

are satisfied that they are putting time to good use. Their stand at Geneva, where they again refused to permit the free interflow of people and ideas, shows that they have no intention of allowing it to become a double-edged weapon. Communism can only continue to flourish in darkness, and the Soviet leaders do not want to give their opponents the opportunity to

apply the time factor against themselves. They know that if enough Soviet people were given the opportunity to learn the truth about the relative merits of communism and democracy, they would, in time, become less willing to put up with the hardships and restrictions which are part and parcel of the Soviet system.

Soviet Economic Policy Since Stalin

By LEON M. HERMAN

IN THE economic sphere, developments in the USSR under Stalin's successors have been marked by a curious contradiction. Public affirmations of undiminished faith in Stalin's economic achievements and policies have continued side by side with a number of rather urgent official drives designed to correct the disproportions which those very policies had introduced into the economy of the Soviet Union. The task of adjusting to some of the economic imbalances inherited from Stalin has proven to be a complex as well as divisive undertaking. So many economic areas required prompt corrective measures that the question of the order of priority which they should be given gave rise to open disagreement among Stalin's successors within less than two years of his death.

The search for solutions to some of the more apparent ailments of the Soviet economy falls into two distinct phases. The first phase, lasting from March 1953 to February 1955, was marked by Malenkov's attempt to rationalize the Soviet economic process by increasing somewhat the share of the citizen in the fruits of his labor. Since February 1955, the task of adjusting the economy to the consequences of the Stalinist orgy of amassing industrial capital has been guided by the policies associated with the name of Khrushchev. The Khrushchev approach, in con-

trast to that of Malenkov, has been marked, in general, by an attempt to alleviate some of the major stresses in the economy without, as yet, allowing the public a substantial share in the benefits of expanding production.

Experimenting With the "Light Touch"

BECAUSE of his long experience as a manipulator of the levers of economic control in the USSR, Malenkov undoubtedly was aware of the need for immediate reform in the operation of the economic apparatus. In his opinion, which was not challenged by any of his colleagues at the time he came to power, the Soviet economy had travelled far enough along the road of unrestrained accumulation of basic industrial power. Year after year 64 percent of all accumulated new capital had been invested in the expansion of those industries producing goods to be pumped back into the industrial process. Such an economy, Malenkov intimated, was quite secure against any serious drain through private consumption.¹ Moreover, he knew that the system of controls enabled the regime to call a halt to the expansion of consumption at any desired point and at any time that it chose.

It was fully apparent to Malenkov that the Stalin regime's rigid adherence to the policy of small and grudging allocations of new capital for expansion of consumer goods industries had tended to perpetuate the state of chronic shortages in all areas of consump-

Mr. Herman is an American economist specializing in Soviet affairs, particularly Soviet trade. He authored "The New Soviet Posture in World Trade," which appeared in issue No. 6, November—December 1954.

¹ Malenkov's speech before the Supreme Soviet, August 8, 1953. *Pravda*, August 9, 1953.

tion and, with it, the lopsided character of Soviet economic growth. He discerned, moreover, that only a slight concession away from this policy could produce impressive results from the consumer's standpoint. For example, a cut of less than 10 percent in new funds set aside each year for heavy industry would enable the government to double the amount of investment capital available for the expansion of light industries. Similarly, a reduction of the military budget by only some 15 billion rubles (about 13 percent) would make it possible to increase the wages of every employed person in the USSR by the equivalent of two weeks' pay, or about 4 percent of his annual income. Alternatively, an even smaller 10 percent military cut would allow a 50 percent increase in appropriations for housing.²

Malenkov, however, was careful to avoid a direct criticism of Stalin's policies.³ Instead, he adopted an indirect approach based on a judgment that the Soviet economy already had completed one urgently necessary stage in its development, the stage of maximum reinvestment of capital resources in basic production facilities. The next stage, which he presumably intended to direct, should demonstrate the adaptability of the Soviet economic apparatus to a somewhat higher level of consumption. Accordingly, he proposed to carry out a calculated readjustment in the allocation of resources, which would produce relatively quick and conspicuous results in augmenting the volume of goods available for consumption without any noticeable effect upon the predominance of heavy industry in the established pattern of Soviet economic development.

Malenkov singled out four economic areas in which a modest and safe modification of past policies seemed likely to bring about such optimum results toward boosting public morale. The areas selected were the following:⁴

² These percentage figures are calculated from the appropriate allocations in the 1953 annual budget. The military appropriation for 1953 amounted to 110.2 billion rubles. Expenditures on housing totalled 80 billion rubles for 1951-54. *Planovoye Khoziaistvo*, Moscow, No. 2, 1955, p. 40.

³ In his speech of August 8, Malenkov made it abundantly clear that he had no intention of renouncing the basic line of economic development laid down by his omnipotent predecessor. He spoke glowingly of the "enormous successes" of the Stalin regime, underscored with pride the rate at which heavy industrial production had been built up, and publicly subscribed to the basic principle of Stalin's economic platform, *i.e.*, that if heavy industry did not expand at the rate required by the regime, there could be no progress in light industry, agriculture or in military defense.

⁴ The summary analysis of the Malenkov program in the paragraphs which follow is based on the Malenkov speech of August 8, *op. cit.*



— А сейчас я вам покажу нашу основную продукцию.



Вот, пожалуйста

ON THE PROBLEM OF NOMENCLATURE

—And now I will show you our basic product . . .

—Here it is . . .

Krokodil, Moscow, September 30, 1955.

1) *Capital Investments.* By way of a direct attack on the problem, Malenkov announced that investments in consumer goods industries in 1954 would be approximately doubled compared with 1953. It was quite easy to foresee that each absolute addition of new capital in the long-neglected consumer industries would have considerable effect in terms of increasing efficiency and total output.

2) *Surplus Capacity of Defense Industries.* For more immediate results, Malenkov planned to utilize the vast network of modern industrial plants controlled

by the armament ministries. Accordingly, assignments were given to a number of defense industries to design and manufacture a prescribed line of consumer goods. These goods were in the metal and household appliance categories: washing machines, bicycles, watches, radios, metal beds and kitchenware.⁵

3) *Government Stockpile*. The most immediately accessible source of consumer goods that could be drawn upon was the sizeable stockpile of foodstuffs and other commodities regularly maintained by the government for emergency purposes. By tapping this ready source, Malenkov was able, as early as April 1953, to step up the flow of goods into retail channels by an amount calculated to result in an 8.5 percent increase over the planned figure for the year. In a parallel move, the government also stepped up its imports of consumer goods from abroad, two-thirds of the increase to come from other Soviet-bloc countries and the rest from the world market.

4) *Fiscal Policies*. In order to provide the added purchasing power necessary to absorb the additional volume of goods placed in circulation, Malenkov effected several substantial adjustments in fiscal policy. First, the government reduced annual deductions from wages for "voluntary" bond purchases by 50 percent, *i.e.*, from four to two weeks' pay on the average. This was, without doubt, the most popular single measure of the short-lived Malenkov regime.

Tax Policy and the Peasantry

MALENKOV also set a lower target for revenue to be raised through the heavy "turnover" (sales) tax, the first such reduction in recent years. By collecting a smaller total amount of tax from a larger volume of goods, he effectively reduced the tax bite per unit of article sold in the state stores. As far as the public was concerned, the lower tax made itself felt in the form of a larger reduction in commodity prices during 1953 than during the preceding two years.⁶

The military budget for 1953 was left without change but was trimmed down by some 9 percent in 1954.

The money income of the peasant was also affected favorably by the Malenkov program. To begin with, the program called for cutting in half the tax burden imposed on income derived from the peasant's private plot. Malenkov characterized the onerous tax policy

of "recent years" in this regard as "defective" because it reduced a vital incentive for the farmer and thus discouraged needed food production.

The Malenkov budget further benefited the peasants as collective farmers by providing more generous treatment in fixing the arbitrary price levels to be paid for crops turned over to the state under compulsory delivery quotas. The items specifically slated for price increases were: meat, milk, wool, potatoes and vegetables. Outside the required quotas, where the collectives sell to the government on contract, the regime promised higher prices for grain as well as for the above-mentioned commodities.⁷

Taken as a whole, Malenkov's policy adjustments appear to have had as their broadest objective an improvement in public morale which would not only strengthen the regime politically but also introduce a modicum of balance into the economy. A common characteristic of all these measures was that they provided added incentives for better performance, a sphere in which there was certainly ample room for improvement. Tacitly implied in the new course policy was the admission that the revolutionary impetus which had formerly been counted upon to spur unusual individual effort in the economic sphere could no longer be considered an effective stimulus, and that the regime could now expect from management, labor, and the peasantry only a labor input commensurate with the material benefits provided by the government.

Return to the "Heavy" Hand

TO ALL outward appearances, the reforms sponsored by Malenkov during 1953-54 had the support of the entire post-Stalin collective leadership. All the decrees issued during the period were jointly authorized, in accepted Soviet fashion, by the party and the government. Public pronouncements made by Khrushchev, as First Secretary of the Communist Party, lent support in a specific and crucial area to the general Malenkov program, by pressing for an improvement in the system of agricultural incentives.⁸

Toward the end of 1954, however, ominous rumblings of criticism began to be heard in the party press, steadily mounting to a crescendo in late January 1955.⁹

⁷ For a detailed analysis of Soviet agricultural policies since Stalin's death, see L. Volin, "Report on the Agricultural Front," *Problems of Communism*, No. 6, November-December 1955.

⁸ *Ibid.*

⁹ See, for instance, the leading article in *Partinaiia Zhizn* (Party Life), No. 1, 1955; an article by D. Shepilov, editor of *Pravda*, "The Party General Line and Vulgarizers of Marxism," *Pravda*, January 24, 1955; and E. Frolov, "Heavy Industry—the Basis of Soviet Might," *Kommunist*, No. 3, 1955.

⁵ *Pravda*, October 28, 1955.

⁶ The estimated saving to the population through lower prices in 1953 was 53 billion rubles as compared to 34.5 billion in 1951 and 28 billion in 1952. C. D. and R. G. Campbell, "Soviet Price Reductions for Consumer Goods, 1948-54," *American Economic Review*, September 1955, p. 614.

As usual, the criticism was couched in theoretical terms and, although virulent in tone, was directed vicariously at a number of minor economic writers. Their support of increased attention to the consumer—the policy associated with Malenkov—was denounced as a distortion of established party theory.

The climax of the attack was timed to coincide with the annual session of the Supreme Soviet, which opened February 3, 1955. During the week's session, evidently called to formalize an accomplished fact, Malenkov submitted his resignation as Prime Minister (on February 8). The premiership went to Bulganin, who was "nominated" by the triumphant Khrushchev. The latter quite pointedly identified himself as the main force behind the short, oblique campaign which had undermined Malenkov. The new Premier, Bulganin, assailed the policies sponsored by his predecessor as "yielding to the temptation of solving particular temporary problems at the expense of the vital needs of the state."¹⁰

As the session proceeded, it became abundantly clear that the newly dominant faction considered "consumerism" inconsistent with the permanent objectives of the Communist regime and intended to return to the tested, orthodox policy of giving full priority to expansion of the economic might of the Soviet state. The official press, at the same time that it revived the more militant pre-Malenkov economic slogans, sought to ease public shock by stressing that the long-term welfare of the population would best be served by sacrificing the momentary material needs of the citizen to the objective of building up a powerful industrial structure.¹¹

The return to austerity was all too evident in the new leadership's proposed budget for 1955, presented to the Supreme Soviet for its ceremonial approval. Finance Minister Zverev's budget report, unlike his reports of the two preceding years, was conspicuously devoid of references to the generosity of the party and government in striving to fill the daily needs of the Soviet worker and peasant. Small wonder, for the budget prominently called for a 12 percent increase in military appropriations compared with a rise of only 4 percent in total economic expenditures. Appropriations for new housing were cut by 4 percent; allocations for construction of additional manufacturing facilities for consumer goods dropped 16 percent; and funds for expansion of the trading apparatus were pared in half.¹²

¹⁰ *Pravda*, February 10, 1955.

¹¹ Editorial in *Pravda*, February 8, 1955.

¹² Zverev's budget report, published in *Pravda*, February 4, 1955.

In addition to these measures, the regime dealt a heavy blow to consumer purchasing power by deciding to double the size of the annual state "loan" for 1955, from 15.9 billion rubles in 1954 to 30.5 billion. In terms of take-home pay, this meant an average loss, through automatic deductions for bond purchases, of four weeks' pay instead of the two "donated" by the Soviet wage-earner in 1953 and 1954.

In trying to justify the return to "hard" fiscal policies, the party press contended that real wages had already reached a higher level in 1954 than had been planned for 1955 (37 percent over 1950 instead of 35 percent) while at the same time labor productivity was lagging behind the planned target (33 percent over 1950 instead of 50 percent). This, it was emphasized, ran counter to Marxist theory requiring a faster rate of increase in productivity than in wages. *Pravda*, indirectly criticizing the inflationary effect of the Malenkov wage and payment policies, pointed out that the 25 percent rise in consumer purchasing power during 1953–54 had not been accompanied by a comparable increase in the volume of available goods.¹³ In line with this analysis, the regime, for the first time since 1949, failed to grant the expected annual reduction in consumer goods prices.

The Spectacular Approach

KHRUSHCHEV'S approach to the problems bequeathed by Stalin also included a return to the device of the large spectacular project. This device had proven effective in the past as a morale-booster by concentrating attention upon some dramatic enterprise vaguely associated in the public mind with progress and the general welfare.¹⁴ The scheme produced by Khrushchev addressed itself to agriculture, where some of the gravest unsolved problems lay. It consisted of a grandiose project to add many millions of acres of new plowland to the available farm acreage in the country.¹⁵

The agricultural situation admittedly has given the post-Stalin leadership its worst headache. On the

¹³ *Pravda*, March 27, 1955.

¹⁴ Khrushchev's resort to this device was in line with the tactic inaugurated in 1920 by Lenin, who instructed one of his associates to prepare some sort of striking economic scheme, some "shining broad prospect" to work for, something that "would be understood by the proletariat." See letter written by Lenin to Krzhizhanovsky, quoted in Sidney & Beatrice Webb, *Soviet Communism: A New Civilization*, Longmans Green, London, 1935, p. 615.

¹⁵ The project originally called for placing a minimum of 32 million acres of new land into grain cultivation by 1955. The target was increased to 37 million acres in August 1954, and has since been practically doubled for 1956 to about 69–74 million acres. See L. Volin, *op.cit.*

one hand, overall population growth has been at the brisk rate of about 1.5 percent a year; that of its urban component still faster. On the other hand, the country's collective and state farms have shown little capacity for a rapid increase in output, as demonstrated, for example, by the lack of any significant rise in the annual compulsory deliveries of grain to the government over recent years. The spread between the two factors of population and production has been widening instead of narrowing, as shown by the data in Table I.

Table I			
	1938	1953	1953 as % of 1938
Urban population (millions)....	55.9 ¹	80.2 ²	143.1
Grain deliveries to the state (million metric tons).....	38.0 ³	40.4 ⁴	106.3
Amount available per urban inhabitant (kilograms).....	680	500	73.5

¹ *Official Soviet Census, January 17, 1939.*
² *Malenkov speech, Aug. 8, 1955, Pravda, Aug. 9, 1955.*
³ *Kalendar-Spravochnik 1948 (Moscow), p. 131.*
⁴ *Khrushchev's report, Sept. 1953 Plenum, Pravda, September 15, 1953.*

The production picture for meat and milk was no better. Before the beginning of enforced collectivization (1928), there was one cow for every five inhabitants in the Soviet Union; by 1953, the ratio had dropped to one for nine. As part of the same picture, the number of peasant families too poor to own a cow increased from some 20 percent before the war to 45 percent in 1953.¹⁶

In another troublesome sector of the Soviet economy, namely the construction sector, Khrushchev proposed a similarly drastic solution calculated to produce tangible results in a minimum time. He announced a plan to build a network of factories for the manufacture of large prefabricated blocks of reinforced concrete. These blocks, made in standard sizes with a vertical dimension large enough for one full story of a building, would be delivered to construction sites, where they could be erected quickly into complete structures. In addition, the building processes presumably for both industrial and residential construction, would be speeded up by the use of more modern machinery.

The state of Soviet industrial technology also has been receiving increased attention under the new collective leadership. Since July 1955, a comprehensive

official study of the technological situation has been underway, and its results have evidently not been too flattering to the country's designers and producers of equipment. Relatively candid reports presented at a Plenum of the Central Committee of the CPSU last July cited evidences of widespread backwardness in several fairly important branches of machine-building, and similar disclosures have subsequently appeared in the Soviet press.¹⁷

Although admissions of backwardness have applied chiefly to industries engaged in civilian production, it is significant that the regime has adjudged even domestically produced machine tools to be less modern, less versatile and less productive than comparable Western products. In addition domestic machine producers have been charged with an excessive waste of metal and with turning out a final product often 50 percent heavier than foreign machines performing the same jobs. The implication is that the Soviet machine industry still has need of frequent infusions of new technology from abroad, without which it tends to fall behind not only in production efficiency but also in the development of improved models.

Khrushchev's recognition that Soviet industry and agriculture alike can benefit greatly from closer familiarity with foreign techniques became apparent in the months immediately after his assumption of primary responsibility for Soviet policy. After mid-1955, hand-picked teams of specialists in various fields—especially in agriculture, construction and machine industry, where the new leadership was particularly anxious to effect corrective measures—were dispatched in increasing numbers to the United States and some Western European countries to study developments in their particular fields.

Austerity for the Time Being

AS far as current economic performance is concerned, Khrushchev's measures to halt the trend toward "consumerism" under Malenkov appear to be having the desired effect. An assessment of their effectiveness must rely, of course, on official Soviet data and consequently must allow for possible "tailoring" of the facts to fit a predetermined "progress report." The first such data on Soviet economic results for 1955 were announced by Deputy Premier Lazar Kaganovitch in his address on the November 7 anniversary of the Bolshevik Revolution. These data indicated that both the consumer's purchasing power and the volume of goods available for him to buy were effectively held in check during the year.

¹⁶ *Pravda*, September 15, 1953.

¹⁷ Bulganin's report to July Plenum, *Pravda*, July 17, 1955.

Real wages registered a gain, but it was the smallest in recent years—1.5 percent as compared with an average yearly rise of 8 percent recorded during 1951–54. Similarly, although the total output of consumer goods also increased under the long-term plan for the expansion of all industry, the increase amounted to only 8 percent in 1955 as against an average annual expansion of 13 percent during the preceding four-year period. On the other hand, the heavy industries had their best year of the recent period, registering a production rise of 14 percent compared with an annual average of 13 percent during the four earlier years.¹⁸

To sum up, the events of the past three years have produced no substantive change in the basic official approach to economic development in the USSR. Neither the Malenkov nor the Khrushchev faction has shown any inclination to abandon the traditional Communist method of amassing and distributing economic wealth. The practice of accumulating forced savings at a maximum rate by means of a heavy turnover tax has remained unchanged, as has the pattern for allocating these savings to the various sectors of the economy. The nation's long-neglected requirements for new social capital continue to be treated as a residual claimant on available funds. A preponderant share of the national income is still being poured into industrial capital and heavy armaments instead of being devoted to filling the needs of the population for a better supply of food, daily necessities and housing.

But while there has been agreement with respect to the general orientation of the Soviet economy, the problem of how to deal with the neglected economic areas has found the post-Stalin leadership vacillating between two alternatives. The alternative chosen by Malenkov was based on the assumption that the more irritating aspects of daily life in the USSR could be mitigated to a considerable extent by a slight retardation of the headlong rush for sheer industrial power. His approach to this task involved, in the first instance, an improvement of the immediate rewards offered to the Soviet citizen for his economic contribution. Ultimately, it may be surmised, Malenkov's reform measures were calculated to make progress in all elements of the Soviet economy more stable, if somewhat less spectacular in the officially favored sector.

The pursuit of this alternative, however, required a relaxation of the pressures against a rise in living standards, which the ultimately dominant element

¹⁸ Kaganovitch speech, *Pravda*, November 7, 1955.



Do you want me to wrap up this coat, or will you return it right away?

Krokodil, Moscow, February 10, 1955.

in the leadership could not reconcile with current Soviet ambitions at home and abroad. The alternative approach which has prevailed under Khrushchev's leadership involves the continued orientation of the Soviet economy along the line of strengthening of its productive capabilities, coupled with a call for further sacrifices on the part of the population. By the same token, a warning has been served on the Soviet people that they will continue to be denied their right to a level of daily life commensurate with their labor effort until such time as the regime has achieved the kind of economic structure it considers necessary under its own concept of power.

[*Author's Addendum:* In late December 1955, the Khrushchev regime unveiled the public version of its financial plan for the year ahead. In its essential features, the budget for 1956 reflects a power-oriented economic program. The heavy industrial sector of the economy received a larger proportion of capital investments than in the two preceding years, 60 percent of the total, as compared with 53.3 percent in 1954. By comparison, the light industries were assigned only 4.8 percent of total investments, as

against 8.3 percent in 1954. At the same time, the tax on turnover (retail sales) was raised sharply, from 40 percent of total state in 1955 revenue to 45 percent in 1946. The target of the forced loan remains at the high level of 1955.

Viewed in the context of the budget as a whole, the somewhat lower 1956 appropriation for "defense" (about 5 billion rubles, comparable prices) does not reflect any decline in the war preparedness of the

regime. It is more directly related to: (1) the reported reduction of 640,000 in the size of the armed forces during 1955, prompted by changing technological conditions of warfare; (2) the reduction in the prices of producer goods, including armaments, carried out in 1955. The latter is part of a continuing process of adjustment between prices in the consumer and producer sectors of the economy whereby the regime can shift resources from one sector to the other.]

The Soviet Writer's Search For New Values

By JERI LABER

"ENOUGH of the new 'Soviet man'! Let's think about the human being!" This appeal is the implicit theme of three of the most controversial Soviet literary works of the post-Stalin era: Ilya Ehrenburg's *The Thaw*, Vera Panova's *The Seasons*, and Leonid Zorin's *Guests*.¹

The Ehrenburg and Panova novels and the Zorin play, all of which appeared in 1954, have added new fuel to a discussion which has been burning hot and cold on the Soviet literary front since shortly after Stalin's death. Sparked in 1953 by a few lone voices who spoke out in brave if carefully worded appeals for greater cultural latitude, the discussion rapidly gained momentum and since has devolved, in large measure, into a controversy between two forces—the party bureaucrats who control the Soviet Writers' Union and who seem bent on perpetuating their hold over the arts, and the champions of a more liberal line in

literature which would widen the scope of "orthodox" content and expression.²

Ehrenburg's position in this struggle has been a matter of some dispute; since in the Stalinist era he was a frequent mouthpiece for the regime in matters of literature, there were some observers who felt his plea for more "truthfulness" and "sincerity" in literary creation, put forth in an article "On the Work of a Writer" early in the course of the post-Stalin discussion, was an officially inspired move to bring the debate under control by establishing the outside limits of permissible argumentation.³ Ehrenburg's later authorship of *The Thaw*, however, seems to place him on the side of those seeking to infuse a new and freer spirit into Soviet literature.

Apparently encouraged by the atmosphere of relative relaxation which made a "discussion" even possible, Ehrenburg, Panova and Zorin saw an opportunity to protest against the harsh restrictions of Stalin's time and to express their aspirations for the future. In this respect, their three works are of considerable value to the student of Soviet affairs, for they provide new insight into Soviet life and into the real thoughts of distinguished Soviet writers who

¹ Ilya Ehrenburg, *The Thaw*, translated from the Russian by Manya Harari, Henry Regnery Company, Chicago, 1955; Vera Panova, *The Seasons*, published under the title *A Year's Span* in the English-language magazine *Soviet Literature*, Moscow, No. 5, 1954, pp. 9–162; Leonid Zorin, *Gosti* (Guests), published in *Teatr* (Theater), No. 2, 1954, pp. 3–45.

Mrs. Laber studied Soviet literature at the Russian Institute, Columbia University and was one of four students from that university who visited the Soviet Union in the summer of 1954. Of interest, she was granted an interview there with A. A. Surkov, General Secretary of the Union of Soviet Writers. She is presently Foreign Affairs Copy Editor of the *Current Digest of the Soviet Press*, New York.

² For detailed analyses of developments in the literary "debate", see Vera Alexandrova, "On the Literary 'Front'," *Problems of Communism*, No. 4, Vol. 3 (July–August 1954), p. 11, and Gleb Struve, "The Second Congress of Soviet Writers," *Ibid.*, No. 2, Vol. 4 (March–April 1955), p. 3.

³ See Alexandrova, *op.cit.* Ehrenburg's article appeared in *Znamya* [The Banner], Moscow, October 1953.