programme covering the period from 1928 to 1932. It was followed by the second (1933-1937) and the third, which was interrupted in 1941 by Germany's invasion of the Soviet Union.

"Even the initial five-year plans proved enormously successful in the creation of the material and technical basis of socialism. At the beginning of the first five year plan, in 1928, the Soviet Union produced 5,000 million Kwh of electric power, 4.3 million tons of steel, 11.6 million tons of oil, 200 million cubic metres of gas, 35.5 million tons of coal, 1.8 million tons of cement, 2,000 metal-cutting lathes, 800 motor cars, 1,300 tractors, 0.14 million tons of mineral fertilisers (in conventional units).

"On the eve of the war, in 1940, the Soviet Union produced 48,500 million Kwh of electric power, 18.3 million tons of steel, 31.1 million tons of oil, 3,400 million cubic metres of gas, 166 million tons of coal, 58,400 metal-cutting lathes, 31,600 tractors, 3.2 million tons of mineral fertilisers (in conventional units).

"During the post-war five year plans - the fourth, fifth, sixth and the seven-year plan (1959-1965) the material and technical basis of socialism expanded and consolidated, the economic potential of the country grew enormously and the production of the basis types of industrial output soared. In 1965 the Soviet Union produced 507,000 million Kwh of electric power, 91 million
91 million tons of steels, 243 million tons of oil, 129,000 million cubic metres of gas, 579 million tons of coal, 72.4 million tons of cement, 185,000 metal-cutting lathes, 616,000 motor cars, 355,000 tractors, 31.8 million tons of mineral fertilisers (in conventional units).

"Thus, the output of electric power had during the five year plan periods grown 101 times, steel and oil production 2.1 times, coal mining - 16 times, cement - 39 times, the output of metal-cutting lathes - 93 times. There was also an appreciable increase in the output of consumer goods; textiles - 3 times, leather footwear - 8.4 times, granulated sugar - 7 times. The average yearly volume of agricultural production increased by almost 2.5 times", 30 L. Leontyev goes on saying.

"The five-year plan for 1966-1970 worked out on the basis of the Directives of the 23rd Congress of the C.P.S.U. is a new important stage in the struggle of the Party and the entire Soviet people for the creation of the material and technical basis of communism and the further strengthening of the country's economic and defensive potential.

"The main task of the new five-year plan, as defined by the 23rd Congress of the C.P.S.U., is to secure - through the utmost application of the achievements of science and technology, the industrial development of the whole of social production, and the enhancement of its efficiency and higher labour productivity - a considerable growth of industry and stable high rates of agricultural production."

agricultural development, thereby achieving a substantial rise of living standards and fuller satisfaction of the material and cultural requirements of all Soviet people.

A new feature in the industrial development of our country in the present five-year period is the rise of the technological level of the branches catering directly for the people's requirements: of agriculture, the food and light industries, trade and public catering, the services sector, transport, communications, and the transformation of the services sector into a mechanised branch of the economy. The provision of all branches with modern equipment will be a further step towards the creation of the material and technical basis of communism.

The five-year plan provides for higher growth rates of social production and of the national income. The aggregate social product will increase yearly by an average of more than 7 percent as compared with the annual increment of just over 6 per cent during the preceding five year period. The average yearly absolute increment of industrial output will comprise 22,000-23,000 million rubles as against 15,800 million rubles in the preceding five years period. The volume of industrial output will grow during these five years by about 50 per cent, the agricultural output by 25 per cent.
The capital investments in the economy will amount to about 310,000 million rubles, i.e., will exceed those of the preceding five year period by 50 per cent. This ensures the development of all branches of economy and all Union republics.

The Directives for the 1966-1970 five year plan provide for a further substantial rise in the people’s welfare on the basis of higher labour productivity, increased output of material wealth and the accelerated growth rate of the national income.

A correct combination of scientifically based centralised planned management with the development of the economic initiative and independence of enterprises is an important condition for the successful fulfilment of the new five-year plan.

According to Sorokin, the First Five Year Plan had laid the foundation of the socialist economy. The main economic tasks of the Second Five Year Plan were to eliminate the exploiters, to fulfil the technical reconstruction of the economy, and to double or treble the popular consumption. The First Five Year Plan set targets for about 50 branches of the industry, and the Second Five Year Plan for about 120. The agricultural policy or programme of the First Year Plan was mainly conditional, it relied mainly on individual farmer households and was confined to economic regulation. In the Second

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31 Leontyev: op. cit, pp. 264-267.
Five Year Plan the agricultural programme relied on the socialist sector and contained far more detailed targets.

The Second Five Year Plan provided for an investment of 133,000 million rubles. In the First Plan the investment was to the tune of 60,000 million rubles. In the First Plan period the annual growth rate achieved 21-22 per cent and the Second Plan envisaged a growth rate of 16.5 per cent. In the First Plan a considerable amount was earmarked for the rapid development of heavy industry, but in the Second Plan a higher rate of investment was set for consumption than for accumulation. At the end of the Second Plan, the Soviet Union had simultaneously completed the technical reconstruction of the economy and doubled the fixed assets of the economy. These achievements in the Second Five Year Plan were followed by a remarkable rise in the living standard of the population and by 110 per cent increase in the national income.

The Third Five Year Plan made a programme of considerable increase in the per-capita output, in the technical level of the economy, and in labour productivity. It also provided for an improvement in economic proportions. It laid emphasis on the priority development of heavy industry. The plan outlined an over-all increase in industrial output by 92 per cent, of heavy industry by 107 per cent, of Engineering by 129 per cent, of power production by 106 per cent, of rolled stock by 100 per cent, and of chemicals by 127 per cent. The plan also chalked out
out the programme of 52 per cent increase in agricultural output.

The main aims and objectives of the Fourth Five Year Plan adopted by the Supreme Soviet in March, 1946, were to raise industry and agriculture to the pre-war level and then to suppress it. It needs be noted that the key tasks of the Fourth Five Year Plan were fulfilled.

In October, 1952, the Nineteenth Congress of the C.P.S.U. approved the directives for the Fifth Five Year Plan of the Soviet Union. This plan envisaged a 70 per cent increase in industrial output and laid stress on the growth of heavy industry.

In February, 1956, the Twentieth Congress of the C.P.S.U. approved the directives for the Sixth Five Year Plan of the Soviet Union. The main objectives of the said plan were to develop the heavy industry on priority basis with an eye to continuous technical progress and higher productivity. It also aimed at a further expansion of all branches of the national economy. It was further stipulated that a steep rise in agricultural production should be effected.

The Directives in the Sixth Five Year Plan were as follows: The Industrial production was to be increased by 65 per cent, the gross grain harvest was to be 11,000 million poods a year, and the volume of capital investment was to be increased by 67 per cent. The National Income
Income was to be increased by about 30 per cent and the real incomes of collective farmers nearly by 40 per cent. The directives sought to outline a programme of seven-hour working day, an improvement in the pension scheme for factory and office workers, and the doubling of the volume of housing construction.

The most important economic task of the Seven Year Plan was the powerful development and advancement of all branches of the economy. To accomplish this task, emphasis was laid on the growth of heavy industry and on a considerable reinforcement of the country's economic potential in order to ensure the continuous rise in the living standard of the people. The Seven Five Year Plan brought about an all-round development of all economic-regions. It also changed the tenure of distribution of the productive forces and assured the advance of the economy of all Union-republics. The Twenty-Second Congress of the Communist Party of the Soviet Union, held in October, 1961, adopted a new Party Programme, a programme of Communist construction which outlined the tasks of the Soviet Economy for 20 years ending in 1980. The said Congress aimed at building the material and technical basis of communism within twenty years, that would create abundance and help facilitate the transformation of socialist society into communist society.

In the eight Five Year Plan period measures proposed to be taken are to increase the rate of technological progress considerably, to add to the efficacy of
of social production, and to optimise the basic proportions in the Soviet economy. The said plan, will, further seek to ensure rapid rise in the living standard of the population. In this period, the defence potential will also be augmented. By 1970 the labour productivity in industry is expected to increase by 35-38 per cent, in agriculture by 40-45 per cent, and in building by 35-40 per cent. It is expected that the rates of development of capital and consumer goods industries in this plan period will draw closer. In short, all sectors of the economy will be developed at a quick pace by 1970. "The main task facing agriculture in the new Five Year Plan (1966-1970) is to raise the output of crop and animal farming products, to ensure high and stable growth rates. ......................

"All branches of the economy will be rapidly developed during 1966-1970. The total volume of capital investments from all sources will amount to about 310,000 million rubles, this sum exceeding the volume of capital construction in the preceding quinquennium by 50 per cent. The distribution of capital investments among the various branches of industry has been effected in accordance with the plan's basic tasks. Out of the total volume of capital investments 152,000 million rubles are earmarked for the development of industry, transport and communications; 71,000 million rubles for construction for production purposes and the acquisition of equipment for agriculture; 75,000 million rubles
rubles for the construction of housing, communal services, amenities and cultural establishments". 32 L. Leontyer remarks: "The Soviet Union succeeded in building a largescale machine industry even as a result of the First three five year plans (1929-1941). The Soviet Union attained the first place in Europe and the second in the world (after the U.S.A) in industrial output. The country had become economically independent of the capitalist countries. The defence potential of the Soviet Union had grown immeasurably. The industrialisation of the U.S.S.R. was a major feat of the working class and the whole people, who shared neither efforts nor means and consciously made sacrifices to pull the country out of backwardness". 33

It must be admitted that the Soviet Union is a powerful State to-day with magnificent economic and scientific achievements to its credit. The methods of development of the U.S.S.R. were associated with uncommon vigour and hardship. Criticisms are, however, levelled against her from some sort of a capitalistic bias. The political background of the Soviet system of planning forms a part of the main subject of discussion which hinges on the border land between economics and politics. Political considerations have, therefore, vital bearing on the topic or thesis in hand. Historically speaking, the present proletariat regime of the U.S.S.R. evolved out

32 G. Sorokin: op. cit; pp.208-209.
out of a violent revolution attended with dreadful and dire consequencies. According to the Marxist-Leninist doctrine, the proletarian State is born after the bourgeois State is smashed and destroyed in a mighty upheaval. Lenin says: "The super session of the bourgeois State by the proletarian State is impossible without a violent revolution. The abolition of the proletarian State, i.e., of the State in general is impossible except through the process of withering away". 24 Bernard Shaw's observations on the immediate consequences of the revolution are, indeed, exquisite: "The first results were appalling. The change took place in 1917, and by 1920 the condition of the former Russian empire, now called the U.S.S.R. . . . . . . . was so desperate that it seemed to be a warning to the whole world against the alleged wickedness and impossibility of Socialism". 35 Amlan Datta Observes: "The failure of the Russian standard of living to rise sufficiently after two decades of planning should not appear surprising. The magnificent achievements of the Soviet Union in the field of capital construction would have been possible without the imposition of drastic restrictions on the consumption of the masses. A large part of the 'surplus value' necessary for sustaining the Soviet programme of capital construction has been obtained for the rural economy". 36

The

The extraction of a surplus from the rural economy by the extinction (elimination of Kulaks) and forcible introduction of the system of collectivisation of farms constitutes a tragic chapter of the Russian history. Mr. G.D.H. Cole has condemned it. Be it repeated that the first five year plan of the U.S.S.R. aimed at increasing the agricultural production. For this reason, it became possible to distribute more food to the workers engaged in industrial construction. A crisis, already described, ensued in 1928-1929. A new policy of eliminating the Kulaks was adopted in the summer of 1929. A drastic method was adopted. Legal power was sanctioned to apply "all requisite measures to fight the Kulaks, including the total confiscation of Kulak property and their deportation beyond the boundaries of individual districts and regions." The Kulaks embarked on different types of retaliatory measures, one type being the mass slaughter of cattle. Baykov says: "The most important adverse results were the losses in livestock and the reduction in grain production which lasted until 1933." G.D.H. Cole made scathing remarks on the ruthless process of collectivisation, in the U.S.S.R.: "...... the ruthless 'liquidation' of the Kulaks is not only by far the ugliest chapter of the record of revolutionary Russia, but also the part of the communist policy which since the institution of the First Five Year Plan, has brought the Soviet Government nearest to collapse. Enforced collectivisation, accompanied by the stamping out of the Kulaks, was responsible for

37 Baykov: op. cit; p.194
for removing from Russian agriculture a large proportion of the less inefficient cultivators, and also for the devastating slaughter of livestock which occurred during the drive of 1930-1932. Nothing save a recognition that Russia is still in many respects a barbarous country can extenuate the inhuman severity of this drive against the Kulaks; """"

A.K. Cairncross accompanied by other economists including Mrs. Robinson once visited the U.S.S.R. in order to ascertain its economic condition for themselves. He remarks: """"The questions with which I went remained largely unanswered, although I discussed them often enough yet they were the kind of questions that anyone who has been actively engaged in the preparation of programmes (or, in the Russian jargon, plans) would relish answering and could answer without disclosure of secret information". Cairncross investigated and enquired different matters of economics. He put in such queries: """"Were family budgets collected and trends in consumption analysed or were gallant polls undertaken to test consumer's preferences? ....... How rigid was the plan? How often did it alter and how it was altered? Who took the initiative in planning it?"""" and so on. Questions of this sort were generally answered with a textbook account of planning or with slogans. He came to the conclusion that it was useless to go to the economists for an account of what was actually...

actually going on, "their job was to preach the theory of the matter, to say what was supposed to happen, not what did in fact happen". Again, he makes this remark in sorrow: "In despair of arriving at an understanding of the Soviet economic system from talk with the economists, I tried to gain access to some of the Gosplan officials. This met with no success and I had to fall back on experience and observation". 42

Due to economic planning, it is said, there is no unemployment problem in the U.S.S.R. This became manifest during the time of the First Five Year Plan. In Maurice Dobb's view, this might have been the result of some accidental miscalculation: "Regarding the increase in the productivity of labour, events were to show that the plan had embodied a serious miscalculation. Instead of the doubling of productivity per worker which had been envisaged, the actual increase by the end of 1932 was no more than 41 per cent. A crucial consequence of this miscalculation was that the fulfilment of the output programme required a much larger expansion of labour force of industry than had been budgeted for. So far as the employment situation was called for this was wholly beneficial. It was rapidly to transform the situation from one of surplus labour to one where job completion for men and women to fill them. 43

A few writers are of the opinion that there is a great deal of 'disguised unemployment' in the U.S.S.R. Soviet Russia cannot, therefore, be considered to have a full employment economy. Many labourers had been put to work at forced labour; otherwise, they would have remained unemployed. The rate of wages of the labourers was very low. Blodgett and Kemmerer have said:

"Workers, when they were no longer needed in industry and business, were not allowed to hang around and clutter up the streets of the industrial cities. Indeed, they were sent back to the farms and it was agriculture that unemployment showed itself—not in the form of completely idle workers, for it is easy to appear to have something to do in the form, but in the form of an excessive labour supply. Thus it was contended that unemployment was merely concealed, and not eliminated in the Soviet system."

Wilhelm Keilhau has remarked: "The Russian bourgeoisie, which never was numerous or powerful, suffered the hard fate of being 'liquidated'. It simply disappeared. But as the State, according to Lenin and Stalin, must is and must be an apparatus for oppression, the Soviet State must have oppressed another class than the extinct bourgeoisie ever since the beginning of the 1920s. Who can that oppressed class be? The answer can be deduced from the well-known social structure of the Soviet society. This society knows only two classes: The Communist Party and the rest. Who is the rest? The big unorganised mass of the Russian people, that is to say, the proletariat, that has been realized; only a new

44. Blodgett and Kemmerer: op. cit; p.351.
a new dictatorship is far more formidable than was the dictatorship of the Czar, as it comprises all economic power also". 45

Again, Blodgett and Kommerer observe: "Some critics regarded the Soviet system as a dictatorship over the workers and contended that wages, hours, and working conditions specified by the laws and collective agreements were meaningless. The managers of enterprises were under great pressure to fulfil the plans and were subject to severe punishment if they failed to do so. As the lesser of the two evils, they violated the conditions of labour code. Workers were compelled to put in fourteen or sixteen hours work per day rather than eight; and nine or ten hours, instead of seven, in the heavy and dangerous occupations. They were compelled to work on their rest days. The workers 'volunteered' for such work, but it was proposed to them, by party men, and worker who did not volunteer might be turned over to the secret police as counter-revolutionaries". 46

There were various other handicaps and limitations to which the workers were subjected to. An experiment of equality of wages was carried out in the early period of war-communism, but later on the said experiment was abandoned and gradually, but slowly, replaced by considerable inequalities in wages. A differential of only 3.5 to 1 between highly skilled workers and unskilled workers was given effect to in 1921-1922. Before the Second

World War, even the inequality of 20 to 1 was not very unusual. In capitalist countries there was, however, a still greater inequality. In quite a few of them, the inequality of 1000 to 1 prevailed between the highest and the lowest incomes before taxation. Several socialists cite the case of the U.S.A. where 40,000 to 1 is the ratio between the highest and the lowest incomes.

The success of the Stakhanovite movement contributed a lot towards the laudable achievement of the Soviet productive system. Alexei Stakhanov turned out 102 tons of coal in a six hour shift as against the normal quota varying from 6 to 7 tons. It was, indeed, a great achievement which proved a tremendous incentive to productive capacity.

Keith Bush's remarks on the "The New Five Year Plan" of the U.S.S.R. are noteworthy: "We might pronounce the new Five Year Plan - the first drawn up by Brezhnev - Kosygin leadership to be a modest but solid sort of structure, plainer by far than the shining places of Khrushchev's perspective plans, yet a more reassuring place to live in, with firm foundations and a roof which should not leak.

"The plan envisages a cautious interim stage of reconstruction and of setting the economic house in order. on the subject of the optimum length of an intermediate plan, Kosygin plainly does not share Khrushchev's enthusiasm for seven year, ten year, or larger periods and
and has aired his own preference for the traditional and tidy five year variety. His reformulation of the years 1956 through 1965 into the sixth and seventh Five Year plan periods suggests that Khrushchev's original contribution - the seven year plan will be treated as just another subjective aberration and may even end up as an 'un-plan'.

"Perhaps the most striking feature of the Soviet economy's performance during the period of the seven year plan was the fact that so many sectors came as near as they did to fulfilling their targets in view of the debacle in agriculture, which contributes over a fifth of the national income. Intriguingly, the index of gross industrial output registered an 84 per cent rise over the period, as compared with a planned increase of only 80 per cent; yet more than two-thirds of the announced targets for industrial products were underfulfilled.

The burden of the Seven-Year Plan shortfalls fell squarely on the back of the Soviet consumer. The planned increase in food, housing, clothing, footwear, average-pay, and real incomes, as well as the schedules for the reduction of working hours, the raising of minimum pay, and the abolition of income taxes, were not met, and only partial compensation was forthcoming in the shape of above-plan supplies of refrigerators and washing machines."
The short-fails under the Seven-Year Plan were occasioned primarily by the poor performance of the food and extractive industries in the regions concerned. A further factor may have been the re-allocation of centralised investment funds, but as yet no conclusive data are available to confirm or disprove this theory. More informative discussion of this problem has appeared in the Soviet press, and those who do comment on it tend conveniently to confuse plan with achievement. Whatever the reason for the disparities, the new plan provides little further correction, and it would appear that political preferences have been subordinated to economic imperatives.

Concerning the progress of the industrial reforms decided upon last September, the 23rd Party Congress was far from enlightening. That the present leadership has learned much from Khruschev's mistake in agriculture was already apparent from the published proceedings of the March 1965 Central Committee plenum.

A significant degree of qualitative improvement can be expected to result from the vast program of irrigation, drainage and other land improvement measures.

As far as the two major inputs other than capital investment - i.e., land and man power are concerned, quantitative declines are expected during the 1966-1970 period.

The Five Year Plan now promises an increase in the maximum level of tax-free income to 70 rubles a month from the present 60 rubles, a minimum wage of 60 rubles a month, and a five day 41 hour week by 1970.
...the new plan gives preferential treatment to the two sectors which had hitherto been most neglected—i.e., agriculture and consumer goods industry.

"After a lengthy period of uneven development and over-strain, the Soviet Economy seems to be in more stable hands. An extensive overhaul has been prescribed, and the head-long rush towards the material technical threshold of full communism has been slowed down to a brisk walk". 47

Alexander Birman comments: "Four Years of Soviet Economic Reform": "The Economic reform launched in the U.S.S.R. four years ago, has brought a number of changes. The rates of growth of the social product have risen substantially. Agriculture, where before the reform the average annual increase in output amounted to 1-2 per cent, has achieved 10 per cent and more in recent years ...........

"Also the return per unit of assets, that is, the effect realised from each new plant commissioned, has increased substantially. ........... Factories are being commissioned faster, their operation is also achieved in shorter periods of time, and the benefits derived by the national economy from each of these plants also increase.

"The quality of goods produced has unquestionably improved lately ......................................................

"Unquestionably

"Unquestionably considerable success has been scored in 'social digestion', under which we understand the material and technical supplies for factories .........................

"The independence of plants and the opportunities for showing initiative on their part have been substantially broadened in recent years. .........................

"The direct ties between factories and economic organisations have been greatly expanded. .........................

"Many industrial enterprises in Moscow, Leningrad, L'vov, Sverdlovsk and other industrial centres drew up the so-called plans of social development. These five year plans envisage meeting as much as possible all the personal wishes of every employee at the factory, and finding out these demands in the job of sociology services now functioning at very many factories.

Lastly, work on economic theories has become substantially more active. Experiments are being carried out in evolving new indices, new forms of relations, the sources for all types of incentives, etc. etc. .........................

"The so-called 'Shohekin experiment' is spreading wide. The essence of this is to complete the five year plan with a stable number of employees (or perhaps even releasing a certain number of people). Here the entire envisaged pay-roll fund is to be distributed among those actually working, which considerably increases their earnings. If it be taken into account that some areas in the
the country and industrial branches have certain difficulties in obtaining labour power, it is easy to see that the wide implementation of the "Shohekin experiment" will provide additional incentives for boosting the rate of economic development.

"Serious changes are forthcoming in the activities of building, designing and scientific research of organisations.

"We can expect the next several years to be a period of energetic experimentation and quests, since a big number of unsolved problems still face the country. ......." 48

Conclusion: The Communist economic planning of Soviet Russia is a typical example of the authoritarian or totalitarian planning. Soviet Russia had taken up economic planning in all great earnestness and vigour. The U.S.S.R. have sought the help of the latest scientific methods in statistical and accounting process as aids to economic planning. The Soviet Government have approached the basic planning problems in physical terms. Charles Bettelheim prefers a thoroughly centralised economic planning system. He has expressed his views on Soviet planning in his book "Studies In The Theory of Planning." According to him, the Soviet economic planning is a classic example of centralised planning. He holds that no planning is possible under a private enterprise economy. Planning may be effective only under a thorough going.

going socialisation of the means of production and under the public property system. These features are admirably represented in the Soviet system of planning. Bettelheim points out: "The obstacles that stand in the way of planning the whole of economic activity under a private property are connected with the fact that, in a system of this kind, production remains, despite its social nature, a private activity, whereas planning tends to make it a directly social activity, governed by society. In other words, for planning to exist, the planning must be able to treat each head of an enterprise like a mere manager of a public enterprise which is in practice incompatible with his position as an owner, or representative of a company of owners. It is all the more incompatible because the concentration of property confers on those who own it a considerable degree of economic power, a power all the greater because the State which claims to give orders to them is more often than not, in debt to them. It is thus that the problem of socialising the principal means of production arises, both in theory and in practice, as the premise of any genuine planning of economic life. Just such a socialisation proceeded the putting into effect of the Soviet Five Year Plans planning with centralised choice has been developed and carried out in a concrete fashion in Soviet Russia on the basis of Marx's theories." 49 It is Bettelheim's firm conviction that such "centralised choice alone enables true planning to be carried out in satisfactory conditions". 50 Very pertinently

49. Bettelheim: Studies In The Theory of Planning (1959), pp. 18-29, 75
50. Ibid, p.25.
pertinently he adds: "One of the contradictions of the capitalist order and a contradiction which gets bigger and as time goes by, is the fact that in this economic order the functioning of a mode of social production depends on individual decisions, which leads inevitably to clashes or overlapping between the consequences of different decisions.

"Only centralised planning itself based on a real socialisation of the means of production, can put an end to such contradictions. The writers, who in their proposals for decentralised planning have tried to retain some of the 'mechanisms' of capitalist economy have not noticed that thereby they have retained the essential features of capitalism". 51

Bettelheim is not, however, a supporter of the rigid type of centralised planning. He thinks that the Soviet planning system is not a veritable example of any rigid form of centralised planning. It is neither important nor urgent that the Planning Board will take all the decisions centrally under a centralised system of planning. Vital decisions should be taken centrally, but at the time such decisions are taken, proper consultation may be carried on with different enterprises or administrative or economic bodies. A flexible system of centralised planning has been evolved in the U.S.S.R. which has scope for consultation with different enterprises and

51 Ibid, p.41.
and with the entire masses before any fund decision is arrived at. Therefore, Bettelheim remarks: "Thus planning that is based upon centralised choice appears to us to be the only kind that co-ordinated in advance - and not after the event, through more or less violent economic fluctuations involving the loss of more or less substantial resources, - a set of decision which must necessarily be taken in harmony with each other". 52

A.H. Hanson observes on the Russian system of economic planning: "... it (the Soviet system) presents resource - mobilisation and resource allocation in real physical terms. Development is conceived as a deliberate and planned rearrangement of human and material resources

...The cardinal advantage of communist planning is that it can and does think consistently in these terms; for the communist once he has consolidated his regime politically has both the power and the will to impose on the community the physical distribution and utilisation of men and materials that his calculations show to be necessary for the attainment of his objectives. He need have no regard for immediate sectional interests, whether the landlords or capitalists, peasants or proletarians, and can act with a ruthlessness tempered only by the need to avoid provoking rebellion and to maintain producer's morals - in both of which tasks he is notably assisted by his monopoly of the means of propaganda

52. Ibid., p.42.
Propaganda. Thomas Wilson remarks on the authoritarian system of planning in Soviet Russia: "In Russia detailed programmes are prepared, not only for each commodity but for each separate enterprise or each plant, to use a different term. These programmes prescribe targets for output at various dates in the future. The plan also lays down how much of the various kinds of raw-materials may be used, and how much in the way of semifabricated parts, components and the like; moreover, the manager is told where he should obtain these supplies. He is allocated certain limited sums for expenditure on wages, and investment in fixed capital - machinery, buildings and the like is also laid down for him. Thus control is highly centralised although there is, of course, consultation in the preparation of programmes." He puts forward further arguments: "It can be argued with some justification that this system favours 'growth,' although it must be borne in mind that the measurement of growth is always unsatisfactory in that defects in quality and, above all, lack of variety are quite inadequately reflected in statistics of output. Indeed the Russian system, by favouring standardisation and ignoring private preferences, gives a somewhat exaggerated impression of rapid growth. Clearly there are some serious advantages. First of all, the whole arrangement is basically undemocratic. Consumers have no way of influencing producer's decisions in accordance with their preferences. In a

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market economy the link between producers and consumers is imperfect in various respects, but managers know that unless they provide people with the kinds of goods they are prepared to buy, they will suffer a financial penalty. There is no such mechanism in Russia.

"We have observed that communism, at its best, is somewhat similar to colonialism in that it is paternalistic. The rulers of a colony may not wish to exploit it, but they may often try to conduct affairs in what they think to be the best way whether or not the subject people approve of what is being done. In like manner the Russian consumer is not allowed to influence production directly by his expenditure but must accept the pattern of output that the planners regard as right. In many other ways freedom may be restricted and official decisions imposed. This may be done with the best intentions - although it is only realistic to suppose that the official may not always be completely altruistic and disinterested. But even if the intention of the rulers is good, these under their authority are prevented from taking their own decisions, and making their own mistakes. This is what is meant by saying that Russian planning resembles colonialism in being paternalistic.

"This aspect of Russian planning has not, of course, been criticised in Russia in exactly these terms, but it has been pointed out with increasing frequency that resources may be wasted because people do not get what they want. Quality may also be neglected. In the words of the Russian economist,
economist, Kutlyov, the disposals agency 'depersonalises the product'. As the standard of living rises and the diversity of output increases, the complaints are likely to grow in volume. Under the influence of Marxian dogma, the theory of demand has been neglected in Russia, whereas it has, in my opinion, been over elaborated in the West. There are now signs of a new interest in such concepts as 'elasticity', although economists must still be careful not to indulge too much in dangerous thoughts. It is also significant that some products must not now be produced in excess of the official plans.

"In other ways, too, this type of planning is not wholly satisfactory. There is too much rigidity in an arrangement that prescribes for each firm the input of most raw materials and components, the amount of money that can be spent on labour, the equipment that is to be used, and so on. Moreover, with input and output so closely prescribed for him in the plan, the manager has little incentive to innovate and little scope for doing so."

"... It has also been pointed out that their highly-centralised arrangements have certain disadvantages."

"It may be objected that centralised planning is an immensely intricate affair and a lot of ability may be absorbed in preparing elaborate production programmes and..."

55. Ibid, pp. 28-29.
calculating the required inputs, all on the basis of appallingly inadequate statistics. 

"Highly centralised planning may not economise ability; it may waste it."

"Moreover, planning of this kind required endless paper work and form-filling by legions of clerks who might add more production if they were using spanners instead of pens. By comparison, a decentralised price system offers great administrative economics". 56

The ruthlessness of the Soviet system in regard to the liquidation of the Kulaks, regimentation of the workers, the merciless extraction of 'surplus' from the farmers, etc., cannot escape any critic's detection. There is no dearth of other examples which may be cited. Since 1953 the Soviet workers have been subjected to severe controls. There existed the system of severe penalties for absenteeism, lateness, soldiering on the job, quitting work early, and other cases of labour indiscipline. The penalties for the breach of discipline included dismissal from the job, eviction from quarters, correctional labour at the usual place of employment at a 25% reduction in wages, fines and imprisonment. The trade unions of labourers represented the ruling bureaucracy. It should be noted that under the planned economy the U.S.R. has been taking a third of her national income, on the average, in the form of new production of facilities. This accounts for the extremely low level of standard of living of the people.

Russia

Russia claims herself to be a democratic country. Stalin once said: "Democracy in capitalist countries, where there are antagonistic classes, is, in the last analysis, democracy for the strong, democracy for the proportioned minority. In the U.S.S.R., on the contrary, democracy is democracy for the working people, that is democracy for all. That is why I think that the constitution of U.S.S.R. is the only thoroughly democratic constitution in the world."

But it is a travesty of truth to admit that the U.S.S.R. is a pure democratic country. Even now some sort of economic and political regimentation exists in Soviet Russia. The planning system of the U.S.S.R. is based on Marxism.

"The building of socialism and communism is the practical purpose of planning, while Marxist Leninist theory of socialism and communism is the scientific basis on which plans are elaborated." From the above argument we understand the politics of planning in the U.S.S.R. Marxism, as a principle of political organisation, implies dictatorship. It recognises a single political party that leads the Government. It heads, instructs, and coerces the people to act unto its dictates and mandates. Therefore, the planning system of the U.S.S.R. is authoritarian or totalitarian. This is a clear inking into the politics of planning in the U.S.S.R. Inspired by the teachings of Karl Marx and Engels, Lenin developed Marxism in which he found a means of solving outstanding political problems.