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Organization of Planning
in the U.S.S. R
in the Transition Period

by

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ORGANIZATION OF PLANNING IN THE USSR IN THE TRANSITION PERIOD

For more than forty-five years since the victory of the Great October Socialist Revolution the Soviet Union has been practicing planned national economy.

The essence of planning lies in conscientious application of economic laws - this being a foundation of rapid and proportional development of all branches of national economy.

The main goal of planning is the most rational and effective utilization of material, labour, financial and natural resources, development of technical innovations, elimination of wastes and losses in production, all aiming at the achievement of most effective results in production with the least possible expenditures, for the benefit of the society at large.

Planning of national economy on a country scale is one of the most important advantages of the socialist system. Planned economy rules out crises and unemployment. It ensures most effective utilization of natural, material and labour resources and provides high rates of the growth of productive forces, aiming at the steady rise in people's well-being and cultural standard.

Reaping the benefits of these advantages, the Soviet people within a very short historical period managed to do away with the age-old backwardness of the country and to turn it into a powerful industrial and agricultural state.

Under socialism planning is not only possible- it is indispensable, as without coordination of economic prospects on a country scale economic progress becomes most unlikely.

Planning in the U.S.S.R. is based upon the principle of democratic centralism which implies combination of centralized state management with the creative initiative of local administrations and enterprises. Participation of millions of working people in the drawing up of economic plans allows to fully disclose all potentials which are hidden in the depths of socialist economy.

Full regard of various demands allows to study the planning experience and to sooner put into practice creative ideas which are born in every-day economic activities. Planning in the U.S.S.R. embraces all economic divisions - local and central - hence all economic establishments, research and planning institutes, councils of national economy, republics, oblasts and regions have in their managerial departments planning boards, be it planning offices, departments, commissions engaged in economic planning for the relevant organizations.

As is proved by experience, planning combines three interconnected aspects: social and economic, methodological and organizational.

The first aspect deals with social and economic processes of production, this is the very object of planning - national economy. The second aspect deals with proper methods of studying social and economic processes and how to influence them in the most active way. The third aspect is the organizational structure of planning. This third aspect is the main topic of the present lecture.

Since the very first days of the establishment of the Soviet State with starvation and devastation reigning all over the country as a result of the war and intervention, there was an urgent necessity to start planned reconstruction of the national economy.

There was the Supreme National Economic Council created for the Management of national economy which functioned also as the first central planning body.

To effect the management and control of the economic life all over the country gubernia and uyezd councils of national economy were set up as well as State statistical bodies both central and local.

First of all Soviet economic and statistical bodies launched nation-wide control over production and utilization of most important material resources and first and foremost - fuels and food.

Then, when major branches of national economy were nationalized and made a public property, conditions were created to draft plans for the development of some industries and industrial regions.

Thus, in 1918 rough figures were worked out for the annual coal and metal output, the manufacture of agricultural machinery and grain purchase. This same year plans were drawn up for capital construction and public work in various branches of industry. In 1918 planning was introduced in more than a half of major industrial enterprises.

It should be noted, however, that planning in the above-mentioned period had a very budding character: it did not cover the whole of national economy, plans did not contain enough indices, they were approximate, preliminary - rather outlines than plans, in fact.

These first plans aimed at doing away with devastation, turning to normal economic life with the view of supplying the people with fuel, bread and other objects of consumption.

At this time the working out of the programme of the socialistic reorganization of the country was started though the situation in the country was very difficult. But the civil war and foreign intervention broke off this constructive labour.

By mobilizing all the country resources the state could stand the ordeals of the war, its ravages, intervention. Planning of the major branches of economy was one of the most important instruments accounting for that. Plans of state grain purchase and distribution of bread and fuel and rail freightage played their extremely significant role. Besides, the war compelled the Soviet state to carry out some measures to control country's economic life, such as labour conscription, food apportionment, private trade ban and others.

During the civil war planning was still imperfect. At that time plans were just operative tasks. It is in these years, however, that the foundation of planned economy was laid. In spite of enormous hardships the Soviet state took commanding posts and began to make practical use of planning.

By 1920 nationalization of industry had been practically completed only small domestic enterprises with no hired labour employed remaining unnationalized. As a result of the nationalization the state was in full possession of 37 thousand enterprises employing 72.3% of all industrial workers. But the nationalized enterprises were mainly relatively small factories or workshops. Petty goods peasant economy was prevalent in the country, socialist industry being still rather weak.

The low level of the socialist sector productive forces development and its low proportion in national economy at that time was aggravated by economic devastation caused by the imperialistic and civil wars and foreign intervention.

The country's economic situation of 1920 leveled with that of the tzarist Russia of the second half of the XIXth century. The output of basic industries decreased 7-fold as compared to the pre-war peak, and cotton industry output - 20-fold. We had less than 1 kg of cast iron per capita of population, about one metre of cotton fabric etc. That was the time of terrible famine and urgent want of most necessary objects of consumption.

In this most difficult situation the historic "GOELRO" Plan was worked out. For the first time in the history of humanity a single national economic long-term plan was drafted for the development of the country's productive forces.

The leading idea of the GOELRO plan was that of "the bringing the vanguard of our economy in line with the achievements of our political system" ^{x)}.

x)

The Plan of Electrification of the RSFSR, p.36, 1955

The task of building up material and technical foundation could be solved only by creating heavy industry based upon country-wide electrification. The plan envisaged huge increase in industrial output as compared with the actual level of 1920.

The GOELRO plan was designed for 10-15 years. The plan realization expenditures were 17 million gold roubles, major part of the sum going to heavy industry and transport development. It should be mentioned that the GOELRO plan was aimed not only at mere restoration and expansion of existing key industries- the plan had in view radical reconstruction of old branches of industry and building new ones - all adding up, naturally, to considerable change of proportions of the national economy.

The GOELRO plan proceeded from the proposition that the country's heavy industry is a groundwork for the reconstruction of the entire national economy. Therefore the plan stipulated the most rapid progress of heavy industry.

The pre-war entire industrial level of 1913 was to be surpassed by 80-100% and heavy industries - 2.2 fold. Most urgent were envisaged measures for increasing fuel output, smelting ferrous and non-ferrous metals. A great deal of attention was paid by the plan to the development of light and food industries. Consumer goods output was supposed to be increased 1.5-fold as compared to that of 1913.

Considering the outstanding importance of fuel for national economy reconstruction the plan envisaged a number of measures to increase fuel output and create a sound fuel base.

The plan's main idea as far as the fuel industry was concerned was the creation of country's own fuel base.

The second major precondition for the successful development of entire national economy is the production of ferrous metals. "Without fuel and iron the reconstruction of national economy in the broad sense of this word becomes unthinkable". x)

X) The plan of Electrification of the RSFSR, P. 171, 1955.

Industrialization of the country, erection of a great number of new enterprises, as was stipulated in the GOELRO plan, demanded enormous amount of metal which was far beyond the smelting capacity of existing metal works. That is why the GOELRO plan envisaged an increase in producing capacity of metallurgy .

The plan stipulated a 2.1 fold increase in ferrous ore output as compared to 1913 and 120-fold as compared to 1920.

The increase in ferrous ore output went, according to the Plan, alongside with considerable expansion of metallurgy: pig iron output was to grow 2-fold as compared to 1913 and 71-fold as compared to 1920; steel output - 1.55 and 33.5 respectively .

The development of engineering industry and the electrification of national economy demanded a lot of non-ferrous metal. To meet this demand with country's own metal resources the plan stipulated an increase in copper output. Besides, utilizing cheap hydro-electric power, the plan foresaw setting up aluminium industry .

The enormous construction programme called for a steep increase in building materials output: thus, cement output was to grow 5.2-fold as compared to 1913 and 215-fold as compared to 1920, brick output - almost 5-fold respectively .

The GOELRO Plan paid a great deal of attention to the development of engineering industry which is the core of heavy industry and a spring-board for technological progress and expansion of every branch of economy. The plan put forward a vast programme of restoration of damaged and construction of new machine-building plants.

The GOELRO Plan envisaged wide horizons of the transport. Many thousands of kilometres of railroads were to be constructed the plan which meant that the total existing railway length would be doubled.

The GOELRO Plan purposed, as far as the communications were concerned, to construct a single transport system of railroads and waterway .

The plan pointed out that waterway , being the cheapest means of transportation, should be used most extensively.

Reconstruction of the water transport was tied up in the plan with the extensive use of rivers, which implied a considerable improvement of navigation facilities, Besides, the plan suggested that a number of sea and river harbours should be reconstructed.

As far as agriculture was concerned, the GOELRO Plan set the task of increasing agricultural output, it suggested a number of practical measures aimed at creating in the future public production in agriculture. The plan also took care of introducing advanced machinery, expanding state farms and other forms of collective cultivation of land.

But the part of the plan dealing with country's electrification was of the paramount significance .

Electrification plays a leading role in the most rational utilization of the country's power resources and speeding up the progress of public production .

What does the electrification plan actually signify "to draw up a project of lelctrification of Russia means to give the green light to the entire creative economic activities, to erect the scaffolding for putting into life the single state plan of national economy".x)

The electrification plan drafted by the GOELRO commission consists of two parts: the A programme and the B programme.

The A programme dwelt on putting in order the existing electric stations their restoration, reconstruction and unification- all adding up to create a single power grid. The GOELRO Plan considered this reconstruction work "urgent", i.e. immediate, as this was the way, within very short terms and with comparatively low investments, to put into effect certain capacities of power stations, thus meeting power demands of most important industries without delay .

The B programme, however, is the major component part of the GOELRO Plan as it contains measures aimed at the construction of new big regional

X) The Plan of Electrification of the RSFSR, P.32, 1955.

power stations.

The B programme was drawn up in conformity with the tasks of the single national-economic plan from the point of view of the country's territorial division - i.e. according to the main economic areas, as well as from the viewpoint of economic specialization - i.e. according to separate branches of national economy.

The measures of the B programme aimed at building a new technological foundation for the national economy, extensive electrification of industry and transport and commencing a far-reaching electrification of agriculture.

In the GOELRO Plan, the feasibility of the programme was based on the following general principles :

- 1) to begin with the stations, situated in the most auspicious natural conditions, i.e. those bringing the biggest and quickest economic effect;
- 2) to construct powerful stations so that they could meet the requirements of industrial centres and large areas with the view of sound and economical electricity supply;
- 3) to practice construction of high-voltage lines with the view of joining up electric stations to create a single power grid;
- 4) to distribute electric stations as evenly as possible with the purpose of creating necessary preconditions for the most rational distribution of productive forces.

These were the general principles; besides them, when the thermo-electric stations were being designed, a principle of utilizing local power resources - such as low-grade fuels - was always taken into consideration. At the construction of hydroelectric stations the principle of the compound utilization of water power was not overlooked - power supply, transport and irrigation. The programme envisaged construction of 30 district power stations with the total rated capacity of 1.5 million kwhr. which, together with restored stations was to amount to 8.8 milliard Kwhr. It is appropriate to remind here for the sake of comparison of 2 milliard Kwhr produced in 1913 and less than 0.5 kwhr in 1920.

The GOELRO Plan made provision for ample supply with electric power industry, transport and partially agriculture of major economic areas.

The GOELRO programme of power construction aimed at eliminating fuel transport and food shortages which held the country in grips at the time. Electrification was called to lead the country's economy along the road of socialist construction.

The GOELRO Plan was titled the electrification plan but, as a matter of fact, it was a plan of development of entire national economy. Each particular task of the plan embodied the great programme aimed at the revival of the national economy and construction of the economic foundation of the socialist society. This was a plan of great undertaking. It was defined as "the first step of great economic strive". The plan outlined the country's way to socialism for many years to come.

The GOELRO Plan enjoyed the enthusiastic support of the Soviet people being a combat programme for the reconstruction of the national economy, eradication of industrial and economic backwardness. The electrification plan laid a foundation for economic construction being a scientifically rooted long-term plan of the development of economy .

Our people fulfilled and overfulfilled the plan of the country's electrification within the shortest possible period of time.

The GOELRO Plan is an important stage in the development and improvement of national-economic Planning. It laid a sound foundation for planned management of national economy.

It should be noted, however, that the plan had some drawbacks. It was but the first planning experience. The statistical data were insufficient, calculations were incomplete and inaccurate.

Only the socialist sector of national economy was submitted to planning which at the time was still not predominant. A number of very important economic matters, such as commodity circulation, prime cost were left out. For agriculture and transport, as important fields of economy as any, only a limited number of indices was worked out. The entire plan

which was a long-term general plan did define annual tasks. Finally, the plan did not cover the entire territory of the country.

The GOELRO plan was a most important milestone on the hystorical road of economic construction.

After the civil war was over the Soviet state was confronted with the enormous task of national economy rehabilitation .

Anew peaceful way of life called for more pliable ways and methods for national economy management .

Of paramount importance for the development of national economy planning was the State Planning Commission (called GOSPLAN for short), formed in February 1921. The commission which drafted the GOELRO plan was a GOSPLAN section dealing with power problems.

The GOSPLAN'S functions were: working out the single general national-economic plan as well as means and ways of its implementation; considering and bringing in line with the general state plan production programmes and suggestions coming from various agencies and provincial economic organizations in connexion with every branch of national economy; deciding upon the succession of undertakings. Simultaneously with the central planning bodies, planning commissions in oblasts and people's commissariats of economy : were set up. Thus, the country acquired a single system of planning bodies.

The U.S.S.R. GOSPLAN and the entire planning system played a very significant role in the development of our production, accomplishment of five-year plans, mobilization of the country's resources for defence and laying material and technical foundation of our country.

The formation of the U.S.S.R. GOSPLAN laid foundation for the present day system of planning bodies.

In 1921-23 big trusts were organized for management of enterprises of similar kind. Commercial side of the trust activities was co-ordinated with trade syndicates .

The state supervision of the trusts and syndicates implemented through the Supreme Council of National Economy made it possible to control markets, define volumes of production, conditions of supply, prices, major channels of output sale. The State Council decisions concerning any aspect of the trust and syndicate activities were indispensable for them .

The success of planning under the conditions of multi-structural economy (at the time the country's economy consisted of patriarchal peasant households small-scale commodity production, privately-owned capital, state capitalism and socialist sector) was first and foremost ensured because Gosplan's planning counted upon state and co-operative enterprises in industry and transport, in wholesale and foreign trade as well as in financial and banking system .

Direct planning methods were combined with economic control. The improvement of planning first went along the lines of drafting plans for separate industries and reached the stage of a single plan for the entire industry when it was worked out for the first time for 1925-26 economic year. This plan placed the main emphasis upon rehabilitation of key industries and extractive industries in particular .

Another important factor of planning improvement was that the plans contained now quantitative indices (such as labour productivity, prime cost of product, profitableness) and not only total output volume indices as was practiced during the first years of the Soviet power).

The industry rehabilitation process was extremely rapid (in 1922-26 the average annual rate of growth amounted to 26%). As early as in 1926 the gross industrial output reached that of 1913 and the output of Key industries surpassed it by 8%. By 1925 when a number of power stations had been put up under the GOELRO plan, the power output exceeded that of the pre-war by 1.5. The steady growth of the collectivized sector was ensured as well .

As far as agriculture was concerned direct plans were drafted for state farms - sovchoses, animal breeding centres, selective and experimental centres. The very first long-term plan was drawn up for rehabilitation and development of agriculture in the areas ravaged by drought. It was followed later by calculations planning possible rates of growth for various branches of agriculture, expansion of areas under sowing, increase in live-stock, output volumes of major kinds of agricultural products etc.

The state encouraged by means of economic measures the cultivation of industrial crops (cotton, flax beet-root). These crops were not (or only partially) taxed, the prices of machinery and fertilizers were reduced, long-term credits were granted.

The contracting system proved an important means of production and realization of agricultural products a state planning system was implemented for supplying agriculture with machinery, fertilizers and other industrially manufactured implements.

The state assigned the leading part in agriculture to co-operative farming. Primarily the purchasing-and-selling cooperatives were prevalent - in 1926 about 1-3 of all rural households were their members. The state rendered them a great deal of help. State credits went to form a major part of the budget of these co-operatives.

One of the major tasks of planning in these years was that of market control. The state ownership of the predominant portion of commodities made it possible to control commodity and money circulation, to establish proper relations between industry and agriculture. Already in 1926 the state and co-operative trade share in retail commodity circulation amounted to 59% as compared to 25% in 1922-23.

To direct the trade development, the People's Commissariat of Home Trade was formed in 1924 which was engaged in planned commodity distribution between various trade systems and also in price control.

A special attention was paid to the problem of bringing into proper correlation the prices of industrial and agricultural product.

Due to the planned reduction of prime costs and distribution costs at the state industrial and selling enterprises, the industrial commodity prices went systematically down.

Thus, under very hard conditions of multi-structural economy, the state planning made it possible to direct the material and pecuniary resources to the rapid rehabilitation of national economy, which had been devastated during the war and intervention, to crush the resistance of the inner and outer reaction.

The successful advance of the national economy during the rehabilitation period created all preconditions necessary for steady expansion of planning principle in the country's economy. The advance, of industrial planning as well as the control of agriculture made it possible to draw up by the end of the rehabilitation period annual target figures for the entire national economy. Proceeding from these target figures, detailed plans for various industries, transport, state trade, finance and banking system were drafted. These target figures were of great importance as they contributed to the development of the co-ordination of different industries. The target figures of 1925-26 were the first experience in this field.

State planning during the rehabilitation period considerably advanced the national economy.

The Soviet state used planning to rapidly rehabilitate the national economy and switch over to extensive industrialization.

The completion of the national economy rehabilitation period signified a new stage of the Soviet economy planning. The essence of national - economic plans during the new stage was the construction and strengthening economy.

During the rehabilitation period the planning was chiefly concerned with drafting current annual plans, whereas in subsequent years five-year plans were outlined.

The accumulated national economy planning experience was of great value for drawing up five-year plans.

The five-year plans of national economy development were an important instrument in the construction of socialism. They were a means for the Soviet state to mobilize financial and natural resources for the accomplishment of immediate tasks of the economical construction.

The main tasks of the pre-war five-year plans were industrialization of the country, co-operation of agriculture, radical technical reconstruction of the country. And always the five-year plans foresaw the steady increase in the living standard of the people.

The first five-year plan of the national economy development (1928-1932) outlined specific tasks for building the foundation of the further development of economy by means of creating powerful industry and collective farming.

The industrialization was of vital importance for the U.S.S.R. It ensured the development of the large-scale production and, first of all, heavy industry which was necessary for the reconstruction of entire national economy.

The most important distinguishing feature of our method of industrialization is that it is heavy industry that the economic advance begins with. The main source of accumulation for our industrialization is the income of the state and co-operative organization.

For successful development it is necessary not only to industrialize the country but also to implement reconstruction of agriculture. The social economic system unites industry and agriculture on the basis of public ownership of the means of production and collective labour. In the economy of the transition period there is always a contradiction between the developed industry and small-scale peasant economy. This contradiction is solvable only in case the small-scale peasant households voluntarily enter the road of large-scale agriculture.

The first five-year plan was a great step forward in turning the USSR into a powerful independent industrial-agricultural state.

The first five-year plan, as far as the industry was concerned, all capitalist elements had been ousted.

The mass collectivization of peasant households ensured the domination of public form of production in agriculture. Industry and agriculture had a common foundation.

Most decisive success was achieved in building up-to-date heavy industry, the foundation of reconstruction of entire national economy. Big up-to-date light and heavy industry enterprises were reconstructed and built. The proportion of industry in the national income amounted to 70% as compared to 34.9% of 1913.

The U.S.S.R. had done away with unemployment. The material and cultural standard of the Soviet people increased considerably.

The first five-year plan was the first long-term plan embracing all key branches of national economy. Industry these branches were fifty (compare to seventeen in the GOSELO PLAN). The plan also included the development of the non-productive sphere (i.e. culture, public health) as well as the trade. The plan was drawn up for entire national economy as well as for separate economic areas and the union republics.

While drafting this plan, the USSR GOSPLAN for the first time designed a system of interrelated indices for all industries and areas, defined common principles of calculating and combining of indices, adopted a single classification of industries and nomenclature of industrial output, a single system of comparable prices etc.

For the first time a scientific methodology was worked out for defining a number of summary reproduction indices, including the national income calculations. Not only material but also financial balances were made use of, as well as summary balances (the financial balance, the balance of the population's income and expenses).

The labour resource balance assisted in defining the population's employment in industry and agriculture and measures were outlined to eradicate unemployment and agrarian overpopulation.

The success of socialization of the means of production made it possible to change annual target figures for annual operative national-economic plans . Proceeding from these plans the quarter plans for every enterprise were designed with the tasks being communicated to every work-shop , section , brigade , worker .

Thus, the first five - year plan proved an important stage in the development and improvement of the Soviet planning methodology .

The fact that the first five-year plan was accomplished ahead of schedule proved to the whole world the progressiveness and enormous advantages of the planned management of national economy .

The main task of the second five-year plan was to accomplish technical reconstruction of the entire national economy by means of considerable renovation of the productive personnel, large-scale mechanization of labour-consuming production processes, further electrification. The plan envisaged a steep rise of living standards of the workers and peasants.

The second five-year plan was another step forward to improve organization and methodology of the national economic planning.

The domination of public forms of economy made it possible to introduce planning not only into large-scale, but also into small-scale industry as well as into all kinds of transport. The nomenclature of industrial planning has greatly expanded. The plan of capital construction was drawn up in the most detailed way, which envisaged over a thousand and relatively big constructions projects.

The second five-year plan designed tasks not only for various industries but also had special tasks for every people's commissariat and department. This was due to the rapid spring-up of various new industries. The number of industries covered by the second five-year plan was 120.

As the interrelations between various industries had expanded and deepened there arose an urgent necessity of their correlation and defining correct proportions.

To make full use of these interrelations the planning bodies applied on a wider scale the balance method of planning which meant the working out the material balance system embracing major industrial and agricultural produce. The planning bodies put into practice working out machinery and equipment balances. Summary balances found further application including those of labour power in various industries and trades.

The victory of public forms of economy provided for the new possibilities of planned management in agriculture. As long as individual small-scale economy had been prevalent in the rural areas, the state could not directly submit the agricultural production to planning. When the large collective farming had been established in the rural areas the agricultural production acquired a planned character, and current and long-term plans were worked out.

Under the second five-year plan the technical reconstruction of the national economy was in the main completed.

The industrial plan was fulfilled ahead of schedule. In agriculture the large-scale mechanized production of collective and soviet farms had a dominating position. The state and co-operatives had in their hands the bulk of commodity circulation. The material and cultural standards of the population grew considerably.

The fulfilment of the second five-year plan meant the completion of the transition period. The public mode of production became the only one in the U.S.S.R. and the public ownership of the means of production in its two forms came to be an unbreakable foundation of the society.