

FINANCE OF THE USSR

TEXTBOOK FOR STUDENTS OF FINANCIAL AND ECONOMIC INSTITUTIONS

**“COMPOSED BY A TEAM OF EMPLOYEES
OF THE MFEI and NKF USSR, UNDER THE
MANAGEMENT AND EDITORIAL OF
V.P. DYACHENKO**

ISSUE 1

SUBJECT AND OBJECTIVES OF THE COURSE

**ESSENCE OF FINANCE OF THE USSR.
STAGES OF FINANCIAL CONSTRUCTION.
PEOPLE'S INCOME AND UNIFIED FINANCIAL
PLAN TO STATE**

**FINANCIAL PUBLISHING HOUSE
MOSCOW
1933**

Source: Finance of the USSR: A textbook for students of financial and economic institutions. Issue I, Diachenko V.P. M.: State Financial Publishing House, 1933. Compiled by a team of employees of the IFEI and NKF of the USSR, under the direction and editorial editor of V.P. Diachenko Issue I:

Language: Russian

Translated into English and transcribed.

E-Book: March 2021

***The Socialist Truth in Cyprus Direct Democracy (Communist Party)
London Bureaux***

<http://www.st-cyprus.co.uk>

www.directdemocracy4u.uk



Resp. editor V. Dyachenko. Editor G. Fridlyand. Tech. editor A. Sidorova. Issuer 3. Sulima. Registration office No. 178. Circulation 20,000. Glavlit No. B-65715. GRI No. 64/5. Paper size 62 X94 1 / 1c. Volume 9 / print. l. Zn. in p. l. 48.256. Put into production 11 / UP 1933. Signed for printing ПХ 1933. Order type. No. 2124. Printed in the' printing house "GUDOK", Moscow, d. Stankevich,

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FROM THE EDITORS

The proposed book should be recognised as the first experience with the building of a Marxist-Leninist textbook on the course of Soviet finance. There is no need to talk about the urgent need to publish such a textbook, especially in connection with the creation of an extensive network of special financial and economic educational institutions.

Until very recently, students of financial and economic institutes had to pick up piece by piece the material scattered over numerous sources in order to be able to work through at least a minimum range of basic questions of the course "Finance in USSR". At the same time, the main difficulty in working out the course was not so much in the multiplicity of sources that did not always possible to get it even in such centres as Moscow and Leningrad, as long as in the absence of a positive development of a number of the main problems of this course. In addition to the richest material that we have in the works of Marx, Engels, Lenin, Stalin, in the decisions of the Party and the Comintern on Soviet finance, as teaching aids, students would have to use either scattered articles, mostly of a discussion (for their time) nature, or knowingly anti-party, bourgeois and opportunist works, or, finally, official material and accompanying explanations. It is therefore understandable that the course of the Soviet Finance was worked out in educational institutions in the order of independent finding the correct answers based on the statements of Marx-Lenin-Stalin and the decisions of the Party and the Comintern, by critically overcoming the anti-Party, anti-Marxist attitudes of various authors. As

a result, each teacher was “left to himself”, which in practice led to discord; a large range of issues related to the course of Soviet finance was passed on in complete silence.

This determines the problem that faced the compilers of this textbook, and the difficulties on the way to its solution. It was necessary to create a completely new course based on the instructions of the founders of Marxism-Leninism and the party, resolutely overcoming the already rooted “tradition” of building a unified course of “financial science”, in which Soviet finances are regarded only as “continuation” or “transformation” of the finances of capitalist states (see the courses of Bogolepov, Sokolnikov, Boldyrev, Bukovetsky, etc.). Secondly, most of the problems of the course had to be not only refined, but completely re-posed and resolved.

The solution of this problem became possible only through the collective development of the main problems of the course, carried out by employees of the NKF of the USSR and the Moscow Institute of Finance and Economics. The compilation of the textbook by a team of authors and the need to speed up the entire work on the compilation and publication of the textbook as much as possible could lead to insufficient coordination of individual parts of the course and to some repetitions in various chapters, as well as the lack of stylistic unity of the course. In addition, not all the problems of the course at this stage can be considered equally developed, which was also reflected in on this tutorial. All these points should be taken into account when using the course and in its future editions.

The proposed textbook is built according to the program compiled by the Department of Finance of the

Moscow Institute of Physics and Power Engineering and approved by the UMC of the NKF USSR, with some deviations in terms of grouping materials by chapters. The tutorial should be published in three editions. The issue sets out: 1) the subject and objectives of the course and the essence of USSR finance, 2) the stages of financial construction and financial planning, and 3) national income and its redistribution in the system of a unified financial plan. A literary index with annotations to the main sources will be attached to the latter (third) release.

Comrades were involved in the compilation of the first edition of the course, Dyachenko V.P. (chap. 1), Tochilnikov G. M. (chap. 2 and 3) and Lupachev I. V. (chap. 4).

CHAPTER 1. SUBJECT AND OBJECTIVES OF THE COURSE. ESSENCE OF FINANCE OF THE USSR

1. The Dual Nature of Soviet Finance

The December (1930) plenum of the Central Committee and Central Control Commission of the All-Union Communist Party of Bolsheviks (Bolsheviks) emphasised the enormous importance of finance in completing the foundations of the socialist economy. The plenum pointed to the need for a decisive struggle against underestimating the role of the financial system at the present stage of socialist construction, and the need for further struggle to strengthen the Soviet ruble.

In subsequent resolutions of the party and government, this directive was further developed in the direction of introducing and deepening cost accounting, strengthening financial and credit discipline, organising and strengthening day-to-day financial and credit control—ruble control.

Along with the general increase in the importance of the financial system, its importance for mastering the financial side of the activities of economic organisations, organising control over the progress of implementation of plans (especially in terms of quality indicators), strengthening and strengthening cost accounting and planning discipline. In the directives of the XVII. Party Conference on the preparation of the second five-year plan for the development of the national economy is especially noted as one of the main conditions for the successful completion of the building

of socialism in the second five-year plan, the strengthening of cost accounting, an irreconcilable attitude towards all kinds of “left” theories of the transition to “product exchange”, “withering away of money” at this stage of building socialism and the maximum development of Soviet trade.

The January (1933) plenum of the Central Committee and the Central Control Commission, having defined the main tasks of the national economic plan for 1933—the first year of the second five-year plan, especially emphasised the need and importance of the struggle for quality indicators, for mastering technology and new enterprises, which at the present stage also means a further increase in the role of finance as a lever in strengthening cost accounting.

Thus, all sorts of “leftist” attempts to present the matter in such a way that it is necessary and inevitable in the second five-year period to reduce the role of finance, their “withering away”. In relation to the entire financial system as a whole (which, however, does not eliminate the possibility and necessity of its restructuring in accordance with the specific needs of building socialism), the remarks made by the USSR People’s Commissar of Finance, Comrade Grinko, at the XVII. Party Conference are fully applicable: “Dialectics of our development lies in the fact that the more firmly we organise our monetary system, the better we ensure the acceleration of the rates of socialist accumulation in our country, the stronger we make our chervonets..., the faster we will ensure the construction of a socialist society and bury all and all sorts of categories that we inherited from of the past”.

From what has been said here follow two seemingly contradictory formulations of the essence of finance of

the USSR: first, finance of the USSR is one of the decisive levers of the dictatorship of the proletariat in the process of socialist construction; secondly, the existence of finance in the USSR is due to the preservation of market categories in the Soviet economy, characterising the essence of Soviet finance, arrive at two equally false statements hostile to the general line of the party:

First, the existence of finance in the USSR is associated with the domination of commodity-market relations; the finances of the USSR are only the “variety” of finance of capitalist states and the elimination of the “predominance” of private economic elements in the Soviet economy, the strengthening of the role of the plan, the subordination of all national economic development to planning should mean “Withering away” of finance (“left” views). Second, even under the conditions of a capitalist economy, finance is a “planned island”, this “planned essence” of finance as a “subject economy” (“subject”—the state) cannot “unfold” under capitalism (in the general conditions of a “subjectless economy”), it “unfolds” only in the conditions of the Soviet economy, and the “transformation” of finance is a necessary condition and an attendant moment of the process of “growing into socialism” (right-wing “theories”).

Both of these false statements are based on the vulgar, borrowed from the “arsenals” of bourgeois “science”, understanding of the state as a “public-law union” and finance as “subject”, “public” or “public economy”¹), denial of the socialist character of the

¹ “History has shown that people unite in alliances generated by collective needs. These political unions took various forms, known

as communities, volosts and, finally, in the form of their most important, highest and all-encompassing form—the state. All of them have the task of taking care of the social and public needs of the population included in their composition ... In order for public organisations to fulfill the above tasks in their service to human society, they must acquire, use and spend the necessary “economic means” for their implementation. “That is, to run a” financial economy of the state or a public economy “in which, in contrast to the private economy,” the principle of general retribution prevails, in accordance with the population’s ability to pay” (F. Zeberg, “*Financial Science*”). “We satisfy some needs ourselves by our own efforts, others—together with other persons, for which history has developed alliances of people (states, communities, etc.) need material resources, and they obtain these funds for themselves... Financial science studies the financial economy, that is, the totality of relations that arise on the basis of acquisition of material resources by unions of a public nature” (I. Kh. Ozerov, “*Financial Science*”), “Activities of the state aimed at acquiring, managing and spending material goods and personal services, necessary to meet state needs and requirements, constitutes the state or, as it is commonly called, the financial economy” (Menkov, “*Basic Principles of Financial Science*”). “Cash and such material resources of the state or other public law union, which can be transferred to money, make up his finances” (G. I. Boldyrev, “*Lectures on Financial Science*”). “Public law unions emerge to meet collective needs ... the union is, first of all, the state ... The totality of material resources at the disposal of a public legal union to satisfy the collective needs of its members is its financial economy ... financial science has remained the same; study of public relations arising in the economic sphere of public law unions” (A. I. Bukovetskiy, “*Introduction to Financial Science*”). Compare: “Financial science ... must study social relations arising from obtaining by this society or its branches of material character necessary for the existence of its state organisations” (D. Bogolepov, “*A Short Course in Financial Science*”). (See article D. Butkov “For the Marxist-Leninist theory of finance”—“*Financial Problems*” No. 3/4 for 1931; A. Lyando, “*The Essence and Objectives of the Functional Plan*”—“*Financial Problems*” No. 1/2 for 1931).

proletarian revolution, transition to positions. “Evolutionary theories” (denial of revolutionary leaps in history), emasculation of the class content of social relations, misunderstanding of the dual nature of the transitional economy, overestimation of the forces of capitalist elements and tendencies, and underestimation of the forces of the revolutionary proletariat and its alliance with the working peasantry.

Opposing Sokolnikov’s assertion that “the monetary system of the USSR is imbued with the principles of capitalist economy,” Comrade Stalin pointed out at the XIV. Congress of the All-Union Communist Party (Bolsheviks): “Comrade Sokolnikov does not understand the dual nature of NEP, the dual nature of trade in the current conditions of the struggle between the socialist elements and the capitalist elements; he does not understand the dialectics of development in an atmosphere of the dictatorship of the proletariat, in a transitional period, where the methods and weapons of the bourgeois Asia used by socialist elements to overcome and eliminate capitalist elements. The point is not at all that trade and the monetary system are methods of the “capitalist economy.” The fact is that the socialist elements of our economy, fighting against the capitalist elements, master these methods and weapons of the bourgeoisie to overcome the capitalist elements, that they successfully use them against capitalism, successfully use them to build socialist the foundation of our economy. The point is, therefore, that, thanks to the dialectics of our development, the functions and purpose of these instruments of the bourgeoisie change **fundamentally**, radically, change in

favor of socialism to the detriment of capitalism”¹). This instruction also determines the originality of Soviet finance as a whole, the foundations of their existence and development, their tasks and role in the process of socialist construction.

The fundamental, radical change in the content of the apparently “old” categories and instruments is determined primarily by the nature of the proletarian revolution—the conquest of political and economic domination by the proletariat, the organisation of the dictatorship of the proletariat and the seizure of economic command heights. Thereby, from the moment of the proletarian revolution, it is not the process of “transformation” or “withering away” of the finances of the capitalist state that has been carried out, but the process of breaking up, liquidating capitalist finance, organising, strengthening and, to the extent of the successes and needs of socialist construction, a special restructuring, fundamentally different capital finance, systems of relations.

2. The Essence of the Finance of Capitalist States

In the conditions of a commodity-capitalist economy, the existence of finances is determined, **firstly**, by the presence of classes, class struggle and the state, which is a “product of the irreconcilability of class contradictions”, an apparatus of violence from the ruling class in order to preserve, strengthen and expand

¹ XIV. Congress of the CPSU(b), Verbatim Report, p. 496. Ed. 1926.

its domination and suppress resistance oppressed and exploited classes and, **secondly**, the presence commodity-money, market relations.

Defining finance as “a set of methods and methods for obtaining funds by a public law union to meet the collective needs of its members”², bourgeois economists pursue the task of disguising the class content, the class essence of finance: the state is viewed as a “supra-class” organisation pursuing goals “Of a general human nature”, which is eternally necessary in the interests of “providing order “and” meeting the collective needs of people”, since order is necessary and “collective needs” exist in any “civilised” society.

This emasculation of the class essence, the “perpetuation” of the state and finance, is needed by the bourgeoisie in order to “justify” capitalism, to “justify” the existence and strengthening of the apparatus of violence against the proletariat and the working peasantry, to divert the proletariat from the revolutionary struggle to overthrow the country. political system, to direct this struggle down the wrong path—in the direction of eliminating the “shortcomings” of capitalism. At the same time, the first detachment of the counter-revolution is the social-fascists (**O. Bauer, Hilferding, K. Kautsky**, and others) “convince” the workers that capitalism can be “outlived peacefully” by winning the majority of seats in the bourgeois parliament and partial restructuring of the bourgeois financial system, since the state is a “general human

² It turns out that, for example, the tsarist army, the gendarmerie, the tsarist court, supported by state funds, the “Orthodox Church”, etc., all this represented the “satisfaction of needs” ... of the workers and the cross-yang on the part of Nicholas the Bloody.

organisation”, and finances—”public,” that is, under the “control” of the masses, “democratic” “economy”¹).

Marx established that the financial system of capitalism arose in the period of manufacture, that is, in the period of the emergence and development of capitalist production relations², moreover, the financial system itself, in the form of state credit and taxation, was one of the most essential methods of initial capitalist accumulation. “Public debt is becoming one of the strongest levers of initial accumulation. As if with the touch of a magic wand, he endows unproductive money with productive power and thus transforms it into capital.”³ This does not change because a part of taxes and payments was collected in kind; in general, the emergence and development of the financial system of capitalism is associated with the development of commodity relations—with the transformation of labour products into goods and money, money—into capital with the emergence and development of capitalist

¹ The influence of these “theories of finance” is clearly reflected in the works of Kuzovkov, Bogolepov, Sokolnikov, etc., who “discovered” finance in ancient Egypt and tried to build a “unified theory” and “unified development scheme” of finance, starting from ancient Egypt and ending with socialism. Employees of the finance department of the Leningrad IPPE (Ditman, Margolis, Orloz, etc.) were infected with the same hobby for “world schemes”. See below the materials of the Moscow meeting in 1931 on the subject “The subject and method of finance.”

² “Since government debts are based on government revenues, on whose account annual interest and other payments should be covered, the modern tax system emerged as a necessary supplement to the national credit system” (Capital, ed. 1930, vol. I, page 607).

³ Marx, Capital, ed. 1930, vol. 1, p. 606.

production relations.

Although the state (its form, organisation) and the financial system (forms and methods of collection and spending of funds, the structure of income and expenses, etc.) have a huge impact on the emergence and development of capitalist relations of production (relations of capitalist exploitation), but they do not determine by themselves and cannot essentially, in the main features, change the content and direction of development of the capitalist economy, cannot eliminate the contradictions of capitalism (on the contrary, under certain conditions, they contribute to the extreme aggravation of these contradictions), cannot prevent the inevitable collapse of the capitalist economic system⁴.

The capitalist financial system is a **superstructure** over the totality of capitalist production relations¹. The state of finance as a superstructure category can accelerate or slow down the development of capitalism,

⁴ The state—this “new independent force in general must follow the movements of production, but it also has an impact on the conditions and course of production as well due to its inherent or, rather, once obtained and gradually developing further relative independence.” “It’s not at all the case that only the economic situation is the only active cause, but the rest is just passive factors. No, here is interaction based on economic necessity, which will eventually manifest itself. The state, for example, exerts influence through protective duties, free trade, good or bad state of finances.” “The economic movement in general will pave its way, but it must also experience the opposite effect from the political movement, which it has created for itself and which has relative independence” (Engels). “Taxes can, at best, modify secondary points, and not at the core, distribution relations based directly on bourgeois production”(Marx).

¹ See On the Critique of Political Economy, Preface.

but cannot eliminate or even substantially change the basic laws of capitalist development. Any attempt to “use” finance as an absolutely independent force, supposedly capable of “preventing” the crises of capitalism, inevitably causes only further exacerbation of crises, mercilessly crushing all far-fetched “theories of creating” stabilised “prosperity”. The laws of capitalist development make their way like an elemental force, like a blind necessity, and the more obstacles it encounters on its way, the more destructive its action.

This means that the definition of capitalist finance. as a “subject economy”, as a “planned island” in the capitalist world of anarchy. is completely false. The deceptive “form of planning” (defining in advance the volume and structure of income and expenditure of budgets) conceals the operation of the spontaneous law of value, and the “planning” itself is limited here by more or less “successful” anticipation (foresight) of the action of natural laws. The history of the budgets of the capitalist countries confirms this with complete indisputability. Only under conditions of liquidation of capitalist ownership of the basic means of production, under conditions of a planned Soviet economy, does the budget become a real plan, but then it already possesses an entirely new, qualitatively different content.

Being a weapon in the hands of the bourgeois class organised in the state, corresponding to the basic relations of capitalism (and **it cannot fail to correspond to them as a whole**, since its “organiser” is the bourgeoisie and its development generally follows the development of the capitalist mode of production), the financial system of capitalism is (and **cannot but**

be) an additional instrument of capitalist exploitation in the interests of expanded reproduction and strengthening the relations of capitalism. With all its “parts” it is directed against the exploited, strengthening the exploiters and forcing the proletariat, peasantry, and colonial peoples to pay the costs of preserving, consolidating and expanding the system of exploitation. Even those taxes and payments that the bourgeois state “levies” from the bourgeoisie, ultimately through changes in production prices, wages, market prices of goods and through all kinds of “aid” to capitalist enterprises and associations from the state, are shifted onto the shoulders of the proletariat and small commodity producers...

All this shows that one cannot consider the state and finance in isolation from the economic structure of a given society. Finance and the state must be analysed from the point of view of their specific features within and in connection with a given, historically conditioned mode of production, moreover, the essence of finance is directly determined by the essence, type and content of domination. Hence, further, it follows that it is impossible to deduce the laws of development of Soviet finance from the laws of the development of capitalist finance.

The finances of the capitalist state are a superstructure, with the help of which the state of the bourgeoisie appropriates and redistributes (additional exploitation) a social product for reproducing itself as an apparatus of class domination, class violence against the proletariat, for preserving, strengthening and expanding the entire system of capitalist exploitation. The content of the financial categories of the transitional economy,

which is fundamentally different from the content of the finance of capitalism, does not “follow” from the latter, but constitutes a qualitative distinctiveness conditioned by the peculiarities of the state of the proletariat and the entire economic structure of the Soviet economy.

3. The Foundations of the Existence of Finance in the USSR

The Soviet economy is an economy of the type transitional from capitalism to socialism. This means that in the Soviet economy, along with the strengthening and growing elements of socialism, non-socialist elements still remain; at the same time, the task of the proletariat, which has established and consolidated its dictatorship, is to overcome this duality, completely eliminate non-socialist elements, complete building a socialist society.

This requires, **firstly**, the organisation of ties and relations within the socialist sector of the national economy, ensuring its strengthening and expanded reproduction, and **secondly**, the organisation of such ties and relations of the socialist sector with others that would ensure the limitation, displacement, elimination of capitalist elements and reworking of the small-scale sector. At the same time, the form and content of these ties and relations are not arbitrary, but are determined by the correlation of class forces and socio-economic structures in every stage of socialist construction.

“Between capitalist and communist societies,” wrote **Marx** in his Critique of the Gothic Program, “lies

a period of the revolutionary transformation of one into the other. This is also consistent with the transition period in politics, during which there may be a state other than the revolutionary dictatorship of the proletariat.” The task of building socialism “cannot be accomplished immediately, it requires a rather long transitory period from capitalism to socialism, both because reorganisation of production is a difficult thing, and because it takes time for fundamental changes in all areas of life, and because tremendous strength the habits of petty-bourgeois and bourgeois management can be overcome only in a long, stubborn struggle”¹. At the same time, in some countries, the duration of the transition period, the number of transition steps that should go through the socialist revolution, are different depending on a number of points, primarily on the level of development of the productive forces. “There is no doubt that a socialist revolution in a country where the overwhelming majority of the population belongs to small agricultural producers can be carried out only through a number of special transitional measures that would be absolutely unnecessary in developed capitalist countries, where hired workers in industry and agriculture constitute an overwhelming majority”².

The duality of the position of the small farmer-producer (peasant) determines a special attitude towards him on the part of the proletariat, the need for a special policy that does not expropriate the small property of the peasant-worker, but ensures the alteration of the small-scale commodity structure, its

¹ Lenin, vol. XXIV, p. 314.

² Lenin, ed. 2, vol. XXVI, p. 237

development according to the socialist path, because the preservation of private property, the preservation of the small-scale commodity structure means preserving the “fertile soil” for capitalism, preserving the possibilities for the development of capitalist relations. Such a policy should to combine the interests of the working peasantry with the interests of the proletariat building socialism under the hegemony of the proletariat, to ensure the opportunity to “catch on” to the peasantry, to march towards socialism with it, remaking the peasant economy, directing its development along the path of socialism. This does not mean a direct transition from capitalism to socialism, but a transition supported by a number of transitional measures that are accessible and understandable to the peasantry. This means **the need to admit market forms of communication, trade, money circulation.**

In the USSR, where at the beginning of the transition period the individual peasantry constituted the majority of the population, was the main producer of agricultural products, the question of establishing correct relations with him constituted the **fundamental issue of the proletarian dictatorship**, directly determining the transition to a new economic policy and the need for a relatively long period of preparation for a socialist offensive along the entire front.

However, this does not exhaust the reason for the transition to NEP and the impossibility in the USSR on the rails of NEP to immediately go over to the offensive along the entire front. The transition to NEP, as the only correct policy of the victorious proletariat in any country, is conditioned, in addition, by the need to organise the activities of enterprises in the socialist sector, which would ensure the maximum growth of

labour productivity, the elimination of all “excesses”, the maximum acceleration of the pace: socialist accumulation. Until the socialist reconstruction of the entire national economy has been completed, classes and class differences have not been eliminated, and the possibility of a transition to direct labour accounting and comprehensive satisfaction of the needs of members of society, increasing in enormous proportions, is not ensured (first, on the basis of direct correspondence the quantity and quality of labour expended by them, and then—in accordance with the principle “from each according to his ability, to each according to his needs”)—until then, the only correct organisation of management of socialist enterprises is the **cost accounting**. Self-financing has been established. It ensures the correct financial relationship between the socialist enterprise and the state as a whole, ensures the fastest rates of development of the productive forces, the involvement of the entire mass of working people in the ranks of active builders of the new society and, on this basis, a gradual alteration and re-education of people.

In the USSR, in view of the great backwardness of the productive forces at the time of the revolution, in addition, there was a special task—to ensure the industrialisation of the country, to create a powerful socialist industry capable of leading the clergy.

This determined the need for the first stages of NEP that preceded the socialist offensive along the **entire front**, for “**if there is no flourishing large-scale industry capable of organising itself in such a way as to immediately satisfy the peasantry with products, there is no other way out for the gradual development of a powerful alliance of workers and**

peasants, except as the path of trade and gradual raising agriculture and industry overtook their present state under the leadership and control of the state—there is no other way “¹.

Thus, the essence of NEP lies in the establishment of such forms of ties within the socialist sector and between it and the small-scale commodity sector, which, by providing the possibility of the development of the productive forces of the peasant economy in conditions most appropriate to its small-scale commodity nature, ensure at the same time the growth and strengthening of the socialist sector, strengthening of its dominant role in the entire national economy, strengthening of its influence on the small-scale commodity sector, socialist remaking of the small-scale commodity sector, the elimination of the foundations of capitalism. The establishment of such forms of ties (trade, money, credit, cost accounting) is **the basis for the existence of Soviet finance.**

But the admission of market forms of ties means at the same time admitting the conditions for the existence of capitalist relations, admitting a certain development of capitalism, changing the forms and methods of struggle between socialist and capitalist elements. “The whole question is who will be ahead of whom? Whether the capitalists will have time to organise themselves earlier, and then they will drive the communists out and there can be no talk here. We need to look at these things soberly: who will win? Or the proletarian state power will be able, relying on the peasantry, to keep the capitalist gentlemen in the proper rein in order to direct capitalism along the state

¹ Lenin, v. XXVII, pp. 125.

channel and create capitalism subordinate to the state and serving it ... development by the proletarian power, or the capitalists will subjugate it—the outcome of the struggle depends on this”¹.

This struggle was fraught with danger, especially since it was waged. the methods of the commodity economy, that in it the proletariat had to, having mastered the weapon of the capitalist elements, direct it against them.

But the admission of market forms of ties means at the same time admitting the conditions for the existence of capitalist relations, admitting a certain development of capitalism, changing the forms and methods of struggle between socialist and capitalist elements. “The whole question is who will be ahead of whom? Whether the capitalists will have time to organise themselves earlier, and then they will drive the communists out and there can be no talk here. It is necessary to look at the peasantry, to keep the capitalists in proper a bridle to direct capitalism along the state channel and create capitalism, subordinate to the state and serving it ... Are we organising the small peasantry on the basis of its development of the productive forces, supporting this development with the proletarian power, or subordinating it to the capitalists—the outcome of the struggle depends on this”².

At the same time, there can be no question of admitting complete freedom of trade, complete unleashing of market relations. “The proletarian state, without changing its essence, can allow freedom of

¹ Lenin, vol. XXVII, pp. 41-44.

² Lenin, vol. XXVII, p. 147.

trade and the development of capitalism only to a certain extent and only under the condition of state regulation (supervision, control, determination of forms and order, etc.), private trade and private capitalism”³... Thus, the admission of market forms of ties in the interests of building socialism necessarily presupposes a change in their content and their role in the development of productive forces. At the same time, **the content of finance is fundamentally, radically changing.**

4. The Essence of the Finance of the USSR

The dictatorship of the proletariat is indispensable, indispensable: a prerequisite and condition for the building of socialism. Socialism does not “ripen” in the depths of capitalism, but can be built only after the seizure of power and the main commanding heights by the proletariat, only under the condition of exerting the will, decisiveness, forces of the proletariat and the working peasantry. The law of building socialism—the defining law of the transitional economy—does not act “spontaneously”, “by gravity”, but only through the active, conscious creativity of millions of working people, only to the extent that the proletariat understands the tasks of socialist construction, to the extent the implementation by the proletariat of a correct economic policy based on the teachings of Marx-Lenin, relying on the socialist commanding heights, constantly strengthening and strengthening them, suppressing any manifestation of elements hostile to

³ Lenin, vol. XXVII, p. 148.

socialism.

Without a correct economic policy that strengthens the dictatorship of the proletariat, without the involvement of the broadest masses of the working people in the implementation of this policy, there is no movement towards socialism. And since the financial policy of the USSR is one of the most essential sectors of the economic policy of the proletariat, **this also determines the general significance of the finance of the USSR.** Whereas under capitalism the state of finance can only change social development in particular, in the USSR, finance—as an element of economic policy, as an instrument of the dictatorship of the proletariat—is one of the points that determine, in essential points, the very content and direction of development of the Soviet economy.

This means, firstly, that, just as the state of the proletariat, directly relying on the socialist sector of the national economy (on its state part—in the first place), is an organisation of a production nature to an increasing degree, is included directly in the relations of production, exchange and distribution and the economic policy of the proletariat, as well as the finances of the USSR, are not only a superstructure, for they include and determine in a significant part the activities of state and cooperative enterprises. This moment is reflected in the increase in the volume and share in the budgets of the USSR of spending on financing the national economy, social and cultural development, and income from enterprises in the socialist sector. This necessitates the construction and passing of the course “Finance of the USSR” as an organic part of the general theory of the Soviet economy.

It follows, **secondly**, that the finance of the USSR,

in contrast to the finance of capitalism, is necessarily inherent in real planning, because they rely directly on the state sector of the national economy, are one of the tools and methods of organising, planning and regulating the socialist sector and the entire national economy in the whole. Therefore, the budget of the USSR or the credit plan of the State Bank, etc., are not an expression of the desire to predict the possible results of a spontaneous balance of forces, but an expression of the tasks of socialist construction and methods of solving them, elements of a single national economic plan.

Hence follows, thirdly, the fundamental difference between the finances of the USSR and the finances of capitalist states in terms of volume and degree of coverage of reproduction relations. The financial system of the USSR directly includes not only the state budget and local budgets, but also all other financial, financial and monetary levers at the disposal of the proletarian state—credit, money circulation, etc. The unity of all these institutions and levers due to the concentration of all of them in the hands of a single “subject”—the state and the leading role, and then the predominance of the socialist sector in the national economy, the unity of the financial policy of the USSR. Therefore, if under capitalism, for example, regular banking operations are regulated by a spontaneous ratio of demand and supply in the money market, and money circulation—by the needs of commodity circulation, changing under the influence of spontaneous pricing processes (market price and production price), in the USSR, credit is only a special, along with budget financing, a method of organising the activities and settlements of enterprises in the socialist sector and impact to other sectors of the

national economy, and the state and development of money circulation are determined by the planned deployment of commodity circulation, the fulfillment of the plans of the branches of the national economy, tasks in the field of crediting and financing, their fulfillment, etc. credit to the USSR. The finances of the USSR, being a weapon in the hands of the proletariat organised into the state, one of its commanding heights, are entirely directed against the capitalist elements and contribute to strengthening the power of the proletariat, strengthening the alliance of the proletariat with the labouring peasantry, accelerating the pace of expanded reproduction of the socialist sector, remaking the small-scale commodity sector, and eliminating capitalist elements and classes in general.

This means that the finances of the USSR are (and cannot but be, while classes and class differences exist) by class organisation, by the organisation of the ruling class—the proletariat. At the same time, just as under capitalism taxes from the bourgeoisie do not lose their class character, because they strengthen the position of the bourgeoisie organised into a state against the proletariat and ultimately are shifted to the proletariat and the rest of the working people, so in the USSR, financial payments (both compulsory and voluntary), paid by the proletariat and the working peasantry are class, for they strengthen the dictatorship of the proletariat and the alliance with the peasantry, are directed against the capitalist elements, and ensure the acceleration of the pace of building socialism and the elimination of classes.

Therefore, the representations of **D. V. Kuzovkova**, that taxes from the bourgeoisie under capitalism and taxes from the proletariat under the dictatorship of the

proletariat are not class taxes, but, obviously, “extra-class” self-taxation. “As soon as we try to raise the question of the possible role of the tax in the conditions of transition, the question immediately arises of what kind of tax we are talking about: is it about the tax that falls on the increasingly disappearing remnants of the former capitalist classes and which is usually classified as a class tax, or about those taxes that fall on the proletarian strata of the urban population and on the working strata of the countryside, which undoubtedly have a **completely different social nature** ... made no attempt to find a terminological designation for this (second—Ed.) type of Soviet tax as opposed to the class tax”¹.

It is indisputable that the social nature of taxes from the bourgeoisie and taxes from the proletariat is different, but this difference does not consist at all in the fact that the former are class, and the latter are not. Making such a distinction, which outwardly depicts the author’s “leftism”, is in reality hostile to the building of socialism, because it dulls the class power and vigilance of the proletariat, breaks the link between the payments of the proletariat and the success in limiting, ousting and eliminating the capitalist elements, classes hostile to the proletariat, hostile to socialism.

The author’s “good intention” (to outline the difference in the social content of taxes from the bourgeoisie and taxes paid by the proletariat) leads him, however, a direct path to the right opportunists,

¹ D. Kuzovkova, “Rebirth of the tax in the conditions of the transition period”—“Problems of the economy” No. 4/5 for 1929, p. 25. Emphasised by the author.—Ed.

leads him precisely because, having raised the question artificially, it is divorced from the whole process of building socialism, from the whole moments that determine the existence and formation of the class struggle in the USSR, Comrade Kuzovkova inevitably had to ignore the main thesis of Marxism-Leninism that the main issue of the transition economy is the question of organising and strengthening the dictatorship of the proletariat, which is “the continuation of the class struggle of the proletariat in new conditions”, is “A stubborn, bloody and bloodless struggle, violent and peaceful, military and economic, pedagogical and administrative, against the forces and traditions of the old society, against external capitalist enemies, against the remnants of the exploiting classes within the country, against the germs. new “bourgeoisie, emerging on the basis of not yet converted commodity production” (**Programme of the Comintern**).

Ignoring (or underestimating, considering the issue out of touch with the general nature of our system) of this moment leads to denial of the inevitability of an intensification of the class struggle as the socialist sector intensifies, to the theory of “blunting”, “softening” of class contradictions. “Everyone who wants to be or appear to be one hundred percent Marxists,” Kuzovkova further writes, “often, by the way and even inappropriately, talk about the” clearly expressed class character “of Soviet taxes ... **the Soviet tax system is distinguished by a pronounced weakening of the class character**”², apparently due to the allegedly “softening” class struggle.

In reality, **the more sharply expressed class**

² Ibid, pp. 29-30. Emphasised by the author.— Ed.

character of Soviet finance is an indisputable fact and constitutes one of the differences between them and the finance of capitalist countries. Making up a minority of the population, the bourgeoisie by all means strives to veil the class nature of its state and its finances, which we have already seen above, referring to bourgeois “theories”; therefore, the class content of individual elements of the financial system of capitalism is not always externally distinctly expressed; only at the moment of extreme aggravation of contradictions, when the question of maintaining the power of the capitalists, of the very existence of the capitalist mode of production, is raised, the bourgeois state and its finances throw off the false veil of “democracy”. The proletariat of the USSR, together with the working peasantry the overwhelming majority of the population and deliberately setting as their task the seizure of power, the organisation of their dictatorship, the socialist remaking of the entire society, the elimination of capitalism. classes and at the same time classes in general, not only is not interested in “veiling” his domination, but he can and must **constantly emphasise the opposition of the interests of his and the capitalist elements in order to mobilise the entire mass of working people to fight them, to build socialism.** It is enough just to get acquainted with the decrees and orders of the Soviet government (in particular, on the issues of financial policy) to see how wrong Comrade Kuzovkov’s “theory” is.¹

¹ How “monstrous” In its far-fetched and false foundations of this “theory”, it is clear from the fact that Comrade Kuzovkov “seriously” took up the “discovery of” non-class “taxes under capitalism. Contrasting the class tax with “self-taxation”, Comrade Kuzovkov writes: “The classic case: such self-taxation, pursuing

In order to organise and consolidate the dictatorship of the proletariat the working class must mobilise the necessary **resources to maintain the state apparatus**. The mobilisation of these resources and their economical use is the task of the USSR financial system. However, this does not exhaust the role of USSR finances. Moreover, **as the building of socialism progresses, the role of finance as an instrument for the redistribution of the social product through channels that ensure the expanded reproduction of the socialist sector as a whole grows.**

At this moment, arising from the fact that the finances of the USSR are not a superstructure, the fundamental difference between Soviet finances and the finances of the capitalist states is reflected in the same way. Determining (as an element of the economic policy of the proletariat) the movement of the transition economy, included directly in the relations of reproduction, **the finances of the USSR are a powerful lever for the planned redistribution of the country's resources in their monetary form.**

economic (but not class, obviously) tasks, is represented in the capitalist countries by the so-called" special taxation, "which is widespread in the local economy of capitalist states ... Income taxation in capitalist countries, with its high non-taxable minimum, which liberates almost all the working masses, and with its sharply progressive tariffs, should be considered a form of self-taxation of the capitalist classes, forced for some socio-political (class?— Ed.) Reasons to take on part of the costs of maintaining the state apparatus"(Ibid., p. 33). The circumstance, already pointed out by Marx, that under capitalism, in the final analysis, all taxes are paid by the proletariat has escaped Comrade Kuzovkov's "attention". But he came very "close to the theories" of the social-fascists (Bauer) about the possibility of" socialisation "under capitalism by means of ... taxes.

However, it would be a gross delusion to oppose the costs of maintaining the state apparatus to the costs of financing the national economy and socio-cultural events as fundamentally different aspects and functions of finance. Political power always belongs to the class that occupies the dominant economic position. The “theories” of the social-fascists that the proletariat are false through and through are supposedly it can win political domination without expropriating big bourgeois property, but only by waging a “parliamentary struggle.” Only the conquest of the commanding heights and their consolidation in the hands of the proletariat (which presupposes the establishment of correct relations with the peasantry) ensures the existence and strengthening of the dictatorship of the proletariat. From this it follows that not only the direct costs of maintaining and strengthening the apparatus of state power, but also the costs of financing the national economy, directly strengthening the economic commanding heights of the ruling politically class are the costs of strengthening the dictatorship of this class, the costs of “class struggle.”

This applies both to the USSR and to the capitalist states, where there are also expenses for financing (especially, disguised) capitalist enterprises. The fundamental difference between the finances of the USSR here lies in the fact that the commanding heights belong to the proletariat, are as a state, direct (public) property. The state directly organises these commanding heights, develops them on the basis of a single planned leadership, in the direction of full coverage of the entire national economy and in the interests of all working people.

Thus, it is not always possible to differentiate costs

for management and defense and the cost of financing the national economy and social and cultural development. Moreover, such a distinction, as the building of socialism is successful and the productive functions of the state apparatus are expanded, becomes more and more conditional and economically unjustified.

Under capitalism, where the state and finance are a superstructure and where production develops on the basis of the spontaneous law of value, the main and, as the contradictions of capitalism intensify, the increasingly growing function of finance is the maintenance of the unproductive apparatus of class violence (bureaucracy, prisons, the army, the church, etc.) etc.). Financial support for capitalist enterprises can only ensure the strengthening of some capitalist groups in comparison with others (in the same or in other countries), but it cannot bring capitalism out of the crisis, ensure the “non-stop” expanded reproduction of capitalistically organised productive forces.

This means that **the redistributive function of the finance of the USSR is higher not only quantitatively (a larger share in the national income), but also qualitatively**, because the nature and content of this function and the redistribution processes themselves in the USSR are fundamentally different than under capitalism.

The task of USSR finance is mobilisation and redistribution funds for financing the processes of expanded reproduction of the socialist sector of the national economy, which presupposes and requires the strengthening of the dictatorship of the proletariat, the strengthening of the alliance of the proletariat with the peasantry, means the expansion

and strengthening of the socialist commanding heights, the alteration of the small-scale commodity structure and the elimination of the capitalist elements. The task of capitalist finance is to mobilise and redistribute funds in order to reproduce the state as an apparatus of class domination, as a superstructure over the economic base, which, under certain conditions, requires “rendering” direct financial “assistance” to individual capitalist groups (indirect “assistance” always takes place, since the capitalist state provides the conditions for shifting all expenses for its maintenance onto the shoulders of the working people).

The root of this fundamental difference in tasks lies in the fact that in the depths of capitalism, socialism cannot “mature” and capitalist relations cannot “grow” into socialist relations; therefore, under capitalism, the question is about the seizure of power by the proletariat as the main prerequisite and basic condition for the construction of socialism; in the transitional period (under the dictatorship of the proletariat), there is the question of a conscious, planned socialist reorganisation of the entire society by ensuring the growth of socialist elements, their active financial support and economic displacement of capitalist elements, using as one of the levers of capitalist finance, using finance as one of the levers.

The fundamental difference between the finances of the USSR and the finances of capitalist states is emphasised in the main party and Soviet documents - in the program of the All-Union Communist Party of Bolsheviks and in the Constitution of the RSFSR. “The financial policy of the RSFSR at the present transitional moment of the dictatorship of the working people

contributes to the main goal—the expropriation of the bourgeoisie and the preparation of conditions for the universal equality of the citizens of the republic in the production and distribution of wealth. To this end, it sets itself the task of providing all the necessary means at the disposal of the Soviet authorities to meet the local and national needs of the Soviet republic, without stopping before the invasion of private property rights” **(Constitution of the RSFSR)**. “In the era of the beginning of socialisation of the means of production expropriated from the capitalists, state power ceases to be a parasitic apparatus standing above production processes, but begins to turn into an organisation that directly performs the functions of managing the country’s economy, and insofar as the state budget becomes the budget of the entire national economy as a whole. Under these conditions, balancing income and expenses is feasible only with the correct formulation of the state planned production and distribution of products” **(Programme of the CPSU (B))**.

5. Harmful and Opportunistic “Theories” of Finance of the USSR

The fundamental difference between Soviet finance and the finance of capitalist states is ignored, glossed over, and distorted in the works of saboteurs, right-wing opportunists, and “left-wing” beggars. Despite the different paths, different methods of “proof” and the difference in the tasks posed by their authors, they are all ultimately lead to the same thing—to undermine the dictatorship of the proletariat, to delay the pace of

socialist construction, to weaken financial levers in the hands of the proletariat, for “in conditions of an intensified class struggle, all kinds of bourgeois or” near “bourgeois theories cannot but be fundamentally wrecking theories. Therefore, the task of the Marxist financiers is to completely expose not only bourgeois, openly reactionary and harmful theories, but also the slightest deviations from the Marxist-Leninist methodology in the field of finance, even if covered with the flag of revolutionism” (from the resolution of the Moscow conference in 1931)¹...

1) In the future, wherever not specified otherwise, quotations are cited from theses, reports or speeches at the Moscow meeting in 1931 of employees of finance departments on the subject and method of finance theory, convened by the personnel sector of the NKF USSR.

Indeed, it is enough to carefully read the materials of the conference to make sure how close the false, opportunistic ideas in the field of finance are, which were “defended” by the employees of the finance department of the Leningrad Institute of Finance and Economics with the frankly reactionary, vulgar “theories” of bourgeois economists.

The position of this department was assessed in the following words of the resolution of the meeting: “(6)... Financial categories are not logically existing categories that the state” uses depending on certain points”. They are historical categories, since their content is

¹ In the future, wherever ‘not specified otherwise, quotations are cited from theses, reports or speeches at the Moscow meeting in 1931 of employees of finance departments on the subject and method of the theory of finance, convened by the personnel sector of the NKF USSR.

determined by the essence of the state, the economic structure of society as a whole. Therefore, it is not true when pleasing a logic circuit. the dialectic of the financial system is derived from its evolution, taken “in itself.” The dialectic of financial categories is not their “self-development”, cut off from the state, which in turn changes with a change in the mode of production. The contradictions between the financial categories of capitalism do not follow from the contradictions that existed in the era of the feudal economy: they are inherent only in the given mode of production, that is, in the capitalist one. The content of the financial categories of the transitional economy does not follow from the development of the financial categories of capitalism and imperialism, but is a qualitative originality determined by the qualitative features of the dictatorship of the proletariat and the structure of the transitional economy. Hence the impossibility of constructing a “general financial theory”...

“(9). In the construction of the Marxist theory of finance, it is necessary to wage an irreconcilable struggle against all distortions arising on the basis of the Ruby and Bogdanov methodology...”, 2) the desire to transfer the financial categories of capitalism and imperialism to Soviet reality (the theory of “transformation” of capitalist categories, the theory of the “withering away” of the categories of capitalism in a transitional economy), 3) lack of understanding of the close interdependence between the form and content of processes.”

“(10). The desire to establish a “world scheme” for the development of the category will in practice lead the Leningrad Department of Finance to a mechanistic understanding of financial categories, to transfer the

laws of the development of financial categories of capitalism to Soviet soil, to the desire to remove the financial categories of the transition period from the evolution of financial categories of capitalism, to the thesis about the withering away of financial categories capitalism in a transitional economy after the proletarian revolution (see the theses of Comrades Orlov and Margolis).”

“(11). The meeting states that the proposal of the Leningrad Department of Finance to build a “universal course in finance” logically follows from all of its methodologically incorrect, essentially opportunistic, position on the issue of Soviet finance.”

As can be seen from this resolution, the main mistakes of the Leningrad Department of Finance boiled down to three: a) a mechanistic gap between the state and finance, on the one hand, and the economic structure of society, on the other; transformation of finance into a special, independent “quality series” and “transformation theory” of this “quality series”, 6) the gap between the form and content of processes in the field of finance, the transfer of financial categories of capitalism to the conditions of a transitional economy, lack of understanding of the originality of the state and finance in the transitional period, c) the idealistic assertion of the need to build a “general financial science” that studies something in common of a special qualitative series and its “evolution” under various socio-economic formations.

These mistakes, in turn, are a consequence of the departure from dialectical materialism, the substitution of dialectics with “world schemes”, the denial (or underestimation of the role, significance) of revolutionary leaps in history, sliding towards the

position of mechanistic and idealistic methods, towards the position of false “historicism”, “theory” evolutionary. They were directly influenced by the eclectic “constructions” of **Dietman**, the Trotskyist attitudes of **Dementieva** and the right-wing opportunist representations of **Bronsky**, etc.

Dietman “constructed” the following supposedly dialectical, essentially completely mechanistic, anti-Marxist “world scheme” of the development of finance: a) in the era of feudalism and in the period of initial capitalist accumulation, the state economy existed (thesis); 6) in the period of initial capitalist accumulation, a financial system begins to form, which was fully developed in the era of classical capitalism and denies the state economy of the era of feudalism (antithesis); in the era of imperialism, and especially in the period of transition from capitalism to socialism, the state economy develops as a denial of the negation of the financial system of capitalism (synthesis); the process ends with the merger of the state and national economy under socialism.

The main thing in this scheme is the identification of the financial system and the processes of redistribution, the consideration of these “redistribution processes” regardless of their specific class content. It was in this, “purified” of the specifics of class relations, “redistributive process” that B. Dietman saw the basis for “highlighting a special qualitative series in the **general** system of social relations of each given economic formation”, and the task of the theory of finance is “to establish the dialectical opposition of these series within the unity of the development process”(theses), that is, simply put, in comparison of “special quality series” (finance) of various socio-

economic formations in order, obviously, to determine the patterns of development of these “ranks” over the “centuries”. “Historically, the initial period in the development of financial systems is the period of initial capitalist accumulation. During this period, we had a specific form of state economy, in the system of which the processes of redistribution were for the first time isolated ...

“The disintegration of the dominant economy, the development of the form of **regalia**, the development of the **principle of taxation**, the emergence of **primary tax** forms, compulsory loans, etc.—all these categories represent the forms in which the processes of the redistribution of social income established by the state are segregated into an independent system ... the aggregate of distribution (i.e., substantial production) relations, adequate to the capitalist mode of production, is isolated from the system of redistribution of national income constructed by the state ... The third and last period in the development of financial systems is a period of transition to socialism ... In the process of socialisation of the national economy there is a gradual convergence of the processes of social distribution and redistribution, which receive a complete synthesis in **the regulated system of prices** of the socialised economy. **The unified financial plan of the USSR**, as a unity of the processes of distribution and redistribution, is a denial of the budgetary system of capital and a historical synthesis of the development of financial systems” (Dietman).

A unified financial plan as a **synthesis** of finances of the period of initial capitalist accumulation (one of the most essential tools for the expropriation of small owners, the separation of workers from the means of

production and the concentration of capital in the hands of the “third estate”) and capitalist finance (a tool for preserving, strengthening and expanding the system of the most refined exploitation)—it is hardly possible to come up with something more consistent with bourgeois ideas in the field of finance.

Bourgeois “objectivism”¹, the rejection of class analysis (for bourgeois economists—a means to “hide” classes and class struggle)² leads to a Struvian interpretation of state and finance (the apparatus, the system is essentially “objective”, but used by the classes in political goals), to a misunderstanding of the fact that each ruling class builds the apparatus of its domination as specifically corresponding to its place and role in the production process; that the state of the proletariat and its instrument—the finance—are not the state and finances “in general”, but an organisation, an apparatus, an instrument for the elimination of classes and the building of a socialist society. Hence the theory of “transformation” of the category of capitalism in the transition period³.

¹ “The theoretical study of this issue (tax shifting) must begin with the study of the pricing process, and this process must be taken as it is objectively (obviously regardless of classes, class struggle) develops as a result of the dynamic interaction of market forces” (Dementyev, “Transposition of taxes”, 1930). ...

² “Can we say that the class struggle is the process that we reveal behind the external forms of financial categories ... In such form we cannot. The class struggle is a concept common to all social sciences. This is what is in common that lies in the substance of any jubilee science” (Dementyev, concluding remarks at a meeting of the Department of Finance of the Leningrad Institute of Economics and Economics).

³ “We could write about taxes in the rebellion period, since they were really taxes, they reflected a certain class attitude, a certain

Proceeding from the Trotskyist denial of the socialist character of the October Revolution, based on the mechanistic concept of the duality of the transitional economy (“bifurcation”), expressing Trotskyist disbelief in the forces of the proletariat, E. Preobrazhensky wrote about Soviet money: “The evolution of our money during the NEP period can be divided into two periods: 1) the period of the temporary approach of our money, mainly in form, but partly and in essence, to paper money and the irredeemable banknote of capitalist countries, 2) the period of the growth in our economy of elements that should have been turn this process in a different direction, namely in the direction of some original transformation of our money into a new entity, which is both money in the usual sense of the word and is not money.” (**“Under the Banner of Marxism”**, No. 4, 1930).

Dementyev went much further than Preobrazhensky. “We have,” he wrote in Leningradskaya Pravda (10/XI/1931), “a kind of pre-socialist transition period. Our transitional period is not a “classical” normal transitional period, but only an exception, a kind of distortion, a deviation from the classical path of development ... The path to socialism is possible in one separate country; only development in this case takes on a completely abnormal character.”

It is on the basis of these anti-Leninist attitudes, Comrade Margolis came to the “conclusion” that “the

social connection, and now it is completely different, now we can say that these are not taxes. This is a transformation process that does not in the least reflect the mechanical combination of capitalist and socialist elements”(Dementyev, from a report in Moscow meeting of 1931).

theory of Soviet economy is only a special case, there is only a concrete form of manifestation in the conditions of the USSR of the economy of a transitional period” (from the concluding words at a Moscow conference). What are the “normal paths” of the transition to socialism according to Comrade Dementyev can be judged from his next speech at the Communist Academy according to the report of Comrade **Dementyev**. Gatovsky: “Socialism is, therefore, in a certain sense, a transitional period to an expanded communist society... Socialism, in this case, goes through several successive stages of its transformation into communism. But here, in the USSR, due to the underdevelopment of the capitalist economy... we had another transitional period, a transitional period to socialism, a pre-socialist transitional period. Incidentally, Lenin also considers imperialism, in a certain sense, to be a transitional period to socialism.”

Thus, the two “foundations” of Dementyev’s “theory” are the denial of the normalcy of the Soviet economy as a transition to socialism and the recognition of the “beginning” of the transitional period (apparently, “normal”) under imperialism in imperialist countries.

Proceeding from these “foundations”, one cannot help but come to the conclusion that the financial categories in the USSR are the result of the “abnormality” of the Soviet economy and that it would be “normal” to “undertake” the construction of socialism when the process of “withering away” of financial categories. “It is true that we already have a new content behind the price, behind the money, there is already, if you will, a planned socialist content, but at the same time, our Soviet economy has not yet been

developed in the sense of complete socialist development, is still far from being a whole a consistently socialist category... and as a result of this underdevelopment of the socialist content of our economic relations, value categories and money are preserved for a certain period.” (Dementyev, from a speech at the Moscow meeting).

At the same time, as in all other cases, opportunist “reasoning” is clothed in a Marxist phrase; remarks made by Marx in a completely different connection and on a different occasion are attracted to them. According to Dementyev, it turns out that when he spoke of the “birthmarks of capitalism,” Marx also had in mind Soviet finance. With the help of such a manipulation, Dementyev “succeeds” in transforming the finances of the USSR from an instrument of the dictatorship of the proletariat into an indicator... of the weakness of the dictatorship of the proletariat. Moreover, it turns out that “the proletarian state itself is... a kind of relic of the bourgeois mode of production in a number of other relics.”

In the “Encyclopedia of Law and State” (vol. III) in Bronsky we read: “The financial system of the USSR differs significantly from the financial systems existing in other countries, since it is characterised by functions that are alien to the latter... Our financial system assumes those functions that in other states belong to the free capital market, mainly the stock exchange and banks, the function of redistributing capital, that is, transferring it from those branches of the national economy where there is a relative surplus, to those where their shortage is most acutely felt. Thus, the planning of the state and the entire national economy is expanding, and the financial system is the technical

conductor of this planning.” Thus, the difference between the financial system of the USSR boils down to the fact that it also performs the functions of... capitalist exchanges.

It should be emphasised that this vulgar view is based on the bourgeois idea that public finance under capitalism is a “planned economy.” With Bronsky, it turns out that our financial system differs from the systems of capitalist states only by the “large scope” of planning.

The same understanding of the state budget as a “planned cell” under capitalism underlies the special “theory” of **Kuzovkov**, who distinguishes between “state economy” and “financial system” of the entire economy of capitalism, “planned”), and under the second—the finance of the USSR (since there is no longer any reason to oppose the “planned” state economy—finance to the entire national economy), and the budget of the capitalist state is considered as a “plan of the state economy”¹.

¹ “When the largest enterprises appear: trusts, syndicates, combines, etc., new links are added in the form of financial bodies, financial organisations of these enterprises, trusts, syndicates and etc., closely related to the credit system—together they form the system that spontaneously functions in the same way as the system of commodity-capitalist production as a whole spontaneously functions. This spontaneously functioning system is delimited by the system that we have conventionally designated as the state. an economy regulated by the state ... Many believe that in this state economy there is no plan, no regulator, and that therefore it makes no sense to oppose one to the other as a regulated system to a spontaneously functioning system. Of course, this is just a confusion of some moments” (Kuzovkov, from a report at a Moscow conference. 1931). “I am forced to suggest the term” state economy “for the period of the exploiting state and the term”

The same idea was used by pests to pervert the theory and practice of financial planning, proving that financial planning in Russia began with the time of... Speransky (Yurovsky). The same idea is perceived by Comrade **Dementyev** and his followers as a “base” for constructing a “world scheme” for the development of finance¹.

The same “idea of the plan mediating” spontaneous laws (it is based on Bukharin’s “law of labour costs”) was developed by **Bronsky** in his work “Financial Policy of the USSR” (1928) and in a number of magazine and newspaper articles. “The most important task of economic policy in fulfilling the main task of building socialism is to replace **the spontaneous laws of the development** of the capitalist economy with a planned principle. The regulators of the capitalist economy, who, through crises, depressions and high conjuncture,

financial system “for the period of transition to socialism” (ibid.). However, Comrade Kuzovkov is not enough and he himself is confident in the existence of his “state. Economy”. “What is the economic basis of the state? This is a distribution system. giving material means for the existence of this state. I’m ... under the government. I do not understand the economy at all, I understand a certain element of distribution, which is the economic basis for the implementation of the state. the functions of this apparatus”.

¹ “The polyeconomy of capitalism ... studies the spontaneous laws of the capitalist economy. Even under capitalist conditions, finance is such a ‘system in which we have the subject of long-standing financiers, we have elements of a conscious organisation. Of course, the identification of this with planning, etc. will be a simplification, but in a certain sense, like any mistake, this identification has a basis. Character. patterns in finance are different from the nature of patterns in a spontaneous capitalist economy (Dementyev, from a speech at the Moscow conference in 1931).

resolve the contradictions of the capitalist economy, leading it along the line of development, must be systematically weakened and replaced by a planned principle... The task of our economic policy is reduced to... the spontaneous elements of the capitalist farms should be replaced with a planned basis”².

As you know, sabotage in planning, in its most essential part, just came down to limiting the role of the plan to the limits of “foresight” and “anticipation” of spontaneous tendencies, that is, tendencies of the restoration of capitalism, for in the conditions of a transitional economy, the element is the main enemy socialism is an expression of class forces hostile to socialism. From here were made “scientific discoveries” of all kinds of “normal” correlations, the violation of which would inevitably lead to a “breakdown” of economic development.

For Bronsky, this moment appears as a provision on the priority of “equilibrium” (Bogdanov-Bukharin’s “law of equilibrium”). Bronsky subordinates the economic and financial policy of the proletariat to the principle and task of “maintaining equilibrium”: he sees the content of our financial and monetary system in the need to “maintain equilibrium” “in order to be able to correctly and expediently redistribute the annually growing national income without disturbing the equilibrium of the productive forces of the national economy, it is necessary up to that moment. when the sources of capitalist spontaneity in the Soviet state disappear (how and why?—Ed.), rely on the monetary system, which would provide a stable measure of the value of goods, and at the same time would perform all

² Bronsky, “Financial Policy of the USSR”, pp. 17-19.

other functions of the monetary system”¹. Hence—the “kulak philosophy of the Soviet ruble”, which requires the subordination of the interests of socialist construction to the interests of the kulak elite of the village. Hence, the demand to slow down the pace of socialist industrialisation, alignment with bottlenecks².

6. Right-Wing “Leftist” Perversions in the Theory of Soviet Finance

“The process of economic development at various stages of development of society should be considered by us as a single process. The entire historical process forms a certain unity, some common, and the task of science is reduced to establishing internal laws, an internal regularity of the development of categories in a single historical process... Despite the fact that opposite economic formations are most characteristic precisely by their opposite properties, we nevertheless, we must emphasise what is in common between all economic formations” (Margolis).

This “methodology”, perceived by the workers of the Leningrad Department of Finance in 1931 under the influence of these “theories”, is in direct contradiction with the method of Marx. In his Critique of Political Economy, Marx wrote: “A general definition is an

¹ Bronsky, “The USSR’s Finance Policy”, p. 26.

² The economic difficulties of 1925/26 by Bronsky are explained by the fact that “excessively increased industrial construction, which did not quite correspond to the material resources of the country,” was planned, and the shortage of goods was due to the growth of the money supply in circulation (p. 41).

abstraction that has a scientific, real meaning only insofar as it really puts forward the general, fixes it, and thereby relieves us of repetition.” But “the definitions applicable to any production in general should be discarded, so that essential differences are not forgotten behind the unity.”

This was said by Marx in connection with the study of the capitalist mode of production as a whole. This applies even more to such superstructure categories as financial, which generally lose all reality as soon as we begin to consider them “in general”. In emphasising the “general,” one cannot help but be distracted from the class struggle; and although the employees of the Leningrad department emphasised that they see finances primarily as a class category, their classes and the class struggle turned out to be meaningless, since they were considered regardless of what classes, for what interests, what forms and methods, against what others classes are fighting. Namely, the specific content of the class struggle determines the essence, the content of finance.

What, however, is “common” for all special-economic formations, what should become the content of “special qualitative series” and the subject of “general science”? It turns out that this “common” is the “discrepancy between appearance and essence”. “This divergence... is the unity that is inherent in various, opposite socio-economic formations” (Margolis). So totally idealistic the anti-Marxist position is further combined with the vulgar materialistic, mechanistic idea of the “material strength of the state” as “the general content of a special qualitative series.” “The state, which is the organisation of the ruling class, needs a certain material strength to carry out the policy

of this class. This material force, called public finance, is the subject of research in finance theory. The legitimacy of the existence of financial science is determined by the presence of a special qualitative range, not studied by other sciences” (Orlov).

The vulgarity of this provision is reduced precisely to the absence of any “definiteness” in it. The “material power” of each class cannot be considered outside of social, class relations, therefore, it does not represent something common for any classes and in any conditions. Torn away from the specific class content, “material force” becomes pointless, meaningless.

On the other hand, the “material strength” of the state is not limited only to finances. The strength of the ruling class lies not only in the revenues and expenditures of the state machine, but also in the possession of the main commanding heights. The strength of the capitalist state is not only in the army, prisons, etc., but also in the fact that the capitalists are monopoly-owners of the means of production; not the capitalist mode of production is determined by the political domination of the bourgeoisie, and vice versa, because the state of the bourgeoisie is a superstructure that exerts tremendous influence, but does not determine the nature and laws of development of the capitalist economy.

In Comrade Orlov’s theses, we have an absolutely obvious gap between the state, finance and the economic structure of society. In order to conceal this gap and make up for the “deficiency” of the scheme, which consists in the absence of any class definiteness, Comrade Orlov put forward the thesis that government spending is of decisive importance for this “special quality series”. “Typical for public finance is the

‘special’ that is contained in public spending.” In this thesis, Comrade Orlov saw a “break” with the bourgeois financiers, who emphasised state revenues. In reality, in this case too, Comrade Orlov finds himself in the wake of bourgeois “science”, for in the spirit of the latter, in spite of Marxism-Leninism, he breaks the unity of the incomes and expenditures of the state.

This is especially clearly reflected in the classification of government expenditures, which was put forward by the workers of the Leningrad department. “The main types of government spending: a) spending on the class struggle within the country, b) government aid to capitalism, c) spending on the state economy.” Depending on what “type” of expenses is taken as the determining one, any non-Marxist definition of finance can be “adapted” for such a “classification”. So, if we put the third type of expenditure in the center of attention, and consider the first two as “incidental”, we get a “theory” that almost completely coincides with Kuzovkov’s “theory of the state economy”; if the emphasis is placed on the second “type” of expenditures, you get almost one hundred percent “concept of reproduction” by Dietman, establishing the “opportunity” to abstract from the class struggle, since it is a common “phenomenon” for the subject of all sciences and theories. But also false is the assertion that “the main type is spending on the class struggle, which absorb the bulk of funds in all periods of the existence of the capitalist state ... the processes of capitalist reproduction and financing of the state’s own economy” (Orlov).

Above (see p. 19) we talked about the falsity of opposing the costs of maintaining the state apparatus to the costs of financing the national economy. It should

be emphasised here that this false classification is the basis for the construction of a “universal course in financial science.” The separation of “expenditures on the class struggle” from all other expenditures and from state revenues, “diversion” from the specific class content of state revenues and expenditures leads to a completely false understanding of USSR finance. It turns out that, **firstly**, the essence of the finances of the USSR can be understood only on the basis of an analysis of finance... of classical capitalism¹, **secondly**, the finances of the USSR are the transforming (or dying away) finances of capitalism², and **thirdly**, the most correct method of cognition is not dialectical materialism, and the “comparative method”¹, **fourthly**,

¹ “To clarify the real essence of the category of state treasuries, it is necessary to choose such a period in the development of the state, in which their real essence was presented in the purest, uncomplicated and undistorted form by outside influences. Such a period, revealing the most purely, uncomplicated essence of public finance, is the era of classical capitalism” (Orlov).

² “In any social-economic science that we study under the conditions of a proletarian dictatorship, we must analyse how capitalist categories die away, how they turn into laws of socialist economy... We must move on to broader generalisations, considering the categories of finance, their specific laws in various socio-economic formations against a general historical background. We must consider the consistent development of financial institutions at various stages of the formation of capitalism and the economy in transition from capitalism to socialism. The unified course of finance should not only study the finance of capitalism alongside the finance of the dictatorship of the proletariat, should not only cover various economic formations, but should also be cosmopolitan... period”. (Margolis).

¹ “Considering this” or another category of financial science, we inevitably come across the need to resolve the issue of the fate of this category, for example, taxes at various stages of development of the historical process. For this, in the process of scientific

all the difference between the finances of the USSR and the finances of the capitalist states is reduced to a different structure of expenditures and to a different ratio between income and expenditures² it etc.

These false moments were combined in the position of the employees of the Leningrad Department of Finance with statements about the “planned” nature of capitalist finance. It turns out that “the difference between a special qualitative series (finance—Ed.) From the general economic process is primarily in the line of the subjectivity of the former and the lack of subjectivity of the latter” (Orlov). Thus, as an additional argument confirming the existence of a “special quality series”, a vulgar “theory of the subject

analysis, it is necessary to oppose various socio-economic formations, to use a comparative analysis ... We will not understand a single category of finance of capitalism and the transition economy in their historical originality if we study the finance of the era of capitalism ‘in isolation from the finance of other socio-economic formations’ (Margolis).

² “The financial system of the state in transition is a special qualitative series, the nature of which is determined by the special socio-economic nature of the ‘proletarian dictatorship’ system. Thanks to a different quality of the proletarian dictatorship, the ratio between the types of government spending is different. If in a bourgeois state, expenses were mainly unproductive, then under the conditions of a proletarian state, while maintaining the category of expenditures in the “class struggle, productive expenditures for financing the national economy”. “The expenditures of the proletarian state do not determine income in the same way as under capitalism, thus ... We have a certain limitation of our expenditures from the side of income (as if the bourgeois state can spend infinitely!—V. D.) ... A special dialectical bilateral dependence between state revenues and state expenditures can be formed”(Orlov).

economy” hostile to the proletariat is pulled out.

The false position of the Leningrad department led some of its workers (Margolis) to a “leftist” bend. This once again confirms the kinship of all opportunist deviations from the general line of the Party. The usual line of reasoning of the “left” benders boils down to the following: the presence of financial and market categories in the USSR shows the weakness of the dictatorship of the proletariat, the domination of the elements. At the first stages of the development of the Soviet economy, the content of these categories is mainly capitalist; as the role of the plan intensifies, these categories are “modified”, “transformed”; the domination of the plan (the last stage) leads to the complete elimination of these categories, or at least to the emasculation of any economic content from them; categories either “die off” or become “nominal”, one appearance. In the field of money, such a “theory” was constructed in 1929 by Kozlov (“the theory of nominalism of the Soviet ruble”). In the field of finance, the task of constructing such a “theory” was undertaken by the employees of the Leningrad department.

According to the guidelines of this department, financial categories develop according to their own special laws and are associated with the state, but not with the economic structure of a given society as a whole; typical for finance are “spending on the class struggle” or “redistribution functions” and, finally, the state and finance in the USSR are only “birthmarks of capitalism”, the development of which is determined by their “self-development” on throughout various socio-economic formations. Hence the conclusion is drawn that in the USSR during the period of entry into socialism, the process of “withering away” of these

“birthmarks”¹.

“When they paint a picture of the difference between the categories of the transition period and capitalism, they forget that finances are not immanent to the socialist economy, but are only birthmarks of capitalism that remain on the body of the transition period until this transition period from capitalism to socialism is over. Therefore, we say that we are now going through the process of withering away of bourgeois finance”(Margolis).

What caused these gross mistakes of the workers of the Leningrad department, their “theories”, which are in sharp contradiction with the decisions of the party and with the statements of **Lenin and Stalin**? They are explained by the fact that, being in captivity of the bourgeois, anti-Marxist methodology, these workers failed to understand the duality of NEP, the duality of market categories.

We saw above how **Comrade Stalin** characterised this duality at the XIV. Party Congress. Employees of the Leningrad Department of Finance understood this duality in a completely different way—mechanically. In their opinion, the duality of the transition period leaves “an imprint of duality in the field of public finances,” moreover, this imprint is that, “on the one hand, the state finances of the proletarian state are the usual force of the ruling class, directed against reactionary attempts to restore old relations, that is, they are an expense in the class struggle; on the other hand,

¹ “A single financial plan, paper money that we issue, loans that are inherent in an economy in transition, government spending, taxes in one form or another—all these are ... birthmarks of capitalism” (Margolis).

government spending is becoming more and more a category of a different order—national economic finance” (Orlov). This “duality” actually exists exclusively the fruit of idealistic and mechanistic attitudes, for here only the most primitive “operation” of separating the relations of the class struggle from the relations of building a socialist economy is carried out.

7. Objectives of the Course “Finance of the USSR”

The above excerpts from the program of the All-Union Communist Party of Bolsheviks and the Constitution of the RSFSR indicate the tasks of the financial policy of the proletariat that are common throughout the entire transitional economy. However, this does not remove the question of the stages of development of the financial system of the USSR and the change in its tasks and role at different stages of socialist construction. Specific objectives of financial policy at each stage of the transition economy. are determined directly by the tasks set by the proletariat and its party in the field of economic policy, in the final analysis by the correlation of class forces in the country.

At the same time, it should be especially firmly understood that, firstly, changes in the financial system of the USSR in stages do not represent either a process of “transformation” or a process of “withering away” of the financial categories of the **capitalist** state; secondly, that the finances of the USSR at no stage of socialist construction did not correspond to the finances

of capitalist states neither in content nor in form.

The statement that at the initial stages of NEP our finances, differing from the finances of capitalist states in content, were identical with them in form, is no less erroneous than the assertion that at the first stages of NEP the finances of the USSR were capitalist both in form and in content, since it mechanically breaks the form and content of social relationship.

Therefore, the following thoughts, expressed by **Comrade Butkov** at the Moscow conference and spoken by him in his article in Financial Problems, No. 3/4 of 1931, are completely incorrect. as it turned out, the wrecking concepts of the bourgeois representatives... It is well known that the Soviet system of finance was built mainly on capitalist models. At the initial stages of the transitional period, this contradiction did not affect especially sharply, but with the transition to the detailed program of socialist construction, the contradiction between the existing financial system and the requirements imposed on it by socialist construction, this contradiction has taken on glaring proportions. A well-known period of reconstruction of the financial system began, but on the way of this reconstruction of the financial system exceptional difficulties due to the lack of a Marxist-Leninist basis for this reconstruction.”

In pursuit of the task of showing the influence of the bourgeois professors and saboteurs, **Comrade Butkov**, however, came to a completely false generalisation. It turns out that either the finances of the capitalist state admit the possibility of their “use” in the interests of building socialism, or in the initial transition of NEP we did not have socialist construction. Otherwise in this case, it is completely incomprehensible why such a

“blatant” gap between form and content could exist.

In the process and to the extent of the success of socialist construction, changes are taking place in the role, tasks, and content of financial relations, which is certainly expressed in a change in the forms of these relations. In some cases, there may be some delay in the necessary alteration of the forms, or certain forms may be admitted that insufficiently correspond to the tasks set by the party and the proletariat, but it is absolutely inconceivable that there is a situation where there is at least for several months, a discrepancy between form and content, for this would mean, while maintaining the previous forms, an inevitable change in content.

Tasks, ways, content of restructuring the financial system of the USSR is determined by the party and the proletariat; Millions of working people are taking part in this restructuring, and this is the guarantee of full compliance of the tasks, content and forms of financial construction with the tasks of the socialist reorganisation of society. Wrecking or individual mistakes can affect individual, private forms of financial calculations, payments and institutions, can thereby slow down the pace of socialist construction, but they do not determine the general forms, content and tasks of financial construction.

“The finances of the USSR are an instrument of the dictatorship of the proletariat, the method of mediating and influencing economic ties within the socialist sector and between the socialist and other sectors of the national economy, the lever of planned distribution and redistribution of material resources in the form of planned distribution and redistribution of funds based on control by the ruble in order to

expand the reproduction of socialist relations, rework the small-scale commodity sector and restrictions, displacement and elimination of capitalist elements and classes in general”¹.

The objectives and content of the course “Finance of the USSR” are not in drawing “analogies” between Soviet and capitalist finance and not in building a “world scheme” for the development of finance, not in determining the “general” laws of finance. The task and content of the course “Finance of the USSR” is to, first, determine the tasks and patterns of development of Soviet finance at various stages of socialist construction; second, to establish the class definiteness and conditionality of the content and organisational forms of Soviet finance; thirdly, to study the role of Soviet finance in building socialism

¹ Saboteurs have made every effort to use finance as a tool to promote the development of private capitalism elements and spontaneous moments in general. For these purposes, they put forward “theories of passivity” of finance, as if a simple technical, monetary form of management: “Give us a good economy, and good finance will add to this” (Yurovsky). For the same purposes, “theories” were constructed, according to which Soviet finance should pursue the task of “maintaining an equilibrium in the development of the productive forces” (meaning by these “productive forces” the kulak farms in the countryside, etc.) should contribute to the “free manifestation of economic interests and tendencies” (that is, the interests and development tendencies of the capitalist elements)... For the same purposes, Yurovsky established that the financial policy of the USSR during the period of war communism is a logical continuation of the financial policy... of the tsarist and Provisional governments (“Monetary policy of the Soviet government”). For the same purposes, measures of direct sabotage were also taken (sabotage and distortions in the implementation of party and government directives), etc.

as an instrument of the dictatorship of the proletariat, a method of influencing economic ties, a lever for the planned redistribution of the country's resources; fourth, to find out the prospects for the development of Soviet finance in the light of prospects for completing the tasks of the transition economy.

REVIEW QUESTIONS

1. What characterises the content of the finance of capitalist states and why is the “theory” of deducing the laws of development of Soviet finance from the laws of development of finance of capitalist states false?

2. What is the basis for the existence of Soviet finance and what determines their overall importance in the construction of socialism?

3. What determines the content and essence of Soviet finance? What is their fundamental, fundamental difference from the finance of capitalist states?...

4. What aspects lie at the basis of the false “theories” of finance of bourgeois economists, Trotskyists, right and “left” opportunists, and what is the content of these “theories”?

CHAPTER II. FINANCE DURING OCTOBER AND MILITARY COMMUNISM

1. On the Need for a Step-by-Step Study of Soviet Finance

The fundamentally different nature of the economic laws in the USSR in comparison with capitalism, the deeply fundamental difference between the bourgeois state—a parasitic unfinished construction over the economic basis of bourgeois society, and the proletarian state—the leading process of building socialism, cannot but mean the deepest fundamental gap between Soviet finance and the finance of the capitalist economy... As we have already seen, the gross perversion of the essence of our finances is their interpretation. as a “transforming”, “fading” capitalist legacy. Our financial policy is an organic, integral part of the economic policy of the proletarian state, the general line of the party. Consequently, the specificity of Soviet finance is expressed in the fact that it is a category born of the October Revolution, conditioned in its laws by the general laws of the transition economy.

Soviet finance is one of the most important levers for building socialism in the entire complex mechanism of levers of the state’s economic policy. Hence it follows that the study of the processes of development of Soviet finance is possible only on the basis of a correct study of the general laws of the revolutionary transformation of the Soviet economy into the economy of a socialist society, based on the positions of Marxist-Leninist methodology.

The desire to find some special laws in the

development of Soviet finance, attempts to identify the specifics of financial categories, the discovery of a special “quality series” conditioned in its movement by special “financial” laws, lead to a mechanistic opposition and separation of our financial policy from the entire system of economic policy of the proletarian states are used by bourgeois economists to proclaim the “primacy” of finance over economic policy to subordinate the “principle” of financial (market) equilibrium.

No less erroneous and harmful are the attempts to consider Soviet finance, regardless of the stages of socialist construction, taking a transitional period, as something unchanging, as an independent socio-economic formation, distracting from the transitions within the transitional period. These attempts are based on ignoring the revolutionary nature of the transition economy.

The general task of the transition period is the socialisation of all means of production, the abolition of classes and class distinctions, the transformation of all working people into conscious and active builders of a classless communist society. However, this task for its final implementation requires a number of measures, and, accordingly, a number of transitions within the transitional period, and the number and nature of such transitions are determined by the correlation of class forces of socio-economic sectors within the transitional economy. Considered as a whole, the process of socialist construction is an indissoluble chain of transitions from one stage to another, moreover, the Leninist doctrine of the link requires a clear and a clear outline of each stage of the economic policy of the proletarian state. “All political life,” says Lenin, “is an

endless chain of an endless series of links. The whole art of politics consists in finding and firmly clinging to the very link that can least of all be knocked out of the hands, which is most important at the moment, which most of all guarantees the owner of the link the possession of the entire chain.”

But each stage in the economic policy of the proletarian state also marks a definite shift in the development of Soviet finance. By characterising Soviet finance as the most important lever in the construction of socialism, we thereby determine the unity of this economic category throughout the entire historical period covered by the transitional period. But behind this unity should not be overlooked those quantitative and qualitative shifts that are taking place in our finances at different stages of the development of the Soviet economy. Our finances were the lever for building socialism, both during the period of war communism, and at the first stage of NEP, and in the first years of the socialist reconstruction of our national economy, they are the most important instrument of the unfolded socialist offensive at the present, last stage of NEP. But how this lever operated at each stage, in what combination with other levers of economic policy, what is its role and share in the entire system of measures of the proletarian state - all this can be understood only if Soviet finance, as an economic category of transition period, we will consider in connection with the tasks of the economic policy of the proletariat at each stage of the transitional economy. For within the bounds of such a “great leap” as the entire revolutionary transitional period, there are significant shifts, transitions, quantitatively and qualitatively reflecting progress along the path to

socialism. Only proceeding from the originality of each stage, only by identifying its specific content, will we be able to determine which part of the historical segment, called the transitional period, we have already passed and how much of the untapped path remains for the complete completion of the socialist construction.

Ignoring stages usually leads to mechanistic scholastic constructions; lost not only the connection and logical consistency of the system of revolutionary measures and methods of restructuring society, but also the ability to understand their actual content and significance; categories, forms, methods begin to be considered as something frozen, their revolutionary content is blurred, the possibilities of defining, direction and character of their change are eliminated along with a change in the character and conditions of socialist construction. From this it follows that the stages of development of Soviet finance cannot be regarded as historical segments cut off from each other, but only as separate parts of a single process, identifying the role and the place of finance in the general system of measures for the revolutionary restructuring of society. Studying the methods and organisational forms of financial relations, theoretically generalising the specifics of finance, due to revolutionary practice at different stages of socialist construction, identifying that specific, something special that distinguishes this stage throughout lines of development of the transitional economy, we must not tear the historical process into separate pieces, but must embrace it as a whole.

The specific tasks of financial policy at each stage of the transitional economy are determined by the general

tasks set by the party and the proletariat for the given segment of the transitional period, the content of the economic policy of the proletariat at this stage of socialist construction. Hence it follows that in studying the development of the finance of the USSR we can establish the same basic stages as in the course of the theory of the Soviet economy, namely, the short period from October to War Communism, War Communism and NEP; the NEP period, in turn, is divided into a restoration stage, a reconstructive stage and a period of socialist offensive along the entire front (the last stage of NEP).

Of particular importance is the study of the content of the role and meaning finance at the present (last) stage of NEP, as a necessary condition for strengthening the activity of the entire Soviet financial system in the implementation of the financial tasks of the second five-year plan.

But precisely in order to more deeply and more clearly highlight the specific features of finance at the new stage, in order to better understand the tasks that are now being put forward on the financial front and the ways of their implementation, it is necessary to trace the development of Soviet finance in the previous stages of socialist construction.

2. Finances of Pre-October Russia

The history of Soviet finance has no “prehistory” of its own in the financial policy of pre-October Russia. But the first stages of development of that new quality, which is inherent in the social the essence of our

finances, is characterised by an abundance of fragments of the old. “The real interest of the era of big leaps,” says Lenin, “is that the abundance of fragments of the old, sometimes accumulating faster than the number of embryos (not always immediately visible) of the new, requires the ability to single out the most essential in the line or chain of development”¹ ... It is only from this point of view that we are interested in the finances of pre-October Russia. On the other hand, a cursory acquaintance with them gave us an idea of the conditions that had developed by the time the construction of Soviet finance began².

On the eve of the war, the financial position of tsarist Russia from the outside seemed “brilliant”. The state budget provided an excess of revenues over expenditures, and the free cash of the treasury by January 1, 1914, according to M. Bogolepov, was equal to 514.2 million rubles.³ The gold reserve of the State Bank provided almost 100% of the issued banknotes. Russia’s gold reserves abroad for the five years preceding the war doubled and reached 669 million rubles by March 1, 1914. In the decades leading up to the war, Russia generally had a trade surplus. For 15 years (1898-1913), the trade balance asset amounted to 4.1 billion rubles. All this showed, as it were, a completely stable financial position of tsarism.

However, behind this appearance was the poverty of

¹ Lenin, vol. XXI, p. 466.

² This, of course, does not remove the task of a comprehensive Marxist study of the tsarist financial system.

³ “Fundamentals of the Financial System of the USSR”—ed. G. Ya. Sokolnikov, p. 9, Gosfinizdat. 1930.

the masses, and the very “well-being” was largely based on bureaucratic and clerical tricks. Thus, for example, the annually reported “free cash of the Treasury” was achieved by understated revenue estimates by the beginning of the year and tremendous pressure from the tax press. This policy enabled the finance department to flaunt “free” cash by the end of the year, which was the goal for creation of a favorable impression of the healthy financial condition of Russia from foreign creditors.

The character of the tsarist finances is clearly reflected in the state budgets. So, in 1913 the state budget was equal to 3.452.5 million rubles. on income with expenditure part of 3.382.9 million rubles. The first, most honorable place among income occupied a vodka monopoly, which in 1913 gave 900 million rubles, that is, more than a quarter of all income. Even the cadet Shingarev was forced to admit the “drunken” nature of the tsarist budget. “The prosperity of the treasury,” he wrote, “was associated with drunkenness and the unhappiness of the people”⁴. Further, the preservation of high railway tariffs strengthened the role of revenues from the railways in the tsarist budget every year, which accounted for about 30% of all budget revenues. The rest 45% of the income in its bulk fell on taxes, with all its weight falling on the broad masses of the working people of the city and countryside. The basis of the tsarist tax system was indirect taxes, which are known to be sharply regressive in the system of the capitalist economy. Taxes on capital, land and commercial and industrial enterprises in 1913 gave only

⁴ A. I. Shingarev, “Finances of Russia during the War”.

212.6 million rubles, or 8% of total income¹.

The expenditure side of the budget had an even more pronounced feudal-imperialist character. More than 2/3 of the state revenues of pre-war Russia went into service, to pay off public debts and maintain the bureaucratic machine. In the decade preceding the war, military expenditures have doubled as much as all other expenditure balances in the budget. The share of expenses related to socio-cultural needs in 1913 accounted for only 11% of the total expenses².

The incredibly heavy tax policy for the broad masses of the working people and the parasitic consumption of a significant part of the national income could, of course, delay development productive forces of the country. Withering economy. naturally gave rise to seedy finances, despite the ostentatious tinsel of fiscal balance. Both the dazzling brilliance of the immense gold reserves of the tsarist government and the external trade surplus were the result of high taxation, the soldering of the masses and the enormous foreign trade tension of the country's economy.

Even after the Witte reform, the Russian currency was always in danger of collapse. The preservation of its stability was achieved by financial enslavement of the Russian economy to foreign capital. The growth in free cash in the Treasury was accompanied by a rise in government debt. The latter amounted to about 9 billion rubles on January 1, 1914, of which more than 1/3 fell on foreign loans. The annual payment of

¹ According to A. Sidorov, "Essays on the History of the October Revolution", vol. I, p. 40.

² According to I. A. Mikhailov, "State revenues and expenditures in Russia during the war."

interest abroad on the state debt and the pumping out of dividends on foreign capital invested in the country led to a situation in which even the foreign trade surplus could not cover the sharply negative balance of the settlement balance. So, with a trade surplus for the period 1908-13. in 2.274 million rubles. the passive balance of the settlement balance amounted to 3.486 million rubles. This situation forced to strengthen the export of goods, guided by the slogan of Vyshnegradskiy: "We will not eat, but take out", and make new loans abroad.

It was this vicious circle that forced the tsarist government to accumulate gold reserves in order to maintain the stability and authority of the gold currency. The stability of the State Bank's credit notes, backed by 100% gold backing, was therefore very costly for the national economy.

Bourgeois American economists—Moulton and Posvolsky were forced to state the following: "The fear of the possibility of a gold leak in connection with imports and the possible collapse of the Russian monetary system, as well as of its international credit, further strengthened the consciousness of the need to expand exports. The rapid rise in the amount of external debt has put pressure in the same direction.

As a consequence, special measures were taken to speed up the sale of food products in order to use them as export items. For example, in order to induce an exhausted peasantry to throw on the market a certain amount of grain intended for sowing purposes, tax collection officials showed extraordinary activity towards the end of the year. Government, assisted by various of its agents had the opportunity to buy bills of exchange that were obtained as a result of grain

exports, and to make their payments abroad without resorting to the export of gold or foreign currency... Russia's export surplus was usually not enough to cover the interest and expenses on its external obligations, and... this explains Russia's constant need for loans in foreign markets"¹.

The war demanded a tremendous strain on the country's economic forces and, above all, the financial economy. According to the calculations of M. I. Bogolenov², Russia's military expenditures for 3½ years amounted to 50 billion rubles. From what sources could this huge amount be covered, which absorbed approximately three-year national income of the country?

There were two such sources: the mobilisation of the country's internal resources and the conclusion of foreign loans. Internal resources consisted of the usual budget revenue items (taxes and loans) and a very intensive issue of paper money. As a result of the cessation of the sale of vodka, dictated by the class interests of Russian militarism, the most effective income item of the budget fell out. The government tried to fill this gap by increasing taxes, but the huge profits that the ruling classes made from the war remained untouched, and the increased taxes fell heavily on the working people. The great stress of indirect taxation could not compensate the state budget for losses from the wine monopoly, etc. from the weakening of receipts from a number of other sources

¹ "Russian debts and the restoration of Russia", M. 1925

² "Fundamentals of the Financial System of the USSR", collection of articles, Gosfinizdat, 1930.

(forest income, stamp duty, etc.).

The task of financing the war was accomplished mainly through emission and loans, both internal and external. According to M. I. Bogolenov, by these means the tsarist government “extracted” 26,166 million rubles, including 6,353 million rubles from foreign loans.¹ As a result, the Russian ruble slid down—its purchasing power by the time of the February Revolution was about 1/3 of the pre-war level. Russia’s external debt grew to such an extent that a picture of imminent bankruptcy was painted, which forced the “allies” of Russia these are skeptical about the creditworthiness of Russia and increasingly insistently demand gold loans as collateral. A significant part of the gold reserves of Russia in this manner floated abroad during the war.

By the time of the February Revolution, the balance of the financial “achievements” of tsarism consisted of a bloodless economy, a budget deficit, a “golden” ruble that had been thrown into the dust, and a colossal state debt. We have the right to state the general sharp breakdown of the financial mechanism of tsarism with sharply identified symptoms of inevitable paralysis.

The economic and financial policy of the Provisional Government led to the further ruin of the national economy. Moreover, the process of destruction of the national economy has accelerated. Production of one worker in industry at 1913 prices fell from 3,017 rubles 1916 up to 2,022 rubles in 1917². The area under crops was reduced and animal husbandry fell sharply.

¹ “Windows of the Financial System of the USSR”, collection of articles, p. 38.

² According to I. Vorobyov, “Bulletin of Statistics” for 1923.

Transport was falling apart. The food business was in a state of imminent disaster. This general process of disintegration was aggravated by the financial policy of the Provisional Government, which in its social content was a direct continuation of the financial policy of tsarism.

The only major lending operation of the Provisional Government, the Freedom Loan, which gave the Treasury over 3 billion rubles, covered 17% of the expenses, which in 1917 reached a colossal figure of 22 billion rubles. Emissions remained the most effective source. On March 1, 1917, there were 10.044 million rubles in circulation, on November 1, 1917-19.577 million rubles.

The bourgeois ideologist Yurovsky, explaining this process of accelerated disintegration of currency by strengthening the regulation of the national economy by the Provisional Government³ and “hinting” at the same time that the government pursued such a policy under the pressure of the Soviets of Workers ‘and Soldiers’ Deputies, thereby seeks to shift the responsibility for the shaken financial system onto the proletariat... However, if the Provisional Government turned out to be really able to subordinate the predatory appetites of industrialists, landowners and banking plutocracy to state regulation, to impose their wallets swollen from inflation, then it would contain the inflationary wave and achieve a certain, at least relative, stabilisation of the ruble. Even Yurovsky himself is forced to admit that during the period of the Provisional Government, regulation and “planned distribution” made more

³ Yurovsky, “Monetary Policy of the Soviet Government”, M. 1923

progress in declarations and laws than in practical life. In the national economy, more and more chaos was established. But he is silent about the perpetrators of this chaos. He explains the economic devastation very vaguely by the fact that “the destructive work was carried out only deliberately in order to direct the revolutionary process to this further phase and through it to the limit that he, as it turned out, could reach in existing historical situation, others it was carried out semi-consciously, and still others consciously on the assumption that they are no longer committing a destructive, but a constructive deed¹. In other words, according to the pest Yurovsky, the “revolutionary process” is to blame for everything. In reality, as Comrade Tsyperovich correctly pointed out, “the attempts of the tsarist government in Russia, which continued after the February Revolution by the Provisional Government, to use the methods of state monopoly to prevent the military, political and social collapse, prepared long before the war by the friendly by joint efforts of landlords and capitalists”².

Currency chaos, a deficit budget, a disintegrated tax system, a huge public debt (18 billion rubles, including 9 billion foreign)—this is the state of Russian finances at the time of the October Revolution. In September 1917 the minister Prokopovich, the worst enemy of the working class, of the Provisional Government stated bitterly: “We are on the border of despair. And now I, as an economist, can foresee the month when we will finally collapse economically”³.

¹ Yurovsky, “The Monetary Policy of the Soviet Government”, p. 39.

² From the preface to Rudoy’s book *State Capitalism in Russia*.

³ From the speech ‘at the cooperative’ Congress in Moscow

3. The Financial Programme of the Party on the Road to October

“You cannot go forward without going towards socialism”—in these words V. I. Lenin formulated the content of the concrete historical situation after February, as a period of transition from the first. stage of the revolution to the second, the period of the development of the bourgeois-democratic revolution into the socialist one. This determined the program of actions and demands, initially outlined in the April theses, and then developed in the article “The Threatening Catastrophe and How to Fight It” and in a number of other speeches of Lenin.

The main issue of the Bolshevik programme is the transfer of power into the hands of the Soviets, the organisation of the dictatorship of the proletariat. “Explaining to the masses that the Soviets of Workers’ Deputies are **the only possible** form of a revolutionary government and that therefore our task is, as long as this government succumbs to the influence of the bourgeoisie, can only be a patient, systematic, persistent explanation of mistakes and tactics, adapted especially to the practical needs of the masses. As long as we are in the minority, we carry on the work of criticism and **clarification** of mistakes, preaching at the same time the need for the transfer of all state power to the Soviets of Workers’ Deputies, so that the masses

get rid of their mistakes by experience” (**April Theses**). “That capital crushes,” said Lenin, “that it is a predator, that it is capital that is the source of anarchism, in this the petty bourgeois is ready to agree with the proletariat. But the difference between the one and the other begins immediately: the proletariat recognises the economy of the capitalists as predation in order to wage a class struggle against it, in order to build all politics on an unconditional distrust of the capitalist class, in order to distinguish in the question of the state, first of all, which class the “state” serves. what class interests it pursues. The petty bourgeois is sometimes “mad” against capital, but immediately after a fit of fury returns to the trust of the capitalists, to the hopes placed on the “state”... of the capitalists”¹.

Even the politicians of the bourgeois parties were talking about regulation and control, trying to hide behind this phrase before the masses, but “the whole question was: “who will control whom.” “Regulation and control is not the capitalist class over the workers, but the other way around—that’s the point. Not trust in the “state” worthy of Louis Blanc, but the demand by the proletarians and semi-proletarians of the state being led—that’s what should be **the fight against devastation**. Any other decision is a phrase and a deception” (Lenin)².

Regulation and control by the Soviets, by the proletariat and the poorest peasantry, is the cornerstone of the entire economic platform of the Bolsheviks. The main control measures were to be expressed in **the nationalisation of banks, the**

¹ Lenin, vol. XX, p. 463.

² Ibid, p. 474.

nationalisation of syndicates, the abolition of trade secrets, the forced syndication of industrialists, merchants and owners in general, and the forced unification of the population into consumer societies. All these measures did not yet signify the “introduction” of socialism, but, being carried out not by a reactionary-bureaucratic, but by a revolutionary-democratic state, they would mean a **step towards socialism.**

Although the nationalisation of banks did not mean “not even the slightest change in property relations”, the Bolshevik demand for nationalisation had nothing to do with the “regulation” of economic life and the circulation system in Germany and other countries that took place during the war. There, this regulation was conditioned by the interests of capital itself and created, according to Lenin, hard labour for the workers; the nationalisation put forward by the party proceeded from the need to subordinate capital to nationwide accounting and control under the leadership of the proletariat. “The bank is the focus of the nerves of the national economy. We cannot take the banks into our own hands, but we advocate their unification under the control of the Council of Workers’ Deputies”(Lenin)³. Nationalisation of banks was one of the elements of exercising control over the country’s finances and mastering through control the most important arteries of the capitalist economy. “Without big banks, socialism would be impracticable” (Lenin)—and this magnificent apparatus, created in the depths of the capitalist economy, must be “pulled out of subordination to the capitalists; it must be made wider,

³ Ibid, p. 81.

more all-inclusive, more national” (Lenin)¹.

Along with the nationalisation of banks, a demand was put forward for the nationalisation of the insurance business, that is, the unification of all insurance companies into one, centralisation of their activities, and control over it by the state.

On the issue of taxes, first of all, the financial clause of the RSDLP program on the abolition of all indirect taxes and the establishment of a progressive tax on income and inheritance remained in force. But at the same time, Lenin categorically emphasised that the introduction of an income tax with progressive and very high rates for large and largest incomes could remain “a fiction, a dead letter, because, firstly, the value of money is falling faster and faster, and, secondly, concealment of income is the stronger, the more their source is speculation and the more reliably protected the commercial secret”². Thus, Lenin put the social-class efficiency of direct taxation in direct dependence on the abolition of commercial secrets and measures to improve the circulation of money, because, under the cover of an attempt to introduce progressive taxation of the capitalists, the Provisional Government with the other hand, inflation, laid the burden of the tax burden on the haves and completely shifted it. on the shoulders of the working people.

The tax programme of the Bolsheviks was organically linked to the problem of control, subordinating capital to truly revolutionary state regulation. When the Menshevik Minister Skobelev demagogically declared the need to increase the taxation rates for the propertied

¹ Lenin, vol. XXI, p. 260.

² Ibid, p. 183.

classes to 100% of profits, Lenin emphasised that “our party is much more modest. It requires only the establishment of control over banks and a “gradual” (listen! Listen! Bolsheviks for gradualism!) Transition to a more just progressive taxation of income and property”, but ministers from the party of landowners and capitalists, nor with that bureaucratic, bureaucratic apparatus, to which the capitalist government (with the appendage of the Mensheviks and Narodniks) is forced to confine itself”³.

The class content of Skobelev’s “immense promises” can be seen from his next reasoning for the need to introduce a tax. “If capital,” says Skobelev, “wants to preserve the bourgeois way of doing business, then let it work without interest, so as not to miss out on clients...”¹.

On the issue of state credit, the Bolshevik program demanded the cancellation of loans, taking into account the interests of small subscribers. In the brochure Political Parties in Russia and the Tasks of the Proletariat, written by Lenin in the form of questions and answers, the 17th question is devoted to the “Loan of Freedom” issued by the Provisional Government.

Here is its full text²):

17) For the “Freedom Loan” or against?

A. (to the right of K.-D.). B. (K. D.). For surely, because it is easier to maintain the imperialist war, i.e. war over what group of capitalists to dominate the world.

B. (S. D. and S. R.). For, because a wrong position of

³ Lenin, vol. XX, p. 377.

¹ Lenin, vol. XX, p. 376.

² Ibid, p. 141.

“revolutionary defensism” we condemn this apparent deviation from internationalism.

C. (Bolsheviks). Against it, because the war remains imperialist, and it is waged by the capitalists in alliance with the capitalists, in the interests of the capitalists.”

Here the essence of state credit in the system of bourgeois finance is revealed with exhaustive clarity and the position of the Bolsheviks in relation to the most important financial measure of the Provisional Government is outlined. In Lenin’s article “On the Revision of the Party Programme”, written in October 1917, we have quite definite statements on the question of tsarist loans. Answering Comrade Lenin to his reproach that there is almost no space in the program regarding financial and economic issues and that no mention was made even of the cancellation of loans and state debts of tsarism, Lenin notes the following: not only tsarism, but also the bourgeoisie) it is necessary to carefully consider the issue of small subscribers”³.

In the summarised view of **the financial programme of the Bolsheviks** found expression in resolutions of up Congress RSDP(B). “In order to deal with the financial collapse the following steps are necessary: immediate cessation of further issue of paper money, the refusal of payment of the state debt, both external and internal with respect, however, the interests of small followers, the conversion of the entire tax system by introducing property taxes, property gains taxes, and high indirect taxes on luxury goods, income tax reforms, and putting the valuation of property income under effective control both in the center and in the field.”

Thus, the financial programme of the Bolsheviks, as

³ Lenin, vol. XX, p. 318.

an element of the general economic programme of the party, was **aimed at seizing power by the proletariat, organising a new type of state and subjecting the capitalists to its control**, while financial policy was to become one of the most important levers in organising control in the construction of socialism, and therefore could not be a “continuation” of the financial policy of pre-October Russia, even if reformed. The financial program of the Bolsheviks outlined a fundamental break with the finances of the “old world” and thus groped for a new social structure. The same quality that was infused into our Soviet finances after October.

The financial policy was to become one of the most important levers in organising control in the construction of socialism, therefore, it could not be a “continuation” of the financial policy of pre-October Russia, even if it was reformed. The financial programme of the Bolsheviks **outlined a fundamental break with the finances of the “old world” and thereby groped for the new social quality that was poured into our Soviet finances after October.**

4. Finance in the Period from October to War Communism

The economic policy of the Party and the Soviet state after the victory of the proletarian revolution was the implementation and further concretisation of the economic program of demands in accordance with the tasks facing the proletariat “the day after the social revolution.” Its essence consisted in the deployment of the program of action of the victorious proletariat in a

country with a predominance of a petty-bourgeois economy, in conditions of a temporary respite on the front of a desperate struggle against the capitalist encirclement.

“The main task of the proletariat,” said Lenin, “and the poorest peasantry led by it, in every socialist revolution, and consequently in the socialist revolution in Russia that we started on November 7 (October 25), 1917, is the positive or constructive work of establishing an extremely complex and a thin web of new organisational relationships, encompassing the planned production and distribution of products necessary for the existence of tens of millions of people. Such a revolution can be successfully carried out only with the independent historical creativity of the majority of the population, first of all, the majority of the working people”¹.

Having won political power and created a new—Soviet the type of state, the proletariat has solved only part of its most difficult task. “The main difficulty in the economic field: to carry out the strictest and most comprehensive accounting and control of production and distribution of products, to increase labour productivity, to socialise production **in practice**” (Lenin)².

The task of administration and organisation, the restoration of the productive forces destroyed by the war and the management of the bourgeoisie, the economic advancement of the country—these are the measures Lenin saw as the “nail” of the economic policy of the proletarian state. “Therefore, a new, higher form

¹ Lenin, vol. XXI, p. 440.

² Ibid., P. 441.

of struggle against the bourgeoisie is coming to the fore, the transition from the simplest task of further expropriating the capitalists to the much more complex and difficult task of creating conditions under which the bourgeoisie could neither exist nor arise again” (Lenin)³... The path to solving this problem lay through strengthening the dictatorship of the proletariat, mastering the main, decisive command heights, ensuring the subordination of the capitalists to the control of the proletarian state.

In the field of financial policy in the first place in its own way the specific historical weight must be issued a decree of 14/XII/1917 **on the nationalisation of banks**. The victorious proletariat, taking into account the mistakes of the Paris Commune (it “respectfully stopped in front of the French banks”—Engels), struck with this measure at the bourgeoisie, which organised resistance to proletarian control, undermining one of the decisive foundations of the economic power of the exploiting classes. “One of the first measures aimed at ensuring that not only disappear from the face of the earth Russian landowners, but also to undermine at the root the rule of the bourgeoisie and the possibility of capital oppression over millions and tens of millions of workers, there was a measure to go over to the nationalisation of banks. Banks are large centres of the modern capitalist economy. Here unprecedented wealth is gathered and distributed throughout the vast country, here is the nerve of all capitalist life. These are delicate and complex organs, they have grown over the centuries, and the first blows of the Soviet regime were directed

³ Ibid, p. 443.

at them, which, at first, met with desperate resistance in the State Bank” (Lenin)¹.

Declaring banking a state monopoly, the decree united all private joint-stock banks and bank offices with the State Bank and transferred their assets and liabilities to the State Bank. The decree was initially applied to commercial banks, but then a series of subsequent orders was extended to all private and cooperative credit institutions. The latter was nationalised (by decree of 2/XI/1918) the People’s Moscow Bank (central cooperative institution), turned into the Cooperative Department of the People’s Bank of the RSFSR, which was entrusted with all financing and lending to the cooperatives. An addition to the nationalisation of banks was the decree of 14/XII/1917 on the revision of safes. All the money found in the safes was to be deposited to the client’s current account at the State Bank, and gold in coins and bullion was to be confiscated.

The nationalisation of banks was one of the starting points ensuring the socialist transformation of the national economy. “From workers” control we went to the creation of the Supreme Council of the National Economy. Only this measure, together with the nationalisation of banks and railways, gives us the opportunity to start building a new socialist economy”². “Russia has embarked on a new path of realising socialism by nationalising banks, transferring all land completely into the hands of the working masses” (Lenin)³.

¹ Lenin, vol. XXI, p. 214.

² Ibid., P. 215.

³ Ibid, p. 217.

The second act of the Soviet government in the field of finance—cancellation of government loans performed the same social function of “overthrowing the financial yoke.” “All state loans,” read the decree of January 31, 1918, “concluded by the government of the Russian landowners and the Russian bourgeoisie, listed in a specially published list, are cancelled (destroyed) from December 1917. All guarantees given are also cancelled. the government on loans to various enterprises and institutions. All foreign loans are undoubtedly cancelled and without any exceptions.”

Bourgeois economists try to present the matter as if the cancellation of debts was not a revolutionary act of the proletariat, but a consequence of “financial need”, an expression of the “bankruptcy of the state.” In reality, the decree does not even mention the economic “opportunity” or “impossibility to pay”; it was an event that proclaimed a break with the financial categories of capitalism. It was precisely the political acuteness of this act that caused such fury in the entire capitalist world and such sympathy of the world proletariat. By abolishing pre-revolutionary debts, thereby destroying the second (after banks) basis for the provision of finance capital, the proletariat ensured the satisfaction of the interests of poor loan holders. Art. 5 of the decree provided for the issuance of internal loans to low-income citizens in possession of cancelled government securities for an amount not exceeding 10,000 rubles, at par, registered certificates of the new

loan of the RSFSR for the same amount. Later, it was decided to satisfy these holders by crediting the corresponding amounts to their current accounts in the

People's Bank of the RSFSR or to books in state savings banks. The decree also provided for the inviolability of deposits in savings banks and the replacement of cancelled loans belonging to savings banks with the book debt of the RSFSR.

Nationalisation of banks and cancellation of debts as measures aimed at undermining the economic power of the bourgeoisie were complemented by the implementation of appropriate measures in the field of taxation. The right of places to collect contributions from the propertied classes was decreed. However, the process of collecting contributions was unorganised. The correct functioning of the tax press was hampered by the lack of a locally organised financial apparatus. If this "circumstance could not serve as an obstacle to such measures as nationalisation and the cancellation of loans, then systematic tax pressure on the bourgeois elements could not have been carried out without a widely ramified, well-organised financial apparatus capable of pursuing the policy of the Soviet regime; this was one of the reasons for the widespread use of the most primitive form of maintenance—indemnities. V. I. Lenin, in a speech at a meeting of the All-Russian Central Executive Committee of 19/IV/1918, stated that "even the best plan currently in the field of financial, the best the plan is now impossible to fulfill, because in fact we have not organised the apparatus that will carry out this financial plan. If we were trying to enforce some kind of taxation, we would now stumble upon the fact that certain regions are currently taxing, whoever they like, whoever they like, whoever local conditions will allow"¹.

¹ Lenin, vol. XXII, p. 428.

Thus, having destroyed the rule of the bourgeoisie, **the revolution broke the old financial system and cleared the way for the organisation of new financial relations, adequate to the social nature of the proletarian state.** At the first stage, this creative work was directed towards the creation of financial relations corresponding to the tasks of exercising workers' control under the proletarian dictatorship as a step forward—towards socialism.

The importance Lenin attached to the issues of financial policy is evident from his speech at the All-Russian Congress of representatives of the financial departments of the Soviets on May 18, 1918. "Don't. forget that any radical reforms are doomed by us to failure if we do not succeed in financial policy. The success of the enormous undertaking of the socialist transformation of society, which we have conceived, depends on this last task"². What should be the financial measures on which "the success of the socialist transformation depended"—this was pointed out by Lenin in the speech mentioned (unfortunately, preserved only in the form of a newspaper report). Much attention was paid to financial problems at the All-Russian Congress of Soviets of the National Economy.

In the center of the outlined financial policy were questions of monetary circulation. The money supply in circulation, which as of January 1, 1918, was 25.8 billion rubles, grew over the 5 months of 1918 by another 1.3 billion rubles, not counting surrogates in the amount of about 5 billion rubles³, which could not but

² Ibid., p. 18.

³ Syukolnikov, "Financial Policy of the Revolution", vol. no., p. 19.

lead to further depreciation of the monetary unit. The task “to organise the strictest and nationwide accounting and control over the production and distribution of loans” (Lenin) required the solution of the problem of at least a relative stabilisation of the ruble. Comrade Lenin put forward a project to replace old banknotes with new ones. Everyone must submit a declaration on the amount of money they have and receive new ones in return. “If this amount turns out to be small, he will receive a ruble for a ruble. If it exceeds the norm, he will receive only a part” (Lenin). This path, therefore, ensured that the financial power of the bourgeoisie was taken into account. We find the development of this project in the speech of Comrade Sokolnikov on the congress of economic councils, which proposed to conduct, when exchanging old signs for new ones, a forced conversion of part of the country’s money signs into interest-free certificates of the State Bank or into bonds of the “Red Loan”. In this way, it was supposed to reduce the size of paper money circulation in order to stabilise money relatively, or at least weaken the rate of its decline.

In the field of foreign relations, the possibility of establishing, on the basis of a monopoly of foreign trade and a currency monopoly, economic ties—trade and financial—was outlined. The establishment of financial and economic relations with the outside world in the form of loans was conceived on the basis of the inviolability of the principles declared in the decree on the cancellation of tsarist loans. The cancellation of tsarist loans is a revolutionary political act of the Soviet government, not associated with the new forms of economic ties that were outlined between the Soviet state and the capitalist world. In this sense, one should

understand the paragraph from Lenin's speech mentioned above, in which, having outlined the main financial measures, he noted: "This is the last and decisive battle with the bourgeoisie, which will give us the opportunity to pay debts to foreign capital, until the hour of the social revolution strikes in the West and carry out the necessary economic reforms in the country"¹.

Along with the issues of money circulation and state credit, a completely finished system of tax measures was also planned. Contributions played their historical role, and it was necessary to move to more advanced methods of tax withdrawal. "I am not at all opposed to indemnities," said Lenin, "because I understand perfectly well that at first the proletariat could not do without it. This is the correct measure of transitional power. But now the transition period is over, and we will move on to the centralised collection of progressive income tax with very frequent deadlines. There is no doubt that the bourgeoisie will try with all its might to circumvent our laws, to use petty deception. We will fight against this in order to completely undermine the remnants of the bourgeoisie"²).

Along with the introduction of a progressive income taxation, Lenin put forward the need for labour service. "We must introduce labour conscription, first of all, not for the poor, who have already made enough sacrifices on the altar of war, but for the rich who got rich in the war ... This measure, I repeat, must be carried out first and foremost. It will serve as a preparation for the burden of taxes to fall entirely, as it should be, on the

¹ Lenin, vol. XXII, p. 21.

² Ibid., p. 19-20.

rich”³.

In addition to the system of direct taxation in the form of a progressive income tax, the problem of indirect taxes was also put forward. Was this policy in conflict with the party’s program to abolish indirect taxes? Comrade Gukovsky, then deputy. People’s Commissariat of Finance, and Comrade Sokolnikov at the aforementioned Congress of Economic Councils defended the thesis of the need for indirect taxes. The memoirs of O. Kogan are interesting about Lenin’s position on this issue. The author of these memoirs, in a conversation with Lenin, clarified his attitude to Comrade Gukovsky’s project. When Kogan asked whether Comrade Lenin agreed with Gukovsky’s project, Vladimir (Ilyich) resolutely replied: “There are no disagreements. Isidor Emmanuilovich (Gukovsky) is right.”

— “Yes, I object (Kogan), but you have always been against indirect taxes on consumption, in particular, you indicated that the only correct one ...”.

“Vladimir Ilyich interrupts me and asks the following question: “Is a gun a bad thing?”

“From the surprise of such a question, I am embarrassed to answer:” Depending on who owns it.”

“Exactly,” says Vladimir Ilyich, “depending on the one who owns it. The same with indirect taxation”¹.

In these words of Lenin, exhaustive instructions are given for understanding the essence of indirect taxes. Directed by their edge against the working masses of cities and villages under capitalism, indirect taxes take

³ Ibid., p. 20.

¹ Based on the book “Lenin on Financial and Monetary Issues”, Guise of Ukraine, p. 35.

on completely different features, express class relations that are different in nature under the dictatorship of the proletariat—they are turning from a tool of exploitation of the working people into one of the methods of financing socialist construction.

In addition to taxes, the source of the revenue budget was to be income from nationalised enterprises and property. Comrade Sokolnikov noted quite rightly² that it is senseless to assert that income from a nationalised enterprise is an indirect tax... the treasury will receive a portion of the price that has been delivered. It will not be a direct tax or an indirect tax, but it will be income from national property, a special category of income, and I am amazed that they are mixed with indirect taxes.”

Lenin believed that the most important prerequisite for the implementation of the outlined program of financial policy was the creation of a financial apparatus that would be capable of solving the problems posed by the revolution. “We have planned a lot in this area, cleared the ground for the foundation, but the foundation of this building has not yet been created, for it will take some time to find the workers necessary for this.” The construction of the financial apparatus was to be carried out on the basis of the principle of democratic centralism, strengthening local budgets along with the central budget, without which “it would not be possible to defend financial transformations in which every citizen will have a piece of bread and a cultural life” (Lenin)³.

² In his speech at the Congress of the Council of National Economy “The Finance Policy of the Revolution”, vol. I, p. 30.

³ Lenin, vol. XIII, p. 19.

5. Distribution of Relations in the Period of War Communism

“The tactics adopted by the capitalist class,” said Lenin, “consisted in pushing us into a desperate and merciless struggle, which prompted us to an immeasurably greater breakdown of old relations”¹. “Any other method of action would mean on our part a complete surrender of positions”². From this point of view, it is necessary, first of all, to assess the entire set of measures in the field of economic policy during the period of war communism, which “assumed what would happen direct transition of the old Russian economy to state production and distribution on a communist basis”³. After “we tried a number of measures for a gradual, careful transition to economic transformations... the logic of the struggle and the resistance of the bourgeoisie forced us to go to the most extreme, to the most desperate, with nothing considered methods of civil struggle”... “by assault, that is, in the shortest, fastest, and most direct way to go to the socialist foundations of production and distribution”⁴.

War communism, therefore, was forced by a temporary measure that did not meet the **economic** objectives of the proletariat, but at the same time the only correct policy in the conditions of the most acute

¹ Lenin, vol. XIII, p. 63.

² Ibid, p. 65.

³ Lenin, vol. XXVII, pp. 37-38.

⁴ Ibid., p. 65.

civil war and economic devastation. Only the vulgar economist, the bourgeois restorer Yurovsky, was able to subdue the basic essence of war communism in the fact that “this system was not a product of war conditions alone and other spontaneously acting forces. It was also the product of a certain ideology, the realisation of the socio-political meaning, which built the country’s economic life on completely new principles”⁵. Yurovsky sees the foundations of this socio-political concept in the “Manifesto of the Communist Party” and in the teachings of the founders of Marxism. In cautious and florid expressions, Yurovsky tries to portray the collapse of this “socio-political meaning” as the “collapse” of the Marxist concept of a transitional period.

The assault on the economic foundations of the bourgeoisie meant, first of all, the need for decisive measures in the field of the nationalisation of industry and the concentration of trade in the hands of the state.

The general nationalisation of industry “with a view to decisively combating economic and food devastation in order to bring order to the dictatorship of the working class and the rural poor” (SNK decree of June 20, 1918) meant the transformation of workers’ control into workers’ management; a system of central administrations is formed and centres united by the Supreme Council of the National Economy.

In the area of distribution, the main trend was also towards centralism, which was to be carried out by the Commission for Use, established at the Supreme Council of the National Economy by a decree of the Council of

⁵ Yurovsky, “The Monetary Policy of the Soviet Government,” p. 61.

People's Commissars of November 21, 1918 to draw up a distribution plan of all that was produced and received at the disposal of the state. The distribution of both newly created industrial products and all material reserves took place in a centralised manner. That part of the production, which was intended for distribution among the population, was transferred to the People's Commissariat of Food (People's Commissariat for Food), which played the most important role in the system of institutions of the era of War Communism. The cooperatives were increasingly turning into a distribution organ subordinate to the People's Commissariat of Education. The decree of March 20, 1919 "on consumer communes" completed the nationalisation of the cooperatives. All central bodies in charge of only the distribution of consumer goods were gradually concentrated under the jurisdiction of the People's Commissariat for Food, and those that were also in charge of production issues were subordinate to the People's Commissariat for their distribution functions. By the end of 1918, the state monopoly on most food products was proclaimed. The state actually established a monopoly on the procurement and trade of almost all agricultural products. (Decree of the Council of People's Commissars of the RSFSR of November 24, 1918 on the organisation of the supply of the population with all products and articles of personal consumption and households). However, a number of agricultural products were not monopolised by the state, which allowed the possibility of selling these products by their producers directly to consumers, limited by the limits of a narrow-local turnover, served only by horse-drawn transport. At the same time, the right to mass procurement of non-standardised products

was granted, along with state organisations, to workers' organisations, professional and cooperative associations at prices set by the People's Commissariat for Food.

A special decree of the Council of People's Commissars in January 1919 confirms "the inviolability of the Soviet food policy and the need for a steady implementation of the state monopoly on basic food products (bread in all its forms, cereals and grain, fodder, sugar and products made from it, tea, salt), as well as mass procurement of other important food products for solid purposes." These measures and the implementation of the supply of the population with basic necessities on the basis of strict class differentiation (different rations for different social groups in the villages, as well as armored rations for the workers of the most important areas of work) ensured the solution of one of the main tasks—the task of supplying the revolutionary army and the workers. "In a country that is ruined," Lenin said—"the first task is to save the working man. The first productive force of all mankind is the worker, the labourer.".. "It is necessary to save the worker, although he cannot work. If we save it for these few years, we will save society, the country and socialism. If we don't save him, we'll slide back into indentured servitude. This is the question of socialism, which is born out of real reality, out of a frenzied, desperately cruel class struggle..."). The issues of distribution here were resolved by the class struggle. "In the situation of a completely exhausted, ruined, and dying country, the class struggle inevitably changes its forms." "This is already a class struggle, not for a share in production, not for the continuation of production (because production is at a standstill, there is no coal, the railways are ruined, the war has thrown

people out of the rut (cars are worn out, etc., etc.), **but for salvation from starvation...**" The working class wants to save itself from starvation, and for this it is necessary to beat the bourgeoisie head on, to ensure **first** consumption, even the most meagre, because otherwise it will not be **possible** to survive half-starved existence, **not to hold out** until the time when it will be possible to start production again... "Consumer communism" is a condition for saving the worker."¹.

The mature character of the Russian economy (the huge share of the small-scale commodity structure) determined the particular complexity and difficulty of this class struggle for the concentration in the hands of the proletarian state of all food and other resources of the country in order to distribute the tasks of the proletariat. in the most appropriate way. Even during the period of the greatest tension of the "dictatorship of the People's Commissariat for Food", the greatest intensification of the struggle "Comproda with Sukharevka", the private market played a significant role in the budgets of the population. So, the share of food received by the urban population on the cards in the average monthly food budget was:

	1919			1920		
	January	April	July	October	January	April
In gub.	19	31	22	21	20	29
Gor						
county	27	32	20	19	24	25

According to the data of a sample survey of the nutrition of the peasantry from September 1919 to

¹ Lenin, vol. XXIV, p. 322.

January 1920, out of the total amount of food purchased by the peasants, the share of state supplies accounted for from 7 to 13½%, on average (for three provinces—Novgorod, Vladimir and Simbirskaya)—11%. The semi-legal and illegal market had a large share only in basic foodstuffs; in other areas of personal consumption (housing, clothing, etc.), and even more so in production consumption, the ratios developed differently. So, in full in the average monthly budget of a worker, including an apartment, etc., state supply in kind was 41% in 1918, 63% in 1919, and 78% in 1920².

‘The centralised and natural nature of distribution, the squeezing out of monetary relations, the aggravation of the struggle against the private market and proprietary ideology, conditioned by the tasks of the struggle to preserve the proletarian dictatorship amid civil war and economic devastation, determined the content, the role and direction of development of finance during the years of war communism. The development of finance reflected the desire for a centralised distribution organisation system with naturalisation of economic relations, excluding the need for financial ties in the national economy. On the other hand, the same mobilisation of resources for supplying the army and the working class in a small-scale rural economy dictated the need to maximise the use of financial levers in the redistribution of resources of the private sector in order to strengthen the material base of the revolution.

² Kritsman, “The Heroic Period of the Great Russian Revolution.”

6. Taxes and Surplus Appropriation

During the period of war communism, money gradually lost its value, and their depreciation caused the need for a transition to natural forms of payment for labour and naturalisation of economic ties between the city and the countryside. But the decline in the social significance of money did not result from the transition of the economy to the higher stages of the socialist system, when there was no room for money, and therefore taxes as a method of redistribution, but was due to the peculiarity of the forms of the class struggle in the field of distribution and redistribution relations. Therefore, taxes, without losing their significance as a weapon of the class struggle, as a lever of inter-sectoral and interclass redistribution of resources, naturalised and dissolved in other economic categories.

Under the conditions of war communism, money taxes could not play a significant role in the general system of economic measures of the proletarian state. However, almost throughout the entire period under review, the problems of monetary taxation were not removed from the queue, and financial thought, with the close participation of V. I. Lenin¹ worked in the direction of reorganisation and adaptation of taxes to new forms of the class struggle of the proletariat; At the same time, financial thought was guided by the fact that the economic relations that developed during the period of War Communism were due to the originality of the revolutionary moment, but that the problem of tax

¹ See the memoirs of N. A. Dobrostrel'ov, published in the "Financial Gazette" No. 93 from ZOLU 1924.

itself does not lose its significance for the transition period. Hence the falsity of the extremely superficial reception of a number of researchers of the period of War Communism to slip past this phenomena, limiting ourselves to a general remark about the withering away of taxes². The most characteristic feature of the monetary taxes of War Communism, both actually implemented and tax projects, is their socio-political sharpening against: the possessing classes. We have already noted above that in his speech on May 18, 1918, Lenin spoke of the need to move from indemnities to more normal forms of fiscal taxation. The changed political situation in the second half of 1918 again strengthened the role of indemnities, extraordinary revolutionary taxes. Contributions were widely used locally at first (until the end of 1918) without legislative sanction. By the end of 1918, local contributions received legal sanction from the central government. The decree of the Council of People's Commissars of October 31, 1918 on the procedure for levying local contributions or one-time extraordinary revolutionary taxes gave the right to county, city and the provincial councils of deputies to establish for persons belonging to the bourgeois class "one-time extraordinary, revolutionary taxes." These taxes were to be collected mainly in cash and did not exempt the general state and local taxes due from the taxed persons, as well as the nationwide one-time emergency tax. At the same time, the All-Russian Central Executive Committee issued a decree (October 30, 1918) on a one-time extraordinary

² Kritsman, "The Heroic Period of the Russian Revolution," p. 112. Yurovsky, "Monetary Policy of the Soviet Power," p. 65, and others.

19 billion revolutionary tax. The decree prescribed that citizens with earnings in excess of 1,500 rubles should be attracted to taxation. per month¹ and proceed from the premise that “the urban and rural poor were completely exempted from a one-time emergency tax, the middle strata were levied with only small rates, and the whole weight of the tax fell on the rich part of the urban population and rich peasants.” The campaign to collect the 10 billion tax in general ended in the middle of 1919. By that time, about 1,500 million paper rubles had been collected throughout the country. In addition, several billions were debited from current accounts and confiscated (in money and other valuables) in safes and loan offices to cover taxes. Although it was not possible to collect all the amounts assigned for them on a one-time public emergency tax and on local emergency taxes, however, they undoubtedly played a role both in providing the revolution with financial resources and in the sense of weakening economic strength. bourgeoisie.

Further implementation (after 1919) of the tax turned out to be impossible: it was not possible because by that time the financial resources of the class enemies of the revolution had already been completely expropriated, as K. F. Shmelev believes, but due to the fact that under the conditions of a further fall in the purchasing power of money, the squeezing out of market commodity relations, the attraction of resources by the tax method was difficult and it was necessary to

¹ Even taking into account the fall in the value of money, the bourgeoisie and the top of the petty-bourgeois farms approached this limit, contrary to the opinion of KF Shmelev that these taxes were imposed on fairly wide layers of the population. See his article in the compendium "Fundamentals of the financial system of the USSR" edited by Sokolnikov, p. 81.

strengthen more effective forms and methods of withdrawal—in kind: “fees and the issue of banknotes.

In the area of regular taxation, first of all, it should be noted the income tax, in which a sharp class progressiveness was introduced. So, for the areas referred to category (Moscow, Leningrad and some other cities), by a decree of March 27, 1919, the maximum amount of levied household income, minus the tax due, was set at 72,000 rubles. paper; everything else went to the treasury as a tax. It is enough to ponder over his progress.

This is to categorically reject the assumption that there is some kind of “transformation” of pre-revolutionary taxes. By a decree of January 21, 1919, an attempt was made to attract the rural population to the payment of income tax, which, however, was not implemented.

The structure of the trade tax underwent significant changes—the abolition of the patent fee and its replacement with the registration fee, the introduction of tax on turnover. Concerning indirect taxation, then customs duties lost their significance due to a sharp drop in foreign trade, while excise taxes gave an ever decreasing amount not only due to a sharp reduction of excisable products, but also due to the widespread distribution of products without the production of monetary values. The preservation of the excise form of taxation of the products of the nationalised industry with deep the ongoing process of naturalisation of economic ties was motivated (decree of the Council of People’s Commissars of November 21, 1918) by the need for a certain charge to the price in favor of the state, but even in this function they lost their significance, and by the decree of the Council of People’s

Commissars of January 17, 1920, they were cancelled.

After a military respite, the transition to peaceful construction, the problem of taxation surfaced again and a project on a single income and property tax was developed. My specific environment was not conducive to this tax reform. The end of 1920 and the beginning of 1921 represent that stage of war communism when the tendencies of a lack of money economy and attempts to completely eliminate “Sukharevki”—this synonym for private trade and speculation - received the most logical conclusion, which, naturally, reduced to naught the economic significance of taxes.

By a resolution of the All-Russian Central Executive Committee of February 3, 1921, the collection of all monetary taxes, both national and local, was suspended. In a note sent to a special commission to study the issue of abolishing monetary taxes, VI Lenin wrote: “We need to think more (and study in detail the relevant facts) in the conditions of a transitional epoch. The transition from money to moneyless product exchange is indisputable. For this transition to be successfully completed, it is necessary that a product exchange (not a commodity exchange) be carried out. As long as we are unable to carry out the exchange of goods, that is, to provide the peasantry with products, until then the peasantry is forced to remain with the wreckage of commodity (and, consequently, money) circulation, with its surrogate. It is economically wrong to abolish the surrogate (money) before the peasantry has been given something that “eliminates his need for a surrogate. We need to think it over very seriously”¹.

¹ Alskiy, “Our finances during the years of the civil war and NEP”, p. 5.

These remarks of Comrade Lenin show that the elimination of money taxes by the end of War Communism cannot be regarded as a process of withering away of taxes, conditioned by the elimination of conditions under which the need for money remains.

Monetary taxes, fulfilling a certain role in the redistribution of the national income, played a secondary role in the total mass of national economic resources mobilised by the state to meet the needs of wartime. Natural forms of seizures played an important role.

In natural withdrawals, the problem of interrelations between the city and the countryside was brought to the fore; the proletariat and the peasantry. The economic devastation caused by the world war and exacerbated by the civil war, especially strongly affected the state of industry. Therefore, the mobilisation of the food resources of the countryside could not be carried out in the exchange of industrial products for agricultural products. At the same time, since money circulation (emission) could not provide this mobilisation of resources, the latter assumed the character of natural withdrawals. De Jevnya was supposed to provide the minimum, without which the main productive force in the city could not be saved and victory on numerous military fronts was ensured. The struggle for bread and food became a matter of life and death for the revolution. Moreover, this struggle was a struggle against the kulak elite, relying on the rural poor, to overcome the vacillations of the middle peasant, to win him over to the side of the revolutionary proletariat. "The kulaks know," said

Lenin, “that their last hour will come when the enemy will come out not only with a sermon, with words and phrases, but with the organisation of the village poor. If we organise it, then we will triumph over the kulaks. The kulaks know that here comes the moment of the most decisive, the very last, the most desperate struggle for socialism. It seems that this is a struggle only for bread; in fact, it is a struggle for socialism”¹.

This struggle for grain took place in conditions when most of the producing agricultural workers. districts in especially acute moments of the civil war was captured by the counter-revolution, which made it possible and necessary to use compulsory methods of confiscating food surpluses from the countryside in kind.

As the main measure of the struggle for bread, the Soviet government implemented a grain monopoly, which meant an unconditional prohibition of private trade, the surrender of surplus grain to the state, an unconditional prohibition of hiding grain. Mobilising its products from the rural population at fixed prices, the government took measures to supply the rural population with industrial products also at fixed prices. However, the stock of industrial goods that the city could allocate for the countryside was small, for about half of industrial production was absorbed by the needs of the Red Army. In addition, the distribution of this fund in the countryside could not represent and did not represent an equivalent for the agricultural products handed over to the state farms¹.

¹ Lenin, vol. XX, p. 87.

¹ The absence of an equivalent gives K.F.Shmelev a reason to assert that state procurement of agricultural products, although they are associated with some supply of the village with industrial products,

The nature of this unequal movement of material resources was vividly revealed by Lenin: “We say: if the country is ruined, if there is no fuel and the factories are down, you, a peasant, must give grain on a loan. The paper money that is given to you in exchange for bread is evidence that you have provided a loan to the State... Any peasant who develops in any way and comes out of the primitive muzhik darkness will agree that there is no other way out.”... “Now there is a decisive and final struggle against capitalism and free trade, and for us the main battle between capitalism and socialism is taking place”².

Being one of the methods of expropriation of the kulaks, the prod-assignment in relation to the middle

however, in essence, are compulsory payments in kind from the rural population (see article in collection “Fundamentals of the financial system of the USSR” edited by Sokolnikov, p. 59). Apparently K. Shmelev considers any non-equivalent exchange, any non-equivalent movement of material values to be a tax. He does not understand (or rather he deliberately distorts) that the problem of equivalent exchange is determined by the correlation of class forces and the level of development of the productive forces of the city and the countryside, and what to bring this whole complex of socio-political phenomena to the tax problem, in particular in the conditions of war communism, is economically illiterate, and politically means an attempt to denigrate this heroic era of the proletariat’s fight for socialism. By the way, we note that in the above article K. Shmelev explains the decline of productive forces in the period of War Communism only by the breakdown of old social relations. He calls the “village kulaks” (a term he “lacks fondness for”) “the top of the small peasant farms,” which were expropriated by the revolution. Not a word about the historical role of War Communism as an inevitable stage in the proletarian revolution.

² Lenin, vol. XX, pp. 409, 410 and 411.

peasant masses of the countryside was a loan to the proletariat, without which the great program of the socialist reconstruction of agriculture could not have developed later. Inadmissibility of mixing in both cases food appropriation with tax follows from the fact that along with state procurements at the end of 1918 and at the beginning of 1919 the state authorities tried to collect a special tax in kind in the form of deductions of a part of agricultural products. This tax was a salary and was determined by the size of the area crops and the number of livestock. Its nature is emphasised in the following words of the decree of the All-Russian Central Executive Committee of October 30, 1918 on the introduction of a tax in kind: "The wealthier and richer peasants in places where no laws have yet been passed on equalising the distribution of land, in the old way, own larger in size and better in fertility. plots of land, from which they receive not only sufficient funds for a comfortable existence, but also large surpluses. In addition, the state after a four-year grave. During the war, he feels an extreme need for agricultural products, which forces them to impose duty in kind on the most well-to-do part of the working peasantry. Under such conditions, the preservation of the previous method of taxing agriculture in favor of the state with a monetary tax on the same grounds for all peasants would mean that the rich would continue to preserve the ability to oppress the poor. Therefore, striving for the complete liberation of the poor from bearing the tax burden by shifting the entire tax burden onto the wealthy classes so that in the countryside the middle peasants are subject to only a moderate tax, and on kulaks-rich people were charged with the main part of state fees, the All-Russian Central Executive Committee decided:

“To impose a natural tax on farmers who have surplus consumer products in favor of the state, in the form of deduction of part of the products of their production”.

The fact that the tax in kind did not receive further development already in 1919 is explained by the transition at that moment to the surplus appropriation as the only form that ensures the success of procurement. Provisional appropriation is characterised by a deep state intervention in the area of distribution relations, in which the tax in kind has disappeared. It is important to emphasise that the SNK decree of January 11, 1919, establishing the allocation of grain crops and fodder, speaks of the alienation of products from the population at fixed prices. Later (in 1919/20), when the appropriation system was developed and extended to all types of harvested agricultural products, the system of obligatory commodity exchange remained in operation.

The food appropriation system could not, of course, serve as a basis for establishing correct economic relations between town and country, but it played a major role in providing the revolution with resources, providing the material basis for an assault by the proletariat on capital, for the political victory of the proletariat, strengthening its political ties with the proletarian and semi-proletarian strata of the countryside, and thus to establish an alliance with the middle peasant mass of the peasantry. The enormous role of appropriation is illustrated by the following data: the total amount of harvested grain and grain fodder was 47.5 million poods in 1917/18, 107.9 million poods in 1918/19, and in 1919/20—107.9 million poods—212.5

million poods, and in 1920/21—367 million poods.¹ In 1919/20 and 1920/21, the allotment of grain and fodder was supplemented by the allotment of a whole series of other agricultural products, which almost doubled the total amount of seizures in the order of surplus appropriation. The significance of these figures is even more vividly revealed if we compare them with cash tax receipts in the corresponding years. According to S. A. Golovanov's estimates (On New Ways, issue P, p. 10), tax revenues in the 1918 budget amounted to 153.2 million gold rubles, in 1919—10.2 million rubles, in 1920—0.2 million rubles.²

7. Emission and Other Non-Tax Revenues

But by natural methods of seizure and redistribution, the proletarian state could not extract all that share of the people's income, which was necessary to finance the revolutionary struggle. Significant commodity resources were circulated on the semi-legal and illegal markets, and the state needed, while fighting private markets, at the same time to make maximum use of the levers at its disposal in order to attract these resources to supply the army and urban workers. Cash taxes proved to be very weak levers for solving this problem in the specific conditions of war

¹ "Four years of food work"—report materials of the People's Commissariat of Food, 1922, p. 132, data for 1920/21.

² The 1918 figure also includes an extraordinary revolutionary tax; the data are not derived on the basis of an accurate calculation and to a certain extent even exaggerate the fiscal productivity of monetary taxation.

communism. More effective tool it turned out to be emission, which at this stage we can consider as a purely financial method of redistributing the national income. While there was payment at fixed prices for agricultural prepared by the state products, products distributed by the state, as well as state services (transport, housing, utilities, etc.), emission performed a redistributive function in this area of economic ties. However, due to the growing gap between fixed and market prices.¹ The emission in this case did not give any serious effect. In the last year of War Communism, when the procurement, distribution and provision of services were carried out without monetary payment, the redistributive role of emission in this sphere of economic relations was zero. **The main significance of the emission was its role as a lever for the redistribution of the resources circulating on the semi-legal market by the proletarian state.**

By supplying state bodies and enterprises with banknotes, adding a certain amount of monetary resources to the natural rations of workers and employees, the state did not count on their possible implementation in the sphere of legal state circulation, but proceeded from the fact that banknotes would go to Sukharevka.

¹ If we go by the cost of a food ration of 2,700 calories, then the free prices, according to Falkner's data ("The problem of theory and practice of the emission economy", pp. 150-151), exceeded the solid ones:

in the first quarter of 1919	by	7 times
in second > 1919	>	12 >
in the third > 1919	>	14 >
in the fourth > 1919	>	23 >
in the first > 1919	>	46 >

The efficiency of emission is not limited only to the mass of economic benefits that were mobilised by this instrument of the budgetary system, but its importance as a redistributor of resources in favor of the proletariat must also be taken into account. This meant a completely opposite social role of emission in comparison with that which it usually plays in the capitalist economic system. If earlier the emission, so widely used by the tsarist and Provisional governments, fell with all its weight on the working people, then during the period of war communism it served the interests of the working class, was the sharpest weapon that undermined the economic might of the bourgeoisie.

The emission efficiency, i.e. the value of the extracted material resources, according to E. Preobrazhensky's data, was expressed in the following figures (in millions of pre-war rubles):

	Extracted by Surplus	Extracted by issue
1918/19	127	523
1919/20	253	390
1920/21	451	200

The money supply served the flow of material values of three kinds: the turnover within the socialist sector and between it and the population, the legal market within the boundaries of the local trade turnover assigned to it, and, finally, the illegal market. The first sphere of circulation was served by the issue in 1918-19, when payment at fixed prices still existed; from the end of 1919 and in 1920 she lost this role. In the same period, emission still plays a well-known role in the

semi-legal market turnover, but in 1920 and the first half of 1921 its sphere is almost entirely exhausted by connections with the illegal market and within the latter.

From the above figures, we see that the entire amount of seizures by issue amounted to 1.113 million pre-war rubles. and exceeded by about 300 million rubles. seizures by means of surplus appropriation. But during the period under review, the role of emission and surplus appropriation changed in opposite directions; if in 1918/19 the issue gave almost $4\frac{1}{2}$ times more than the surplus, then in 1920] 21, on the contrary, the receipts from the surplus were $2\frac{1}{4}$ times higher than the proceeds from the issue, and in 2 years the income from the issue fell more than $2\frac{1}{2}$ times, and the proceeds from the surplus appropriation increased almost 4 times. The sum of real values that the state extracted on a monthly basis through emission can be illustrated by the following data (in million rubles according to the labour statistics index):

November — December	1917	.....	287.7
The first half of	1918	.....	62.3
Second	>	1918	..... 27.1
The first	>	1919	..... 19.3
The second	>	1919	..... 18.1
The first	>	1920	..... 10.1
Second	>	1920	..... 10.2
First	>	1921	..... 5.6

The lowest point falls on July 1921, when the value of the issued paper money was only 2.2 million rubles.

Thus, emission, surplus appropriation and, to a certain extent, money taxes - these are the levers

that provided material resources for the proletarian revolution at one of the most difficult and turning points.

But the material base of the revolution was much broader than these three sources. Was it fully reflected in the financial organisation of the War Communist period? We will get the answer to this if we turn to the natural part of the state budget and see if how is it reflected in distribution and redistribution relations in the state sector of the national economy.

About the relationship that developed between the financial system and the state sector of the economy, says the decision of the US Congress of the party: “As for covering direct government expenditures in a transitional era, the RCP will defend the transition from. the system of indemnity from the capitalists, which was historically necessary and legal in the early days of the socialist revolution, to a progressive income and property tax. And since this tax outlives itself due to the widespread expropriation of the propertied classes, **the coverage of state expenditures must rest on the direct conversion of part of the income from various state monopolies into state revenue**” (emphasised by us—Ed.). In spite of the fact that the budget legislation tried to go even further, not limiting itself only to “the circulation of a part of the income from various state monopolies,” but also sought to reflect the gross turnover in the public sector in the budget, these attempts remained in practice. were incomplete, and non-tax budget revenues only to a small extent reflected the actual movement of values in the public sector of the economy.

Thus, in the first half of 1919 (estimate rules of 24/V/1919), the need to take into account in the state

budget all incomes and expenditures of the nationalised industry was outlined; Although the size of industry resources redistributed through the state budget is difficult to establish, since mutual settlements between industry and the state budget were not established, it is still indisputable that the movement of a significant part of resources in the socialised sector eluded monetary accounting and did not find its reflection in the state budget you do. If we put the question in terms of the balance of mutual settlements between industry and the budget, then in general it will be possible to state that, despite the fall in industrial production to 15-20% of pre-war production, it was a very important source for covering national needs, and a very important a role in this regard was played by the use of stocks of raw materials and other elements of production.

Industrial products were often distributed for state needs in addition to the budget; on the other hand, the resources necessary for the operation of the industry did not, in most cases, come through budgetary channels. But if it were possible to calculate the mutual flow of resources, proceeding from the premise of full coverage of budgetary calculations, then undoubtedly they would receive a positive balance in favor of the budget. Otherwise speaking, the state budget in those difficult and tense years could not play the role of a lever redistributing national economic resources in favor of industry. Such a situation is completely unnatural if we remember that the tasks of expanded production could not be developed by the proletarian state during that period, and the satisfaction of the urgent needs of the civil war in conditions of devastation led to a reduction in the country's fixed assets.

Other non-taxable objects in the state budget, which are also unaccountable, played an insignificant role. Thus, a huge nationalised fund of forest resources made it possible to widely use natural procurement for the needs of state institutions and supply the urban population with fuel and materials, but this was not reflected in the budget. The rural population, on the other hand, procured construction materials and firewood without actually paying the state for use of the forest fund. Other branches of the nationalised economy, such as railways, sea and river transport, foreign trade, etc., due to their deep disruption and a sharp reduction in the volume of their activities, could not replenish the state budget with resources, especially since free transport services were established, and the movement of these resources could not be caught by the budget. Thus, it is impossible to make any digital calculation of non-tax resources of the state budget during the period of war communism. Theoretically, we can proceed from that. provisions that all values created in the public sector were non-tax budget revenues. One thing is clear that the resources of the public sector participated in a large share in the total mass of values that determined the material base of the proletarian state.

8. Budget Construction in the Years of War Communism

The specific features of War Communism led to the fact that financial methods of redistribution were immersed in the general economic system of

distribution relations. Thus, financial resources merged in a number of cases with the concept of national economic resources, which left its mark on the entire budgetary organisation of that period. If this trend is not immediately caught in the budgets of these years, then it is easy to notice in the budget legislation itself and in a number of projects developed but not implemented.

For the period 1918-1920. semi-annual budgets were drawn up: for January-June 1918, for July-December 1918, for January-June 1919, for July-December 1919 and one annual for 1920 ...

Budget assumptions were usually drawn up at the end of the day, and approved by the very end or even after the end of the periods for which they were assigned. However, this did not guarantee full coverage of the income and expenditure estimates of the people's commissariats; in particular, expenditure assignments did not include the widely practiced extra-budgetary assignments. Thus, the budgets of the war communism period did not fully reflect the money turnover in the state sector of the national economy. Nevertheless, one cannot deny that the budgets of that period had organisational significance as a plan for the monetary economy, the state economy of the republic and the financial base of the state of the proletarian dictatorship. These plans inevitably expressed the bifurcation of the war communism economy into a legal one with fixed prices and into a semi-legal sphere with its element of private prices. In this regard, one part of the revenues and expenditures shown in the budget was expressed in fixed prices, and the other in prices at which the state collected material resources from the illegal market. As the naturalisation of economic

relations deepened, the former sharply diminished in their role in the budget, while the latter more and more covered the budget, turning it into a plan for cash expenditures. the state by issuing paper money.

The issue of paper money was increasingly turning into the sole source of covering government expenditures, and the activity of the printing press became the main function of the financial apparatus. Initially, the People's Bank of the RSFSR was in charge of the issue of the issue, but it is clear that the issue, not being secured by any liabilities of the bank, was of a purely treasury nature, and the bank itself ceased to be a bank in the economic sense of the word, because its functions of bank lending were scanty and remained a certain time only in relation to cooperation. The logical conclusion was the liquidation of the People's Bank in January 1920 and the transfer of its functions to the People's Bank of the Commissariat of Finance. By this time, the budgetary work of the People's Commissariat for Finance was mainly limited to the distribution of banknotes. This peculiar function of the People's Commissariat of Finance was not, nevertheless, completely "technical". Banknotes could not be. all departments and all of their numerous applications were satisfied. It was necessary to be guided in the matter of their distribution by such calculations in order to ensure the most shock, from the point of view of that moment, sectors of the military and economic front. The center tried to "reserve" certain amounts for certain departments, and the actual distributions often deviated greatly from the loans opened to the institution, so that the open loans did not guarantee the actual receipt of denominations. The center sent money to the places in wagons, and here the local authorities

had to be guided in distributing them by the principle of emphasis and the importance of individual sectors for the revolutionary struggle of the proletariat. This “fight” between the departments for banknotes shows that the issue, despite the catastrophic depreciation of money, was to a certain extent an effective method of seizing and redistributing economic values and what had to be found. a certain optimum for satisfying, through emission, the most urgent needs of the proletarian state. The need to plan the distribution of the issue caused the creation in February 1920 of the “Special Interdepartmental Commission for the Distribution of Banknotes” from representatives of the most important commissariats. The “booking” method was encompassing more and more non-pending needs, and by 1920 almost all of the emission was intended for such reserved needs, which, of course, internally denied this very method of distributing denominations. In the middle of 1920, the booking method was cancelled, and the whole business of distributing banknotes was centralised in the People’s Commissariat of Finance.

Total revenues and expenditures according to budgetary assumptions for 1918-1920 expressed in the approved listings and estimates in the following amounts¹ (in millions of paper rubles):

Budget periods	Costs	Income	Excess of expenses over income	Percentage of deficit to total expenditures
January-June 1918	17,603	2,853	14,750	83.8

¹ The data are borrowed from the book "Social Revolution and Finance", collection for the 3rd Congress of the Comintern, ed. NKF, p. 94.

July-December 1918	25,103	16,727	16,376	56.3
All 1918	43,706	19,580	31,126	66.6
January-June 1919	50,703	20,350	30,353	59.9
July-December 1919	164,699	28,609	136,090	82.6
All 1919	215,402	48,959	166,443	77.3
1920	1,215,159	159,604	1,055,555	86.9

A known idea of the real meaning of these figures can be obtained by converting paper money into prewar gold rubles according to the labour statistics index (in million rubles)²:

Years	Income	Expenses
1918	199.7	594.6
1919	63.1	277.6
1920	19.4	147.8

This table shows that we did not have real use of budgets, but estimated assumptions, and the figures showing the excess of expenditures over revenues meant a deficit that had to be covered by the issue of paper money. There are no developed materials describing the execution of budgets; these figures are typical for illustrating the ever-increasing share of emissions in covering the state's monetary expenditures over the years of War Communism. Comrade Sokolnikov quite rightly notes that "if someone would be tempted to accept the budgets of 1918-1919, (and, of course, 1920—Ed.) for the actual expression of the income and expenses of the entire state apparatus, then, of course,

² Data from the article by K. F. Shmelev in the collection "Fundamentals of the Financial System of the USSR", p. 90.

this could lead to the greatest misunderstanding”¹, because, firstly, the digital value of the budget in paper money does not yet give any idea about the real value of the resources covered and redistributed by the state budget; secondly, monetary incomes poorly caught the natural turnover.

What can be considered as the revenue sources of the state budget of the war communism period? Theoretically, these include the resources of the peasant economy, which were withdrawn by the state in the order of surplus appropriation; products of industry and other state sectors of the national economy; the use of reserves and reserves and, finally, those real national economic resources that the state received to cover its national needs through paper emission. Similar difficulties we face when trying to give some digital expression to the local finances of the war communism period. The Constitution of the RSFSR, which provides general principles of budgetary law, categorically confirmed the existence of local budgets. In December 1918, a regulation was issued on the funds and expenditures of local councils. But the process of naturalisation of economic relations, a decrease in the role of monetary taxes and a gradual transition to free utility services reduced the revenue sources of the local budget to naught, and the latter began to cover its expenses at the expense of benefits from national resources. This system made it more expedient to transfer the expenditures of the local budget to the national budget, which was finally completed by the XI. Session of the All-Russian Central Executive Committee

¹ Sokolnikov, "Financial Science", ed. 1st, no. 1, p. 26.

in July 1920, which decided to merge the local finance system with the national budget. It is difficult to find out to what extent the local finances merged with them are reflected in the above figures of state budgets.

It should be noted in the budget legislation of that period of attempts to find new forms and methods of budget construction. At the end of 1920, a commission was created to develop the scheme and foundations of the material budget. According to her report, the Council of People's Commissars on January 26, 1921, approved a number of fundamental aspects of the new budget structure. Two currents were represented in the commission, characterised in the official publication of the Narkomifna² as follows:

“One current, understanding by the gross budget the totality of turnovers of all material assets belonging to the state, without exception, gives the net budget the character of calculating material values that are only subject to consumption and direct use in the form and state in which they are (goods ready for consumption) ... Nevertheless, the passage of material goods at the stage of processing and processing is recorded in the circulating material accounts of the relevant departments and direct use in the form and condition in which they are (ready-to-consume goods). Nevertheless, the passage of material goods at the stage of processing and processing is recorded in the circulating material accounts of the relevant departments.

“Another trend considers the budget as an economic accounting of all changes occurring during the budget period in the composition and value of the entire

² “Social Revolution and Finance”, pp. 114-115.

economic mass of values, at the disposal of the state. Thus, the budget is included in the system of state material accounting as an integral part of it and is built as an integral part of the state balance...”.

These two trends, therefore, reflected two points of view regarding the ways of transforming the budget into the national economic balance—through the net budget and the gross budget. The Council of People’s Commissars at the said meeting gave general instructions in the spirit of the positions of constructing a net budget. These tendencies did not have time to get any complete expression. The transition to a new economic policy that followed soon brought forth new methods and ways of budgeting.

REVIEW QUESTIONS

1. Why is it necessary to study the stages of development of Soviet finance and what is the significance of the study of finance in pre-October Russia?

2. What characterises the financial position of Russia during the years of the imperialist war, and what financial demands were put forward by the party on the way to October?

3. What was the fundamental difference between Soviet finance and the finance of capitalist states in financial construction after October (before War Communism)?

4. What are the main methods of financing the civil war during the years of war communism, what they were conditioned by and why did it happen the growing

role of natural forms of resource mobilisation?

5. What significance and what role did emission and surplus appropriation play during the years of war communism, and why should the latter not be identified with a natural journalist?

6. What characterises the budgetary construction during the years of war communism?

CHAPTER III. FINANCE IN THE RESTORATION AND RECONSTRUCTION PERIODS OF THE NEP

1. The Transition to NEP and Finance (XI. Party Congress On the Tasks of Financial Policy)

Back in 1919, V. I. Lenin pointed out that “from the point of view of the main economic problem of the dictatorship of the proletariat, we have guaranteed victory, the victory of communism over capitalism.” “The main economic power,” he said in 1922, “all the decisive large enterprises, railways, etc., are all in our hands... The economic power in the hands of the proletarian state of Russia is completely sufficient for so that to ensure the transition to communism”¹. However, the transition to sale and purchase, with a huge share of the small-scale commodity sector in the national economy, meant the creation of conditions for the growth of capitalist relations, for “while we live in a small-peasant country, there is a more solid economic basis for capitalism in Russia than for communism. Everyone, carefully observing the life of the countryside, in comparison with the life of the city, knows that we have not pulled out the roots of capitalism and the foundation, the foundation of the internal enemy has not been undermined. The latter rests on small-scale farming, and in order to undermine it, there is one means—to transfer the country’s economy, including agriculture, to a new technical

¹ Lenin, vol. XXVII, p. 244.

base, to the technical base of a modern large-scale production. Only electricity is such a base. Communism is Soviet power plus the electrification of the entire country”².

Thus, the transition economy is dual in nature, for it includes both the growing elements of socialism and the surmountable elements of capitalism. This duality determines the especially revolutionary character of the transitional economy, the intensification of the struggle between the socialist and capitalist elements, the need to mobilise all forces and resources for the implementation of the general line of the party, calculated on the elimination of capitalist elements and the socialist remaking of the small-scale commodity economy, to the full and the final victory of socialism. NEP is the only correct policy of the proletariat, ensuring the solution of these tasks, transforming the possibility of the victory of socialism into reality, “NEP Russia into socialist Russia”... Hence it follows that NEP cannot be viewed from the point of view of any separate stage of it. NEP is a policy designed **to allow capitalism with the presence of the commanding heights** of the proletarian state, calculated **to increase** the role of socialist elements to the detriment of capitalist elements, calculated **to win** the socialist elements over the capitalist elements, designed **to destroy classes**, to build the foundation of a socialist economy. ...This is the definition of NEP given by Comrade Stalin, with classical clarity, reveals the essence of NEP, its dual nature and its versatility, as a policy that includes a series of transitions depending on

² Lenin, vol. XXVI, p. 46.

the specific relationship of class forces in the country.

In the first years of NEP (in the so-called recovery period), the main task of the proletariat that won the civil war was to restore the country's productive forces, destroyed during the imperialist and civil wars, on the basis of strengthening the socialist commanding heights, mastering the sphere of commodity circulation, and strengthening the trade link between the city and the countryside. This paved the way for the transition to the socialist reconstruction of the national economy and to the socialist offensive along the entire front. From the point of view of accumulating the foundations of the socialist reconstruction of the transitional economy, mastering market forms of ties, organising and strengthening the trade link between the city and the countryside, organising and ousting capitalist elements in the city and countryside, organising the process of expanded reproduction of socialist commanding heights, and finances and their role should be considered. in this first recovery period of NEP. At the same time, the organisation of the financial system itself is included as an element of the offensive.

If during the recovery period we reproduced socialist elements in the national economy mainly on the old material and technical base, **then in the field of finance with the transition to a new economic policy, we re-created the entire financial system.** As mentioned earlier, the financial system of pre-October Russia was in a state of complete collapse by the time of the proletarian revolution. October finally destroyed its foundations and made it necessary to build a new Soviet, fundamentally different financial system. The conditions and tasks of the period of the aggravated civil war not only did not provide a solution to this

need, but led to the denial of finance as a special system of levers in the entire complex mechanism of the economic policy of the proletarian dictatorship. That is why it was only with the transition to the New Economic Policy that we began to work on the creation of the Soviet financial system.

In the first years of the recovery period (1921-24), the focus in the field of financial construction was monetary reform, the formation of redistribution methods, and the creation of financial institutions. The starting point here is the replacement of the surplus appropriation system with a tax in kind, for if in the entire system of economic measures of the proletariat this replacement is the cornerstone of NEP, representing “above all and most of all a political question, for the essence of this question is the attitude of the working class to the peasantry” (Lenin)¹, then in the field of finance, it means a transition from the system of distribution relations of the period of war communism, leaving no place for financial methods of withdrawal and redistribution, to a new system of relations, in which financial levers for the redistribution of the national economy should be widely created in accordance with the tasks of the socialist offensive.

The food tax represented a transitional form to a new system of economic policy and, accordingly, to a new system of tax relations. “The food tax,” Lenin said, “is a measure in which we see both something of the past and something of the future. Tax means that the state takes from the population without any remuneration... On the one hand (the state—Ed.), wants to rely on the tax, determining it approximately

¹ Lenin, vol. XXVI, p. 237.

half as much as the allocation was before; on the other hand, it wants to rely on the exchange of industrial products for this or that surplus of peasant production. This means that there is a particle of the old appropriation in the tax and there is a particle of the order that only seems to be correct, namely the exchange of products of large socialist factories for products of a peasant economy”². The main essence of the tax in kind was precisely in the fact that it opened the way for a new system of economic ties between town and country—on the basis of market exchange.

At the X. Congress of the Party V. I. Lenin characterised this main role of the tax in kind in the following way: “The allocation assumed: to withdraw all surplus, to establish an obligatory state monopoly. We could not do otherwise, we were in a state of dire need. In theory, it is not necessary to accept that the state monopoly is the best from the point of view of socialism. As a transitional measure in a peasant country that has industry—and industry works—and if there is a certain amount of goods, it is possible to apply a system of tax and free circulation. This very turnover is an incentive, a stimulus, an impetus for the peasant. The owner can and should try for his own interest, because he will not be charged a surplus, but only a tax, which, if possible, will be determined in advance. The main thing is to have an incentive, incentive, impetus to the small landowner in his management³.

The replacement of the seizures of the surplus of

² Ibid, p. 299.

³ Ibid, p. 247.

the peasant economy with the seizure of only a certain part of the product, with the freedom to dispose of the remaining part of the product, necessitated changes in the organisation of industrial management on the basis of market relations and the transition to mediating national economic ties with monetary forms.

At the same time, the entire system of distribution relations is changing radically. Finance is acquiring a completely different role in the entire system of economic policy of the proletarian state. The fundamental change in the role of finance, the need to recreate a whole range of financial methods that accumulate and redistribute the national income in the context of the new economic policy, is not due to only the recovery of the market and free trade, but mostly. the fact that “the country’s economy was entering a period of economic growth on the basis of completely different methods economic planning and management. The replacement of direct centralised accounting and distribution of products by the restoration of the principle of cost accounting and payment for services in the socialised sector plus a market form of communication between the city and the countryside demanded an appropriate organisation and monetary economy” (A. Maimin, “Economic Life” from 7/XI/1932).

With the new methods of economic planning and management, the issues of financial economy took a very important, and in the first period even a central place. Since the middle of 1921, the issues of financial construction are reflected in a number of important party documents (Resolutions of the XI. All-Russian Conference of the RCP in December 1921 and the IX. All-Russian Congress of Soviets, Resolutions of the XI.

Party Congress in March-April 1922, etc.).

It is also known with what deep attention Lenin followed the creation of the Soviet financial system.

A detailed concrete program of financial construction, which is one of the main materials for understanding the essence of Soviet finance, was given by XI. Party Congress.

The Congress resolution on financial policy establishes, first of all, the need to completely overcome natural relations in the national economy, which still played a very a prominent role in the first year of the New Economic Policy. Achieving this goal, the resolution says, is possible “only with such a settlement of relations between the state and market (petty-bourgeois and private capitalist), which would ensure stable and reliable functioning supply (raw materials, materials and food) to the state industry, the army and the administration through the price mechanism and the termination of the depreciation of banknotes. The cessation of the depreciation of banknotes and the stabilisation of prices are possible only on the basis of streamlining the entire financial system of the state, in particular, establishing a real budget, reducing the latter without a deficit and increasing trade in the country.”

In the area of financial work, the resolution of the Congress, therefore, highlighted two main tasks: stabilising the ruble and eliminating the budget deficit. The prerequisite for the solution of these tasks was the direction of our entire economic policy towards the fastest elimination of the methods of management of the period of war communism, the transfer of the entire national economy to the rails of commodity-money

farms, unloading the budget from excessive expenditures by reducing the state apparatus and transferring state-owned enterprises to self-financing.

Removing a number of enterprises from the state budget did not mean eliminating the dependence between the state budget and financial enterprises. Without strengthening the team heights, in particular industry, “no serious financial recovery is impossible” (Resolution of the XI. Congress) and, conversely, financial recovery was an essential prerequisite for streamlining state financing of industry and trade. But the withdrawal of a number of enterprises from the state budget and their transfer to self-financing in a new way established financial ties and ensured the growth of interest of state enterprises in the financial results of their activities, the elimination of “dependent” relations to the state budget. This link between the state budget and enterprises in the socialist sector is characteristic of a transition economy.

The measures planned by the party were to pave the way for solving the main and most important financial task—the task of stabilising the ruble by “first reducing and then stopping the issue of paper money. This essential task, the implementation of which must be started immediately, can only be fully resolved on the basis of growth of labour productivity, increase in government revenues from nationalised industry and especially successful tax policy “(from the Resolution of the XI. Congress).

In the area of tax policy, the XI. Party Congress pointed out the dual socio-economic role of taxes as a weapon of the revolutionary policy of the proletariat in a transitional era in relation to the capitalist elements and as the most important source of resources for the

state budget. Having established as a general line of development of the financial system the need, as the tax apparatus and the development of the system of direct taxation, the gradual abandonment of indirect taxes, the congress stressed as the next concrete event. the task of maximising the development of indirect taxation as more easily feasible.

The development of the economy on the basis of the new economic policy required the organisation of an extensive credit network headed by the State Bank. At the same time, it was the State Bank, as a central credit institution, that was directly entrusted with the task of regulating monetary circulation, as well as gaining a solid position in foreign trade, which was one of the most important links in the chain of measures that prepared the implementation of the monetary reform. Despite the most difficult: the state of our economy and finances, the congress categorically rejected any proposals on the possibility of attracting foreign capital to the cause of improving Soviet finances and stabilising the Soviet ruble. "The right to issue," says the resolution of the congress, "can under no circumstances be granted to foreign banks." The State Bank is assigned the function of the only emission center in the country.

The entire program of financial construction outlined by the congress was aimed at "strengthening the conquered political power in the shortest possible time, placing a solid financial base under the financial apparatus created in the process of struggle." In the light of these decisions, the falsity of bourgeois and opportunist "theories" is especially clear, which view the tasks of financial construction under NEP as an expression of retreat and reduce the role of finance

mainly to “pave the way” and stimulate the development of state capitalism. Thus, for example, A. Grinstein characterised the role of finance in state capitalism in the following way: “In this system, issues of the financial order occupied one of the most central places. If during the period of the old economic policy the question was posed in such a way that state finances should dissolve in the general system of the national economy, then later, under the new economic policy, the question was posed in such a way that the financial policy of the Soviet government should serve as a powerful lever through which the Soviet state should influence on the national economy, should direct it into the channel of state capitalism”¹. This Trotskyite-Zinovievist concept of NEP and the role of finance in a transitional economy merges with the bourgeois-sabotage attitude of Yurovsky, who viewed the Soviet economy as one of the varieties of the capitalist economy. It was precisely as a “return to capitalism” that Yurovsky regarded the formulation of the task of strengthening finance and monetary circulation. “The recognition of the market,” he wrote, “changed the entire structure of the state economy. Products have become commodities again, regardless of who makes them. The production and distribution of goods began to obey the laws of exchange again. The price category, which in the previous period sought to be replaced by some other category, again came into its own. The turnover of money was to become again the correlate of commodity turnover. The commodity

¹ In the preface to the book “Lenin on Finance and Monetary Issues”, GIZ of Ukraine, 1925, p. 33.

economy became a money economy. The problem of money circulation again came to the fore”².

In contrast to all these restoration theories, the XI. Party Congress established that the retreat during the transition to NEP was over and that the task was to regroup forces and launch an offensive against the capitalist elements of town and country, using the financial system as the most essential weapon of the offensive. “The historical role of the first” proletarian state—Soviet Russia—will be fulfilled the more fully, the sooner it shakes off its weakening poverty, hunger and ruin and implements its economic and financial mobilisation for the further struggle for socialism.”

2. Monetary Reform and the State Budget

As indicated above, the implementation of the program of financial mobilisation for the struggle for socialism had to begin with the solution of two main tasks, representing two sides of the same problem: the establishment of a hard currency and a deficit-free budget. The elimination of the budget deficit was a necessary prerequisite for the monetary reform, and at the same time, the establishment of a hard currency was supposed to contribute to the improvement of the budget. Insufficient development of the tax system and methods other than emission. mobilisation of budgetary resources did not allow implementation of the monetary reform, or at least drastically reduce, minimising, the

² Yurovsky, “The Monetary Policy of the Soviet Power,” pp. 128-199.

budget deficit covered by the emission of Soviet signs in the early years of the new economic policy. Only by strengthening the role of the budget as a redistributor of the national income. the line of tax withdrawals, the accumulation and redistribution of resources of the socialised sector (non-tax revenues) and the development of loan operations could gradually tighten the framework of the necessary paper money issue and prepare the transition to a deficit-free budget. At the same time, it was necessary to rehabilitate the budget by gradually freeing it from natural forms of exemptions that remained in the early years of NEP in the form of a tax in kind and a labour tax.

At the same time, the task of stabilising the ruble could be carried out only to the extent that the budget was rehabilitated, which found expression in the course of the monetary reform. The first act on the line of monetary circulation was the double-checked (in 1921 and 1922) “denomination”, that is, the renaming of the Soviet signs: first, banknotes of the 1922 sample were issued, the ruble in which was equal to 10,000 rubles. in banknotes of previous issues, and then banknotes of the 1923 sample, the ratio of the denomination of which to the banknotes of 1922 was established as 1:100; these denominations pursued, however, only the task of facilitating accounts and monetary circulation. The immediate beginning of the monetary reform was laid by the decree of 11/X/1922, which gave the State Bank the right to issue bank notes secured by 25% gold or foreign currency, and the rest of the amount with short-term bills or easily traded goods. Issue of bank notes. (Chervontsy), perceived by the turnover of c. as stable banknotes, created a system of parallel paper money circulation, because the state budget still needed a

sovznak as a means of covering the budget deficit. Reduction of the sphere of circulation of sovznaks, pressed by the steady huge acceleration of the depreciation of sovznaks, which also threatened the stability of the chervonets. But as a transitional measure, the system of parallel combined banknote circulation created a generally favorable environment for the maturation of the prerequisites necessary for the complete implementation of the monetary reform, and the economic turnover and financial economy acquired a stable value gauge in the person of the chervonets, which contributed to the early transition to a hard currency, chervontsy, meant the inevitability in these conditions of a huge acceleration in the depreciation of Soviet signs, which threatened the stability of the chervontsy. But as a transitional measure, the system of parallel combined banknote circulation created a generally favorable environment for the maturation of the prerequisites necessary for the complete implementation of the monetary reform, and the economic turnover and financial economy acquired a stable value gauge in the person of the chervonets, which contributed to the early transition to a hard currency.

The process of improving the state budget, as the most important prerequisite for the completion of the monetary reform, yielded significant results only in the 1922/23 budget year. The first stage of the struggle for a firm budget—1921 and 9 months of 1922—was not crowned with tangible results. “Indicative budget of 1922, compiled in “gold rubles” for 9 months, according to the data reported by T. Sokolnikov at the XI. Party Congress, was determined at 1.8 billion rubles, the deficit in this budget was equal to 1 billion rubles.

“With such a budget,” said T. Sokolnikov—of course, you can’t live. To issue within 9 months 1 billion gold worth of paper money, the real purchasing power of which is negligible, is a task that, of course, no titan, no Goznak, with all the improvements in its technology, can perform”¹.

The struggle for a firm budget required a sharp cut in the estimates of all the People’s Commissariats and the removal of a number of institutions from the state budget, the transfer of a significant part of expenditures to the local budget from the state budget, and a number of other measures in the direction of implementing the above decisions of the HG Party Congress. Only in 1922/23 and 1923/24. managed to build budgets with a relatively decreasing deficit in comparison with the total amount of expenditures. The introduction of the chervonets as a stable currency was of great importance here. The 1921 budget was drawn up in falling Soviet signs, which did not provide the possibility of its real implementation. The nine-month budget of 1922 was first calculated in gold rubles, but in fact it was carried out in a falling currency, and attempts to take into account the rate of decline in the purchasing power of the sovnak by establishing “official ruble exchange rates” could not eliminate the negative consequences, presenting, according to Comrade Sokolnikov’s apt expression , “a system of crutches on which the state budget of that time hobbled”²

¹ Sokolnikov, “The Financial Policy of the Revolution,” vol. I, p. 145.

² “Financial Science”, vol. I, p. 30.

The appearance of the chervonets made it possible to transfer all budgetary calculations in the future to chervonets rubles. The duality in the execution and calculation of the budget has not completely disappeared, because the sovznak I had to translate at the rate of a gold piece; but, here great stability was introduced into all calculations, for the chervonets was not only a conventional, abstract unit of calculation, but was a really circulating currency, directly in contact with all elements of economic and budgetary construction.

Analysis of the budgets of 1922/23 and 1923/24 characterises the main directions and results of the budget recovery process. In the first place, it is necessary to note the process of formation of tax methods for attracting budget resources.

As noted above, the X. Congress of the Party for the next period established the need to introduce, along with direct taxes, and indirect taxes. The latter, in the form of excise and customs duties, were introduced during 1929.

At the same time, in order to replace the labour tax, two direct taxes were established—the general civil and monetary tax, and duties were introduced in the form of stamp duty. In total, in 1922, there were 25 types of taxes in operation (except for the tax in kind), of which 6 are direct, 13 indirect and 7 types of duties. Along with this, there was a process of establishing local taxes.

This period of tax construction is characterised by an extensive growth of the tax system with the transfer of old forms and methods to new conditions. The incompleteness of tax construction, in addition to the need to further restructure tax forms and methods in

accordance with the tasks and social relations of the transitional economy, was also expressed in the preservation of the natural element of the tax in kind in the tax system. With the development of trade, money circulation, market forms of relations, the urgent task of the fastest elimination of the tax in kind, its replacement with a new form of taxation, excluding any remnants of natural relations, arose more and more urgently. As a preliminary measure, probing the possibilities of this replacement and at the same time paving the way for the development of the Soviet state credit, the first grain loan was issued in the summer of 1927. The loan was short-term (8 months), was issued for 10 million poods of grain, and had a tax-based security: in payment of the tax in kind in the fall of 1922. This credit the operation was a significant success. Bonds for 6.3 million poods were received for tax payment, which showed the possibility of transferring the tax in kind—the main direct payment of the peasantry—to the monetary tax rails. In 1923 this operation was repeated on a larger scale. The second grain loan was issued for 100 million poods, for a period of 4 months (from 1/XI—23 to 1/III—24). Its success was even greater, and a significant part of it was already paid for the agricultural tax, which replaced the previous tax in kind in May 1923. In the beginning, the agricultural tax was established only in some areas as a monetary tax, in other areas it was calculated in kind with granting, however, the right of taxpayers to repay the tax either in kind or in cash of their choice. In addition to this task of a gradual transition to a monetary tax, the introduction of an agricultural tax also pursued the task of unifying payments by the peasantry. The agricultural tax combined the labour

tax, the general civil duty and the house-to-house tax, not counting some local taxes.

Despite the fact that the unified agricultural tax had a cumbersome, complex structure and the objects of taxation were captured by it in a very rough and inaccurate form, it nevertheless played a significant role in preparing the completion of the monetary reform.

The agricultural tax was a tool for limiting the savings of the kulak part of the peasantry and improving the situation of the poorest peasantry. The corresponding role in the city was played by the income tax, which was levied not only on income received, but also on property that did not generate income. The property-based nature of this tax was motivated by the fact that the new bourgeoisie converted its income into property and on the contrary, the tax was supposed to capture not only unearned income, but also savings. The development of private trade and monetary relations made it possible already in 1924 to reform it into a simple income tax.

The role of the income and property tax as a regulator and redistributor of the savings of the NEP bourgeoisie was particularly important in the early years of the NEP, when the position of private capital in the economy was still relatively large. It is sufficient to point out that the gross output of the private and concession industry in 1923/24 amounted to 1.467 million rubles, 25% of the total gross output of the Soviet Union¹. Another larger share (41%) was occupied by private capital in the sphere of appeals,

¹ According to T. Reinhold, "Fundamentals of the financial system of the USSR", collection of scientific articles, p. 128.

especially in retail turnover. The private sector also owned a significant part of the country's housing stock. To a certain extent, the income tax also overtook the labour income of the urban population, but due to its sharp progression, it mainly and absolutely fell on non-labour income.

Among other direct taxes, the trade tax, which was imposed on the turnover of enterprises, had significant fiscal efficiency. The trade tax—the first monetary tax introduced after the transition to NEP—had a very primitive design at first. It consisted of two fees: patent and equalisation, and the patent fee was offset against the turnover tax, being, as it were, an advance, which was paid by the company at a certain time. Subsequently, this tax underwent significant reforms. Further, in the early years the trade tax for the most part came from the taxation of private trade turnover, being also a very important regulator of the income of unearned elements. At the same time, savings generated in the state and cooperative circulation were redistributed through this tax.

Summing up the overall result of tax construction before the completion of the monetary reform, we can establish that, in accordance with the decision of the 13th Party Congress, taxes fulfilled the task of regulating accumulation processes, were an instrument of limiting capitalist accumulation and ousting the private owner based on the development of state and cooperative trade. Strengthening this role of the tax system in the subsequent years of the NEP recovery period is one of the methods for implementing the decisions of the XIII Party Conference regarding the crowding out of private capital from the sphere of trade. “In this area (in the field of trade—Ed.). The

growth of private capital should be limited by strengthening the economic role of cooperation and state trade and their adaptation to the needs and conditions of the country's trade turnover ... A number of measures must be taken that will make cooperative organisations a real instrument for ousting private capital”.

Among these measures, the corresponding impact of the tax press on the NEP elements is also indicated.

The overall efficiency of tax methods for mobilising budgetary resources is characterised by the following figures. In the 1922/23 budget, tax revenues amounted to 407.3 million rubles, or 30% of the total budgetary total, and in 1923-24 they gave 633.1 million rubles, or 39.5% of the total mass of budgetary receipts¹. The large and growing role of taxes in the first NEP budgets facilitated the task of eliminating the budget deficit and thereby accelerated the transition to a single hard currency.

The revenues from state enterprises and property as a result of their transfer to self-supporting rails also contributed to the improvement of the budget and the elimination of the deficit. Transport revenues in 1922/23 amounted to 364 million rubles, and in 1923/24—630.4 million rubles, forest income, respectively, 14.6 million rubles. and 34.8 million rubles, the total amount of non-tax receipts—441.4 million rubles in 1922/23 and 806.9 million rubles. in 1923/24; the share of non-tax revenues of the state budget increased markedly and in

¹ Data from the review of the work of the NKF USSR for the period from 1/X–23 to 1/IV–25, pp. 31-32; from the same place and subsequent data on the budgets of 1922/23 and 1923/24.

1923-24 reached 42.1%.

Among non-tax revenues, the highest growth rate in 1923-24 compared to 1922-23 was provided by the revenues of state enterprises and property (excluding forests)—with 9.3 million rubles up to 61.2 million rubles. or 5% times. Although this figure in its absolute value is small, however, it suggests that state industry had already become on its feet by that time, and the principle of cost accounting had already been deeply rooted in the state sector of the national economy. This improvement of the budget by increasing non-tax revenues in it testified to the preparedness of the ground for completing the monetary reform not only from the state budget, but also from the outside. of the entire economic turnover.

A significant role was also played by the state's loan operations: in 1922/23—the first winning loan of 1922 and in 1923/24—the second winning loan of 1924. The use of forced methods of placing loans among non-working elements is interpreted by a number of economists as an indicator that during this period our loans were more a form of tax taxation than a state loan in the true sense of the word. However, the peculiarity of this stage of the development of our state credit lies not in the “tax nature” of our first loans, but in the fact that the state was forced to resort to methods of forced placement, especially in relation to those social groups that, having savings, did not want to pour them into the channel of state credit to strengthen the budgetary positions of the proletarian state. Within a year, the bonds of these loans were treated as a profitable object for savings and savings, and a few years later their sale to the public was completely stopped. With the help of loans, the state accumulated

about 200 million rubles (net loan balance) during the preparation of the monetary reform, which played a significant role in the fight to eliminate the budget deficit. As a result of all these measures in the field of budget revenues, the role of the emission source has significantly decreased. If in 1922 more than half of the budget revenues were revenues from the issue of sovznaks, then in 1929/93 the share premium decreased to 394.1 million rubles. with the total amount of budget revenues of 1,312.8 million rubles, i.e., its share was determined only in 30%, and in 1923/24 (the year of the completion of the monetary reform), in the total mass of revenues of 1,917.4 million rubles, the issue was only about 8%.

The task of improving the budget and completing the monetary reform required, as we have already noted, a very tough policy in the spending of public funds. The most indicative figures to illustrate this policy would be given by a comparison of the expenditures of the budgets of 1922 and 1922/23. However, due to the lack of comprehensive and completely comparable data for these years, we will limit ourselves to comparing 1922/23 and 1923/24.

Expenses for administrative and economic departments, which in 1922-23 amounted to 165.6 million rubles, or 11.2% of the total expenditure, remained almost stable and in 1923-24—175.4 million rubles. but their share has decreased. up to 9.1%. The same trend is found in the costs of administrative and cultural departments: in 1922/23 they amounted to 92.2 million rubles, or 6.2% of the total expenditures, and in 1923/24 - 113.9 million rubles. with a decrease in the specific gravity to 5.9%. These figures show that the interests of improving the budget and completing the

monetary reform required a very restrained policy even in the area of financing the socio-cultural needs of the country.

A sharp jump was given in the budget by expenditures on operations of the state treasury (purchase of gold and platinum and payments on loans)—from 22.2 million rubles, or 1.5% of the total in 1922/23, to 120.1 million rubles, or 6.3% in total in 1923/24. The accumulation of the gold reserve was directly related to the task carrying out monetary reform.

Expenditures associated with financing individual sectors of the national economy remained stable in their absolute amounts during these two budget years, amounting to 229.2 million rubles in 1922-23, and 222.5 million rubles in 1923/24, with a decrease in their share in 1923/24 to 11.6% against 15.4% in the prior budget period. We find the explanation for this in the huge role that the State Bank began to play as a credit center of the national economy, which led to an increase in the importance of the credit method for redistributing monetary resources and allowed it to be relatively squeezed. the role of budgetary financing methods. However, the state budget in these years also played the role of the main redistributor of the national income in favor of the socialist sector of the national economy. The estimated balance between the budget and industry, including electrification and construction, gives a large surplus in favor of industry, which is roughly estimated at more than 200 million rubles. It should be emphasised that this balance was mainly covered by the issue of banknotes, which is an indicator of how, on the way to the completion of the monetary reform, the issue of sovznaks was used to create

conditions for the liquidation of the falling sovnas. Along with the state budget, the State Bank played a particularly important role in solving the tasks set in the field of our financial policy by the Congress of the Party. The State Bank was entrusted with the task of stimulating the development of the country's productive forces, promoting the development of production and trade, and providing conditions necessary to stabilise monetary circulation. Accumulating free money resources of the rapidly growing industry and commodity circulation, being the body that issues stable bank notes in the order of its short-term credit operations, the State Bank acted as the largest organiser of the circulation sphere. The general role of the State Bank in the recovery period was described by Comrade Abezgauz as follows: "During this period, the State Bank in relation to the sphere of commodity circulation and money circulation should have to carry out a competition between socialism and capitalism and in this sector to resolve the Leninist question "who will whom", posed to the proletariat. during the transition to the new economic policy."¹

Acting as an important credit factor in the national economy both in the socialised sector and in the sphere of wholesale and retail turnover in general and procurement, the State Bank strengthened the position of the socialist elements and ensured redistribution of a significant share of national economic accumulation towards expanded reproduction of socialist commanding heights. Suffice it to point out that as of October 1,

¹ "News of the Central Executive Committee and the Central Executive Committee" of June 19, 1931

1924, the debt of the national economy to the State Bank was already 525 million rubles. (including the industry of group “A”—115.4 million rubles, group “B”—163.7 million rubles, handicraft and consumer cooperation—101.8 million rubles, state trade - 99.3 million rubles) to determine the value of a bank loan for the growth of the country’s economy and the completion on this basis of the monetary reform, which began with the issue of chervonets at the end of 1922.

Of the other most important conditions ensuring the completion of the monetary reform, it is necessary to emphasise the activity of the trade balance. It was achieved in 1922/23 (in the amount of over 100 million rubles), on the one hand, as a result of a favorable harvest and the possibility of exporting a significant amount of bread, and on the other, by delaying the growth of imports.

As a result, by 1924 all the conditions were in place to ensure the completion of the monetary reform both in terms of general economic prerequisites and in terms of budgetary and credit.

Having summed up the results of this period of economic construction, the XIII Party Conference (January 1924) especially noted the success of the first stage of the monetary reform. “Extremely important for the wasp:

The achievement of the main tasks of our economic policy is the achievement of the XIIIth conference of the RCP considers the introduction of a stable currency—the chervonets and its transformation into the main currency of the country. From the total mass of money circulation at the beginning of 1924 in 350 million rubles bank notes were already 270 million rubles, that is, about 4/5. On the basis of the circulation of money,—

says the resolution of the conference,—the growth of industry, agriculture, trade has become possible; bank lending to these sectors of economic activity has reached a significant size, an increase in state budget revenues has been achieved with a gradual contraction of the emission source, the possibility of accounting and planned management of both the economy as a whole and its individual sectors has been facilitated. “The further policy of the party should be to preserve the stability of the chervonets and complete the monetary reform. The interests of the broad masses require the completion of the monetary reform, that is, the replacement of the falling Soviet sign with hard currency. Completion of the monetary reform should be one of the the main tasks of the Soviet government for the coming period”¹.

A lack of understanding of the interests of the working people, a lack of understanding of the need for and ways to consolidate the political and economic alliance of the working class with the peasantry led the Trotskyists to deny the need to complete the monetary reform. The Trotskyists believed that we could go further along the path of using the “emission instrument” for the purposes of industrialisation, which logically followed from the whole concept of Trotskyism about “Super-industrialisation”, about the inevitable break of the alliance between the working class and the peasantry, about the impossibility of building socialism in the USSR. In contrast to the Trotskyists, the party has consistently carried out in matters of money circulation the policy indicated by V. I. Lenin in his speech at the

¹ From the resolution of the XIII Party Conference.

IV. Congress of the Comintern. “What is really important is the issue of stabilising the ruble. Our best forces are working on this issue, and we attribute to this task a decisive economic importance. If we succeed for a long time, and subsequently stabilise this ruble forever, then we have won”².

The monetary reform was completed in the first half of 1924. The monetary reform received legalisation in the decrees of February 5, 1924 on the issue of treasury notes, from February 22, 1924 on the issue of silver and copper coins and in the decree of the Council of People’s Commissars of the USSR dated March 7, 1925 on the redemption of Soviet signs.

By the time the monetary reform was carried out, the overwhelming part of monetary circulation consisted of State Bank banknotes, the smallest coupe of which was equal to 10 rubles gold. It was necessary to issue hard money into circulation, smaller bills—5.3 and 1 rubles, which could be done in two ways: either granting the State Bank the right to issue small-bill banknotes, or issuing banknotes from the Treasury. The last path was chosen, firstly, because the budget of 1923/24 was still in deficit and part of the new issues had to be used to cover this deficit, and secondly, it was necessary to prevent the possibility of devaluation of chervonets in case the new banknotes were not will be able to stabilise.

The monetary reform was completed with complete success, which was an expression of the tremendous successes of economic construction on the rails of the NEP. The XIII Congress of the RCP (B), which met in May

² Lenin, Works, vol. XVII, p. 346

1924, stated that “the Party Central Committee timely carried out a broadly conceived monetary reform, which was of tremendous importance for the entire economic construction of the socialist proletariat. The firm implementation of this major reform will serve as the basis for the improvement of the entire economic life of the USSR.”

Thus, in the middle of 1924, the construction of the Soviet financial system was basically completed. The completion of the monetary reform, the organisation of the tax system, the first steps in the field of Soviet state credit, the organisation and strengthening of the Soviet state budget as a powerful redistributor of the national income, the creation of an extensive system of bank lending—these are the main results of financial construction in the first 3–3½ years of the new economic policy.

On the basis of these results, achieved in the first years of the development of our Soviet finance, further financial and economic construction is being carried out, for the monetary reform, which expressed in a concentrated form the achievements on the financial front, was “one of the essential prerequisites for the necessary strengthening of coherence between individual parts of the national economy and for the first time gave a real basis for the actual planned management of the economy” (from the Resolution of the XIII Conference of the RCP (B).

3. Financial Construction After Monetary Reform

The socialist offensive could not but be accompanied by new shifts in the balance of class forces in the country. The admission of freedom of commodity circulation for small commodity producers contributed to the class differentiation of the peasantry, the separation of the kulak-capitalist strata as in the countryside and in the city. It was necessary to ensure the limitation and ousting of the capitalist elements, the acceleration of the pace of development of the socialist sector of the national economy, the strengthening of the economic alliance of the proletariat with the working people of the countryside. The results of the restoration period in terms of solving these problems were characterised as follows by the XV. Congress of the All-Union Communist Party (Bolsheviks): "If by the beginning of the new economic policy, the state industry was almost inactive, in the field of commodity circulation, state and cooperative bodies themselves resorted to private mediation, and private capital, having all the advantages rapid turnover, played a relatively large role, then on the threshold of the transition from the recovery to the reconstruction period, socialist industry and other commanding heights are already playing a decisive and leading role in the entire national economy; state and cooperative trade embrace the overwhelming part of the country's general trade turnover, the socialised sector of the national economy determines the general direction of development, displacing private capital, taking in tow and gradually transforming the economy of simple

commodity producers—peasants.” “The proportion of the working class has increased, its connection with the bulk of the peasantry has increased, the dictatorship of the proletariat has strengthened.”

In the system of levers of the economic policy of the proletarian state, which ensured the wide scale of the socialist offensive in the recovery period, a prominent role of the financial system was playing. The strengthening of the commanding heights of the proletariat, the growth of their leading role meant at the same time an increase in the role of the plan in the economic life of the country. In the last years of the restoration period, the possibility of a transition was already provided and a transition was made from a system of separate planning and regulating enterprises to a systematic planning of the development of the entire national economy as a whole. Budget planning in the years of the monetary reform was the most important moment in the preparation of this transition, and after the monetary reform, until the first control figures were built, it was an expression of the transition itself, it was a complete part of synthetic national economic planning.

This enormous role of finance in the recovery period of NEP, which at the same time reflects socio-economic shifts in our economy, found its most vivid expression in the area of tax construction.

The XI. Congress of the RCP (B), as indicated above, set before our tax policy the task of regulating accumulation processes and, at the same time, the task of fiscal significance as the most important source of revenue in the state budget. After completion of the monetary reform from the point of view of the implementation of these interrelated tasks and there

was a further restructuring of the tax system. One of the decisive moments of this restructuring was a question of organising the correct relationship between the working class and the peasantry. The issues of restructuring a single agricultural tax, the main type of taxation in the countryside, were repeatedly raised for discussion at party congresses, conferences and plenums, for agricultural tax was to serve as one of the main levers of the struggle against the kulaks, strengthening the alliance with the middle peasant, organising the rural poor, regulating agricultural ... production. The basic principle of this regulation is briefly formulated in the decisions of the 15th Congress of the CPSU (b) as follows: from the conditions in different ways to limit the exploiting aspirations of the agricultural bourgeoisie.”

This general principled orientation, which determined the principles of taxation of the countryside in the restoration period, was realised with the help of various forms and methods of building and collecting, first of all, a single agricultural. tax, depending on the specific conditions of the class struggle, the successes achieved in the field of economic development, the tasks facing the further socialist offensive.

“In the period immediately following the introduction of the New Economic Policy, which established the correct basis for the combination between large state industry and small rural producer, the commanding heights of the proletariat were extremely weakened, private capital found itself in the period of its initial accumulation and advanced, the petty-bourgeois element represented the largest small-scale network a threat to the cause of socialist construction, for the peasantry has not yet had

experience proof of the success of socialist construction and the correct organisation of commodity exchange between socialist industry and peasant economy". (from the Resolution of the XIV Congress of the Party on the basis of Comrade Molotov's proof). Accordingly, the taxation of the village was built. The taxes, directed by their bulk against the kulak elements, however, did not yet set themselves the task of a sharp attack on these elements, for the relative weakness of the commanding heights did not yet ensure the possibility of taking in tow small manufacturer. Tax policy in the countryside was supposed to prepare during this period the strengthening of the positions of the middle and poor peasant masses, to facilitate the organisation of ties through the cooperation of the peasantry with the socialist commanding heights and at the same time ensure the postulation of the necessary food and raw materials at the disposal of the state.

In the next period we have "a regrouping of this and economic forms in the direction of strengthening the role of the socialist elements. The role of commanding heights (state industry, banks, transport, state trade, etc.) has risen, although not yet so much as to achieve a lasting alliance with the middle peasant and resolutely lead him after him, pushing him away from the kulak. The XIV. Party Conference and the XV. Party Congress took a number of measures in order to achieve a lasting alliance with the middle peasant" (from the Resolution of the XV. Party Congress). Accordingly, in the period from the XIV. to the XV. Party Conferences, significant structural changes were made in the agricultural tax system, aimed at achieving a solid union with the middle peasant masses, at separating it from the kulak influence.

As a result of this period, from the point of view of classes, the XV. Congress notes, the Party can state the growth and consolidation of the on the basis of the decisions of the XIV. Conference and the XIV. Congress of its alliance with the middle peasant and an intensified offensive against private capital, which ensures the transition “to a more decisive attack on the kulak **on the basis of the successes achieved in consolidating the alliance of the proletariat and the rural poor with the middle peasant.**” In the area of taxation of the village, it is should have been expressed in a greater sharpening of the tax regime against the kulaks. Since the transition in 1924 to the rails of the monetary tax the agricultural tax underwent a number of changes in 1924/25, mainly in relation to a decrease in payments to the peasantry (for example, in 1923/24, no. million farms were exempt from tax, in 1924/25—4.5 million farms, or about 20%). But it underwent a particularly serious reform in 1926 on the basis of detailed directives given by the April (1926) Plenum of the Central Committee of the CPSU (B). Basically, the reform proceeded from the need to bring the agricultural tax closer to the type of income tax, covering all objects of income of the peasant economy, and a clearer expression of the class moment in it, in accordance with the outlined course of a decisive offensive against the kulak. Elements of progressiveness in the agricultural tax increase during 1926 and subsequent years, percentage of tax exemption in relation to taxable income in 1925/26 and 1927/28 declines for a category with a consumer’s income of up to 50 rubles. and rises very sharply for a category with an income of over 140 rubles, reaching for a category with an income of 300 rubles. 20.9% against 12.62% in

1925/36. The percentage of those freed from agricultural workers' tax on farms increased from 25% to 35.9% in 1927-28, which achieved tax exemption not only for the entire poor mass, but also for farms of low-power middle peasants. At the same time, the republics were given the right to increase tax rates for a certain category of well-to-do farms by means of a special surcharge, and also to apply to the kulak elements of the village the method of individual taxation, which could double the income of this farm, calculated according to the standards.

Being directed by its main mass against the kulak elements, the agricultural tax was thereby supposed to ensure the development of the productive forces in agriculture, in accordance with the general forward movement of our economy, based on the growth of gross output and marketability of production of the labouring peasantry. If we take the conditionally net income of the peasant economy in 1924-25 for 190, then in 1925-26 it is already 127.1%, in 1926-27—134.6, and in 1927-28—140.8%. Even more, growth rates are provided by the monetary incomes of the peasant economy. Over the years, we have seen great growth in the area of sown areas and the number of draft animals.

Thus, in the restoration period, the agricultural tax was one of the most important instruments of the economic policy of the proletarian state in consolidating the political and economic alliance of the working class and the peasantry on the basis of rallying the poor around the proletariat, consolidating the alliance with the middle peasant masses and limiting the capitalist elements in the countryside. The agricultural tax was one of the most important links in the general system of measures of the Soviet state

aimed at overcoming the processes of differentiation in the countryside. The general assessment of these measures was characterised in the following way by Comrade Stalin in his report on the results of the Fourteenth Party Conference:

“Differentiation cannot assume the same dimensions, the middle peasant remains the bulk of the peasantry, and the kulak cannot gain the former strength, if only because our land has been nationalised, it has been withdrawn from circulation, and our trade, credit, the tax, cooperative policy is aimed at curbing the exploitative aspirations of the kulaks, raising the welfare of the broadest masses of the peasantry and levelling out extremes in the countryside. I’m not even talking about the fact that the struggle against the kulaks is going on in our country not only along the old line of organising the poor against the kulaks, but also along the new line, along the line of strengthening the alliance of the proletariat and the poor with the middle peasant masses against the kulaks.”

This role of the tax policy in relation to the peasantry was repeatedly “bombarded” by the Trotskyists, the right-wing opportunists, and the bourgeois economists-saboteurs. The Trotskyists tried to direct our policy in the field of agricultural tax in the direction of such tax pressure on the kulak, which did not correspond to the general pace of the developed offensive against the capitalist elements and is inevitable. would be expressed in increased pressure on the middle peasant economy (which the Trotskyists identified with the kulak), thereby disrupting the solution of the task of strengthening the alliance of the proletariat and the poor with the middle peasant

masses against the kulak. Just as the party's tax policy is one of the elements of the general line of economic policy, the Trotskyist tax platform organically follows from the entire capitalist-restoration concept of Trotskyism, which speaks of the "impossibility" of maintaining the alliance of the working class and the peasantry.

The Right-wing opportunist "criticism" of the party's tax measures in the countryside during the restoration period blurred the kulak danger in the countryside, maximally "protected" the kulak, which was supposed to peacefully "grow into socialism," from the acute class weapon of the proletariat—taxes. In particular, the right-wingers sharply advocated the prog of the individual taxation of the kulaks. By doing this, the Right opportunists directly aligned themselves with the demands of the bourgeois-sabotage elements, who asserted that "it would be highly reckless to create an especially and sharply progressive taxation of larger peasant farms. The latter, throwing grain on the market on an increased scale, play a highly positive role of an economic nature and contribute to an increase in the export fund, and this is more important than the profits that could be obtained from their increased taxation."¹

Standing up for the attraction of foreign capital, even at the cost of turning our country into a colony, for the abolition of the monopoly of foreign trade, for the continuation of the policy of Witte and Vyshnegradskiy on the issue of export policy, they demanded "not to touch the goose that lays the golden

¹ P. Hansel, "Socialist Economy" No. 9-10, 1923, p. 87.

eggs”, that is, the kulaks in the countryside and Nepmen in the city.

And in the city, in the system of means of the Soviet power’s socio-economic influence on private capital, methods of tax pressure played a huge role in the recovery period. According to available estimates, private capital in industry in 1927 was estimated at about 500 million rubles. and in trade about 600 million rubles. The income tax was supposed to capture and cut in favor of the proletarian state a noticeable share of the national income that went to private capital, not only because it still played a certain role in production and trade in terms of capital volume, but also because of its exceptional adaptability and flexibility, the ability to take advantage of interruptions in the work of enterprises in the socialist sector, in some cases not yet sufficiently mastered market methods.

Being a weapon of limitation and displacement of private capital, the tax, at the same time, was supposed to stimulate the development of handicraft production, direct this development in the direction of cooperation. With regard to workers and employees, the income tax affected only the highest incomes and pursued exclusively fiscal goals. This specification of the Soviet income tax, aimed at limiting and ousting capitalist elements and at the accelerated development of handicraft and other types of production cooperation, is expressed in the tax system itself; it established a double progression: firstly, depending on the class belonging of tax payers (special lists, special character and different scale of progression) and, secondly, depending on the height of income. Suffice it to point out that of the 190 million rubles income tax received in 1926.

Another element of the tax system in the city—the trade tax, which by its nature approached the universal excise tax, after a number of changes was radically reformed in 1928 towards its significant simplification. Since its nature, as a tax on commercial and industrial turnover, did not provide it with sufficient elasticity for direct interclass redistribution, he indirectly solved this problem by taxing the turnover that serves the needs of the masses, and excluding more from the category of commercial and industrial enterprises that served the needs for luxury goods. The socially regulating role of the industrial tax was especially manifested in the benefits it provided to cooperatives. Encouraging cooperative forms against private-sector ones, the trade tax was directed with its edge against private capital, although in a less flexible and tactile form than the income tax.

Its lack of flexibility in this regard was complemented by the **excess profits tax** introduced in 1996. With the aim of capturing the speculative profits of the Nepmen, due to their ability to “social mimicrin”, he, along with the trade tax, contributed to **the ousting of private capital**.

Without dwelling on the characteristics of other taxes, less important in their quantity and quality, as instruments of redistribution, it is necessary, when assessing the role of taxes in the recovery period, to dwell on the problem of indirect taxation.

Without dwelling on the characteristics of other taxes, “less important in their quantity and quality, as a tool of redistribution, it is necessary, when assessing the role of taxes in the recovery period, to dwell on the problem of indirect taxation. Since the years after the monetary reform, the role of indirect taxes has steadily

increased in the total tax revenues of the state budget (from 45% in 1925-26 to 50% in 1927-28). Compared to the tsarist budget, these figures show a sharp decline in indirect taxes. However, this comparison, which is very indicative of the profound difference between the Soviet budget and the budget of Tsarist Russia, as well as that of any capitalist country, very little determines the specific content of indirect taxation in the USSR and the growth of its share. A very widespread view in our financial and economic literature at that time was that the role of indirect taxes in our country is high due to the still insufficiently strong position of non-tax revenues in the budget and that, consequently, with the growth of the latter, the value of indirect taxes in the budget will shrink. It should be noted that this view is based on lies a purely formal moment. Not to mention the fact that the very structure of indirect taxes in our country was deeply different from their structure in the system of the capitalist economy, their functions and content in the system of the Soviet economy are fundamentally different. In connection with the growing consumption of the broad masses of the working people and the sharp overcoming of large differentiation in the field of monetary incomes remaining at the disposal of various social groups of the population (the accumulation of unearned elements was largely cut off by the direct taxation tool), indirect taxes have lost their sharply regressive character, which they have in a capitalist economy. This change in the content of indirect taxes, as indicated above, was noted by V. I. Lenin.

Thus, over the years of the recovery period, there was the task set by the X Congress of the Party on organisation of the tax system as a regulator of the

accumulation process. At the same time, another directive X was also implemented! Party Congress—to achieve a significant fiscal effect of taxes in our budget system. Tax receipts in the 1926-27 budget amounted to 2,833.7 million rubles, or 50.4% of the total budget receipts, and 3,232.2 million rubles in 1927-28, or 48% of the total mass of budgetary revenues. Despite this, the share of taxes in the Soviet budget remained below the role of taxes in capitalist budgets, because at the same time a rapid process of growth of non-tax revenues took place. By the time the monetary reform was completed (in 1923/24), non-tax revenues in the budget had reached almost a billion dollars and played a significant role in balancing the budget without a deficit. The completion of the monetary reform provided an even faster rate of growth in non-tax revenues. Among them, in terms of growth, in the first place were incomes from state industry, trade and banks: in 1923-24 they amounted to 47.9 million rubles, in 1924-25—120.7 million rubles, in 1926/27—305.3 million rubles, and in 1927/28—378.1 million rubles, that is, in the last three years of the restoration period, they increased almost 6 times. A large increase was also given by forest income—from 53.5 million rubles in 1923/24 to 221.3 million rubles in 1926-27 and 245.7 million rubles in 1927/28, the income from transport and communications, which amounted to around 650 million rubles in 1923/24, by 1927/28, they increased to more than 1,800 million rubles, that is, they more than doubled.

One can often find in the financial literature the statement that the growth of non-tax revenues in our state budget is a consequence of only quantitative changes in the sphere of the state economy. In reality,

the large role of non-tax revenues in our state budget expresses the organic unity of the Soviet state budget and the national economy as a whole, is an indicator of the fundamental features of the Soviet economy. This also applies to the third important element of the revenue side of the budget—to the state loan. In the first years of NEP, before the completion of the monetary reform, the problem of state credit was primarily subordinated to the task of achieving a deficit-free budget. On the basis of the pledged foundation, in the subsequent years of the restoration period, the entire system of Soviet state credit was erected in its basic outlines. During this period, the social base of the Soviet state credit was discovered—the **savings of the working masses, accumulated by the state in order to effectively use them for the expanded reproduction of socialist relations.** In the winning loan of 1927, and especially in the first loan for industrialisation and the loan for strengthening the peasant economy, implemented on the basis of the collective subscription of the working people and the wide involvement of the Soviet public in the Soviet loans, the ways of development of the Soviet state credit were found. At the same time, the role of loans in the budget also increased—in 1927-28 they already accounted for 11% of the total mass of budget receipts. At the same time, it should be emphasised that the growth in the share of loans was not in any connection with the problem of the budget deficit, since in 1924-25, our budget was and remained completely deficit-free. Accumulated with the help of loans 1.5 billion rubles in the recovery period, they say that on the basis of the growth in the **well-being of the broad masses working people accumulated savings that could be transferred to**

funds for the expansion of reproduction through the channels of the state budget, thereby realising the task of restoring and reconstructing the country on the basis of the country's internal resources, without the "help" of foreign capital.

What such "aid" would lead to is evident from the negotiations on loans at the Genoa Conference, in which the RSFSR took part, meaning to establish economic ties with the capitalist environment. "We went to the Genoa conference," says V. I. Lenin, **"as merchants, we establish relations and we know what you owe us and what we owe you, and what your legal and even increased profit can be"**¹. And so Genoa "asked" us for a too expensive "price", which bordered on the recognition of the economic surrender of the Soviet regime. Comrade Sokolnikov remarks quite correctly that foreign bankers and industrialists indulged themselves with the "childish hope that this refusal of loans would knock the Soviet government down... **Soviet Russia will not perish without foreign credit and will never surrenders for his sake**"¹. This task of forcing one's own savings was to a certain extent to be solved by the system of the Soviet state credit.

Soviet credit passed its first test of maturity in the recovery period, when 112 billion were poured into the national economy through its channel, contrary to the "prophecies" of bourgeois economists-saboteurs, who asserted that it would not be possible to get out of economic ruin without foreign "help". Thus, during the period of preparation for the Genoa Conference,

¹ Lenin, vol. XXVII, p. 173.

¹ Sokolnikov, "The Financial Policy of the Revolution," vol. I, p. 283.

Groman declared: **“The general economic decay of the country continues and intensifies.** To turn a regressive line development into progressive, you need to have **10 billion gold rubles for three years.** This money can be obtained through **a real connection between the Russian** national economy and the world one.”² G. Strumilin cites many interesting documents that reveal the wrecking practice of the bourgeois specialists of the State Planning Commission. And another epigone of “financial science”, prof. P. Hansel 1% of a year after the Genoa Conference, when we had already developed an offensive, demanded that we turned with a “request for help” to foreign capitalists, “not fearing the transformation of Russia into a colony.” “There has not yet been an example in the history of mankind that the large domestic industry of any country was created at the expense of internal accumulation ... The fact that history does not know the development of a powerful domestic industry other than due to the influx of foreign capital cannot be surprising, for “Out of nothing and does not come out “the truth, which was also known to King Lear. And pre-war Russia followed the same path... And for Soviet Russia there are no other ways of attracting foreign capital and obtaining the necessary multimillion fund in the coming years through a direct, voluntary inflow of capital, which should be **tempted** by the prospect of high profit, or by **artificially** exceeding export over import, or a combination of these techniques”. “True,” Hansel admits, “this means to a large extent the transformation of Russia into a “colony”... For many, this is a symbol of economic and

² Quoted from Strumilin’s book Problems of Planning in the USSR, p. 47.

political enslavement”³.

The results of the restoration period showed that the proletariat, using a number of levers, in particular loans, ‘fully ensured the possibility of restoring large-scale industry and, moreover, at an unprecedented rate in history, based solely on internal accumulations.

The transformation of Soviet credit by the end of the recovery period into a powerful factor in the construction of socialism, the organisation of a tax system fundamentally different from capitalist conditions, and the rapid increase in the share of revenues from the socialised sector of the economy show a completely special essence of the Soviet budget. But even more clearly the special class essence of our budget is reflected in the development over the years of the recovery period of its expenditure side. By the end of the recovery period, in 1926-27, 4.343 million rubles were allocated from the state budget to finance the national economy and socio-cultural events, which accounted for 79.3% of the total expenditures, the remaining 20% went to management costs and for the defense of the country; Consequently, even then we basically approached those proportions in our budget that remain characteristic of all its further evolution. In addition, the system of local budgets played a huge redistributive role by the end of the recovery period. In the set of local budgets, which in 1926-27 amounted to 1.708.7 million rubles, over 60% of the total of expenditures was spent on financing the national economy and socio-cultural events.

In order to show the role and importance of the

³ “Socialist Economy” No. 9-10, 1923.

state and local budgets in the redistribution of the national income of the country, we present the following table (in million rubles):

Years	National income	State budget	Local budget	And that old budget	Summary of results in % to national income
1924/25	15,589	2,955,2	741,1	3,703,3	23,7
1925/26	20,252	3,986,4	1,055,9	5,042,3	24,9
1926/27	23,575	5,625,0	1,015,0	6,640,0	28,2
1927/28	25,872	6,678,2	1,097,9	7,776.5	30.0

These figures show, firstly, the steady growth of the national income and the state budget at a faster (outstripping) growth rate of the latter; with each year of the recovery period, the budget covered an increasing share of the national income. Bourgeois economists saw in this fact an excessive “pressure” of the budget on the national economy, for they approached the Soviet budget with the same yardstick as the capitalist one. Indeed, if under capitalism the expansion of the budget can only mean an increase in the pressure of the parasitic superstructure on the economic basis, then in our conditions the expanding coverage of the national income by the budget reflects the victory of socialist forms of economy, and at the same time the successful fulfillment of its role by the budget. as the most important redistributor of national income between socio-economic sectors and classes in favor of the socialist sector.

The summary data on the estimated balance between industry and the budget are indicative in this respect. In 1925/26 the balance in favor of industry was

144.1 million rubles, in 1926/27—219.6 million rubles, in 1927.28—292.8 million rubles; in subsequent years, this balance grows even more rapidly. In the last years of the recovery period, hundreds of millions of rubles were poured through the budget into the heavy industry in the order of their financing; lending to light industry had already passed entirely to the then very ramified system of banks.

Along with the role of a mighty inter-sectoral and interclass redistributor, the state budget played an exceptional role in the general national economic planning in the recovery period. Only towards the end of the restoration period (in 1925-26) do we have the first attempt to construct a single national economic development plan for one year. However, the control figures of both 1925/26 and the subsequent 1926/27 were not the methods of synthetic planning have not yet been fully groped in the national economy; the prerequisites for such planning have not yet been prepared. Due to this, the state budget played a special role in the general system of planned measures. It reflected all the elements of the socialised sector of the economy, if not the full amount of their savings, then at least a significant share of them, which was redistributed through budget channels in the interests of quickly restoring command heights. In addition, being a major factor of inter-sectoral redistribution, the state budget played a particularly prominent role in the field of inter-sectoral redistribution. A significant share of material assets circulating in the private sector of the national economy was attracted by budgetary methods and redistributed from the point of view of general economic tasks. Accumulating and redistributing a very noticeable share of the national income, the state

budget (the credit system played an important role in this respect) exerted a planned effect on the movement of the entire national income, on all economic processes in the country. Being the pivot around which other economic plans were concentrated, and, on the other hand, generalising them to a certain extent, the state budget embodied the most synthetic part of planning in the conditions of the restoration period.

This does not mean that the state budget in the recovery period replaced the national economic plan, but in the general complex of regulation and planning of the proletarian state, the state budget represented the most complete, solid and synthetic part of national economic planning, with the broadest impact on the national economic processes and their mutual coordination in a single plan. During the recovery period, “the state budget played (and still plays) an exceptionally large role as a lever of planned influence on economic processes. The elements of prices, wages, production costs, cost accounting and material planning during this period are so closely linked that the budget plan to a great extent expresses the material elements of the plan. Hardly anyone will now dare to deny the enormous planned role of the budget of the NEP recovery period in the organisation of the entire process of planning material elements of the economy”¹.

Noting the exceptional role of the state budget in organising at the same time, we must categorically emphasise that we were not then on the subject of the bare principle of the “financial limit”. This means that

¹ Maymin, “Economic Life” from 7/XI/1932

for the restoration period the Frumkin-Shanin concept of the primacy of finance over the economic policy of the proletarian state is in no way acceptable.

4. The First Steps of Synthetic Financial Planning

In the last years of the restoration period, the need for broad (along the entire front) long-term planning has become especially insistent, since this was required by the implementation of the master plan for the socialist reconstruction of the Soviet economy. This need for synthetic national economic planning was felt quite sharply in the development of individual sectoral plans for industry, agriculture, transport, etc. At the same time, the successes of the restoration period in the field of socialist construction ensured the creation of conditions for satisfying this need; by the end of the restoration period, we already have several synthetic promising orientations of the USSR State Tax Administration.

Long-term planning, both in individual industries and synthetic, is directly related to the task of long-term financial planning, which did not fit into the framework of only the budgetary plan. But therefore, to the same period, we can attribute the first attempts to find methodological starting points for constructing a single financial plan, to give a rough sketch of financial perspectives in the transition our economy from the recovery period to the period of reconstruction. Its main defect was due to the fact that they were. lies the stamp of the bourgeois sabotage school.

If, as Weisberg points out, the then commission on: advanced planning (under the USSR State Planning Committee). was so weak that she was not able to delve deeply enough into the presented materials and. correct them with the necessary thoroughness², this was all the more true of the planning cells of the People's Commissariat for Finance, where bourgeois specialists predominated.

The methodology of bourgeois specialists directed against the general line of the party was based on. the orientation towards the restoration of capitalism, hidden behind Gromanov's "principle" of the development of productive forces, regardless of their social content. In combination with Bazarov's "fading pace" and Kondratyev's concept of agrarianisation, this thesis about the "primacy of the development of productive forces" in essence sharply expressed the idea of kulak-bourgeois restoration. Suggestions make plans "from the agrarian end" (Bazarov), project the development of industry "from the level of agriculture" (Okolnitsov), if they had different subjective reasons, then objectively they converged on the same position of the slowed down "dying" rates of the country's industrialisation. Reinforcing their methodology with a number of "arguments" borrowed from the arsenal of right-wing opportunist ideas, the gross bazaarism along the lines of the State Planning Commission, Makarov and Kondratyev along the lines of the People's Commissariat for Land, Yurovsky, Sokolov, Nikitsky, etc., along the lines of the People's Commissariat for Finance waged a

² "Objective Science of State Planning Pests", "Planned Farms No. 10-11 1930.

frenzied attack on the very idea of the country's industrialisation, formulated in historical decisions of the XI. Party Congress.

We find the most interesting examples of bourgeois methodology in the issue of long-term planning of finances at the end of the recovery period in the discussion that unfolded in our economic press about the Prospects for the Development of the National Economy of the USSR in 1926/27–1930/31 published by the USSR State Planning Committee in 1927 ... As you know, these drafts of the State Planning Commission, which were not even submitted for approval by the government and the party, established extremely slow rates of industrialisation. However, this five-year plan was greeted with hostility by bourgeois specialists. So, A. Weinstein wrote that the main flaw of the five-year plan is the projection of the development of all sectors of the national economy at a too fast pace, **unbearable and unrealistic....**¹ Kondratyev and Makarov frightened that the plan projecting 18 billion savings was beyond the strength of the country, “that the country cannot provide such real accumulation within 5 years.” A particularly vigorous attack was launched against a promising outline in terms of finance.

Prospects outlined an increase in the state budget in 1926-27, as in the last year of the recovery period, at 24.1%, followed by a sharp decay of rates with the transition to the reconstruction of the national economy, so that the increase in 1930/31 decreased to 7.6 %. For the local budget, the prospects were based on a slightly faster pace, however, the average growth

¹ A. Weinstein, “On the Critique of the Five-Year Plan”, “Economic Review” 1927, no. 7, p. 24.

rate of the consolidated budget for 5 years was outlined at 12%. These rates were declared completely “unrealistic”. So, prof. Nikitsky, in an article published in the June issue of Vestnik finansov for 1927, comes to the “conclusion” that “for the pre-war period, for 38 years, a growth rate of 5-5% was typical. “How is it possible,” prof. Nikitsky, so that the Soviet budget of 1930/31 would exceed the budget of 1925/26 by 70.8% of the nominal or, taking into account the change in prices, by 90% of real rubles, when the budget of the empire grew from 1900 to 1913, i.e. for 13 years, by 85% of semi-nominal, and taking into account the change in prices (index 130.6)—only by 42%, showing real growth of only 2.735% difficult per year”. Prophesying a number of lean years for the five-year plan, a slowdown in consumption growth and the accumulation process, difficulties in the export-import plan and all kinds of other “hardships”, he declares: “when for the next five years build a financial plan for real budget growth by 85%, while 13 years before the war it actually grew by 42%, then, because we believe that the budget accurately reflects everything other economic plans, the above comparison is enough to say: either the budget growth is projected inaccurately, or all plans are exaggerated if they accurately reflect them. For such a doubt to arise, it is even an unnecessary luxury to our hypothesis that the end of the current five-year period will have a number of lean years. They are just an extra signal “against the unbridled flight of creative imagination.” The arguments developed by Comrade Strumilin, who stated that although “from the point of view. normal rates of development of capitalist countries, this is an extremely high rate of growth, but it would be completely wrong

to draw any conclusions from this about the prospects for the development of the national economy of the USSR “because” the path of crisis-free development is possible for us, we do not pay tribute to our own and foreign bourgeoisie, we transfer our farm to a higher technical base than the capitalist countries of the West with their huge legacy of a dilapidated past, and we have the prerequisites for a faster growth of the national income, especially since in the history of the United States we had a period when in one decade the national wealth increased in physical volume by 140%; to all these arguments prof. Nikitsky attached no more importance, “than if he (Comrade Strumilin) pointed out here that when the creator of the universe created Eve from Adam’s rib, the world’s population increased by 100 in one second.” The influence of technical reconstruction in the eyes of Nikitsky “is devoid of almost any significance not only for the next, but to a large extent also for the second five-year period 1931/32-1935/36”. As for the planned advantages in our economy, this argument of prof. Nikitsky was ready to admit only in the event that “if all bourgeois countries were in a state of uninterrupted ascent. But this is actually not true. No planned start will save us from development hindrances that could be caused not only by fluctuations in the industrial environment, but also by a number of other reasons.”

The commonality of views of prof. Nikitsky with Kondratyev, Makarov and other “venerable” representatives of the bourgeois-sabotage camp, this is his remark about the projected budget allocations to finance the national economy. Capital investments, planned at 18 billion rubles. over the five years, according to Nikitsky, are unbearable and their

direction is thoughtless. "Not the same thing," we read from Nikitsky, "for the pace of the next five years it will mean an investment of 200 million rubles. in Dneprotroy or in mineral fertilisers of the fields, having bought them abroad "and" the more the most diverse industries that have not yet had a place in the Soviet Union are planted at once, the slower the rate of its development will be in the near and future five years."

Prof. Nikitsky was not the most "talented" representative of the bourgeois galaxy of financiers, but his great frankness makes his article the most reflecting and generalizing the whole concept of wreckers as it took shape by the end of the restoration period. The main leitmotif that sounded in all these "scientific" substantiations of long-term financial planning: denial of the planned nature of our economy, denial of the economic (and financial, therefore) policy of the proletarian state as a lever that actively influences the economic processes taking place in the country, the "doom" of our economy to the vegetating pace and the inevitability of bourgeois-kulak restoration.

These bourgeois sabotage "theories" of Tesio merged with the right-wing opportunist concepts in matters of our economic and financial policy. Mechanically transferring the categories of capitalist economy and finance to Soviet soil, all these theories could not comprehend the social essence of Soviet finance as an organic part of the economic policy of the proletarian state and, in particular, give a correct assessment of the role of financial levers in the recovery period. They did not understand that financial methods were used as a weapon of the socialist offensive, which determines their special content.

Financial levers in the general system of economic

policy the proletariat acted in the recovery period in to the benefit of socialism and to the detriment of capitalism, developing a socialist offensive in certain sectors, thereby preparing an offensive along the entire front in subsequent stages. Financial categories, reflecting the dialectics of our development, hiding behind themselves the inconsistency of the processes taking place in our economy, are categories of socialism under construction.

Therefore, one cannot agree with Comrade Shakhnovskaya that in the “recovery period, the role of finance is manifested mainly in stabilising the ruble and regulating prices, and in the reconstruction period and especially at the new stage of socialist construction, the significance of finance is already characterised by an increasingly growing social-redistributive role of finance and its overgrowth in the method of accounting, control and planning of the national economy”¹. **Firstly**, it is incorrect to contrast the process of regulation in the conditions of the USSR with the process of planning the national economy, since regulation is one of the forms of planning. **Secondly**, the role of finance in the recovery period cannot be reduced only to the task of regulating prices and stabilising the ruble. The reconstructive period determined a different, wider, scale of the socially redistributive role of finance, created the preconditions for a deeper synthetic, national economic and financial planning; however, in the recovery period, the redistributive function of finance between social sectors and classes was

¹ “At a new stage”, collection of the State Planning Committee of the USSR, vol. II, p. 260.

enormous, and the planned impact of financial levers on national economic processes went far beyond price regulation. Finance was a powerful weapon of the socialist offensive.

Comrade Shakhnovskaya quite rightly notes that in the first years of the New Economic Policy we borrowed a lot in terms of the forms and methods of withdrawals, as well as the structure of financial institutions, from capitalist practice. “Nevertheless,” declares Comrade Shakhnovskaya, “those objections that believe that the Soviet financial system is an entire splinter from the capitalist are erroneous.”¹ It turns out that, if not entirely, then to a significant part, our financial system still represented a shard of capitalist finance. The fallacy of this interpretation lies in the fact that Comrade Shakhnovskaya ascribes too much of a role to the organisational forms of expressing financial categories. Our financial system was not a “splinter” of capitalist finance. even to a certain extent, for the essence of financial categories is determined by their social function in the system of social reproduction. Therefore, it is impossible to consider our financial system in the recovery period as a certain transformation of capitalist finance, with what supposedly only with the transition to the reconstruction of the national economy will our finances become a category immanent to the socialist nature of our economy.

Comrade Shakhnovskaya explains the very transition to the reconstruction of the financial system by “a decisive transition from methods of indirect redistribution of income to direct and further

¹ “At a New Stage”, vol. II, p. 270.

overcoming of market forms of ties.” In close connection with this concept follows another thesis of Comrade Shakhnovskaya, which reads: “As the financial plan becomes more and more adequate to the national economic model of building socialism, there is a kind of self-denial of the financial plan.” In short, Comrade Shakhnovskaya’s scheme looks like this: during the recovery period, our finances were a transformed category of capitalism; in the reconstructive period, when we turn to direct methods of redistribution and overcoming market forms of communication (here we are dealing with a “leftist” simplification problems of transition to direct distribution), there comes a moment of self-denial of finance in the category of a single financial plan.

Such a juxtaposition of recovery and reconstruction periods in the area of our finances is completely wrong. The difference between these two stages in the development of our finances lies in a different plane, namely: in the degree of coverage, the depth of financial planning itself, as a result of different degrees of creation of general prerequisites for national economic planning. The gap between the content and form of Soviet finance that existed in some cases in the recovery period, correctly ascertained by Comrade Shakhnovskaya, was due to the fact that at this stage of our socialist offensive the socialist content of Soviet finance was still cluttered with an abundance of “debris of the old.” However, it is wrong to represent the matter in such a way that we had a purely external form, “glued” to a content alien to it. The use of the “old” form stemmed from the contradictions of the NEP at this stage of our socialist construction. In conditions when only preparations were being made for an

offensive along the entire front, when the proletariat had not yet accumulated enough organizational experience, when it had not yet created its own cadres who could take on the task of reconstructing Soviet finances, it was inevitable and necessary to use a number of “old” organisational forms, providing, however, a completely special character and direction of development of the national economy. It is especially important to emphasise the importance of cadres in the reconstruction of Soviet finance, for the reconstruction of methods and forms of financial work by no means fits into the concept of financial technology.

5. Financial Planning in the NEP Reconstruction Period

At the end of the restoration period (December 1925), the XIV. Party Congress formulated the general path of development of our economy as the socialist industrialisation of the USSR, which, on the basis of further strengthening the dictatorship of the proletariat, strengthening the alliance of the working class and the peasantry, strengthening the economic independence of our country, and building a classless socialist society.

Two years later, the XV. Party Congress already stated major achievements in the field of socialist industrialization, which found a vivid expression in the rapid development of socialist industry, in an increase in the proportion and the command role of socialist forms of economy, in the fact that the Soviet Union “from an agrarian country becomes an industrial

country (Stalin).

“Our country,” Comrade Stalin pointed out in the Central Committee’s political report, “is advancing towards socialism confidently and quickly, pushing the capitalist elements into the background and pushing out the capitalist elements step by step from the national economy.” “This fact,” continues Comrade Stalin, “reveals for us the basis of the question: ‘who is who?’ This question was raised by Lenin in 1921 after the introduction of the New Economic Policy. Will we be able to link our socialised industry with peasant farming, pushing back the private merchant, a private capitalist and having learned to trade, or will private capital prevail over us, causing a split between the proletariat and the peasantry?—that’s how the question stood then. But now the question “who will whom” takes on a different character. Now this question is being transferred from the area of trade to the area of production, to the area of handicraft production, to the area of agricultural production, where private capital has its own specific weight and from where it must be systematically survived”.

With the rapid, unprecedented rates of development of socialist industry, we had a comparatively slow rate of development of agriculture. The dispersed, fragmented small-peasant economy was incapable of expanded reproduction, at such rates of development, which were given by industry and which are **“direct and undeniable proof of the superiority of the Soviet system of production over the capitalist system “(Stalin).** At the same time, agriculture was still a breeding ground for the emergence of capitalist elements. The task of the socialist reconstruction of agriculture arose with all the acuteness.

Supporting the need to further intensify the pace of development of socialist industry, ensuring the solution of the problem of “catching up and overtaking the capitalist countries”, **Comrade Stalin** at the XV. Party Congress pointed out with particular force that the time has come “to set the next practical task of our construction: in the countryside, the gradual transfer of scattered peasant farms to the rails of united large farms, to social collective cultivation of land on the basis of the intensification and mechanization of agriculture in the expectation that such a path of development is the most important means of accelerating the rate of development of agriculture and overcoming the capitalist elements in the countryside.”

“It is impossible,” said Comrade Stalin at the plenum of the Central Committee of November 19, 1928, “without end, that is, for too long a period of time, to base Soviet power and socialist construction on two **different** foundations—on the basis of the largest and most united socialist industry and on the basis of the most fragmented and backward small-scale peasant economy. It is necessary gradually, but systematically and persistently to transfer agriculture to a new technical base of large-scale production, pulling it towards socialist industry.” These instructions marked a new stage in the socialist transformation of the countryside.

The directives of the XV. Congress on drawing up a five-year plan for the development of the national economy characterise the transfer of our planning with the transition to the reconstruction period to a higher quality level in comparison with the methods and forms of planning in the recovery period. The reconstructive

period multiplied and strengthened the complex of measures of the proletarian state in the field of influencing the small-scale commodity economy and further ousting the capitalist elements, as a result of the transformation of our country from an agrarian into an industrial one, on the basis of “socialist industrialization, the deployment of the construction of state and collective farms, the use of mass contracting and machine-tractor stations as a means of establishing a production link between industry and agriculture” (Stalin).

The ambitious tasks of the radical reconstruction of industry on a new technical basis and the socialist remaking of agriculture dictated the need to expand the scale of planning in time. It was no longer possible to confine oneself to the development of annual control figures; it was necessary to proceed to **long-term planning**, concretising Lenin’s plan for building the foundation of a socialist economy and uprooting the roots of capitalism, which dictated the need for finding new methods and forms of planning. From private plans covering individual sectors of the national economic front, which are not always sufficiently coordinated and coordinated with each other, long-term planning in the reconstruction period turns into complex synthetic planning, strictly mutually linking and coordinating individual national economic plans into a single plan.

From private plans covering individual sectors of the national economic front, which are not always sufficiently coordinated and coordinated with each other, long-term planning in the reconstruction period turns into complex synthetic planning, strictly mutually linking and coordinating individual national economic plans into a single plan.

The result and expression of these enormous shifts in the field of socialist planning was the plan for the development of the national economy of the USSR for the five years 1928/29–1932/33, the content, the main task of which was described in the following words of Comrade Stalin at the joint plenum of the Central Committee and the Central Control Commission in January 1933:

“What was the main task of the five-year plan? The main task of the five-year plan was to transfer our country, with its backward, sometimes medieval technology, onto the rails of new, modern technology.

The main task of the five-year plan was to transform the USSR from an agrarian and weak country, dependent on the whims of the capitalist countries, into an industrial and powerful country, completely independent and independent from the whims of world capitalism.

The main task of the five-year plan was to transform the USSR into an industrial country, completely oust the capitalist elements, expand the front of socialist forms of economy and create an economic basis for the destruction of classes in the USSR, for building a socialist society.

The main task of the five-year plan was to create an industry in our country that would be capable of as a whole, but also transport and agriculture on the basis of socialism.

The main task of the five-year plan was to transfer small and fragmented agriculture onto the rails of large-scale collective farming, thereby providing the economic basis of socialism in the countryside and thus eliminating the possibility of restoring capitalism in the USSR.

Finally, the task of the five-year plan was to create in the country all the necessary technical and economic prerequisites for maximizing the country's defense capability, making it possible to organise a decisive rebuff to all and all attempts of military intervention from outside, to all and all attempts of military attack from outside."

How was this basic task of the five-year plan dictated, how was it substantiated?

The need to eliminate the technical and economic backwardness of the Soviet Union, which condemns it to an unenviable existence, the need to create in the country such preconditions that would enable it not only to catch up, but eventually overtake the advanced capitalist countries in technical and economic terms."

The transition to the reconstruction of the national economy, the rapid pace and success of socialist reconstruction, and the enormous qualitative growth in planning determined the change in the role and tasks of Soviet finance in comparison with the restoration period.

The long-term national economic plan, synthesizing in a single, internally linked complex, the most complex goals and objectives of the development of the national economy, demanded the search for appropriate methods and forms of synthetic financial planning. In the recovery period, individual plans' of financial institutions (state budget, local budget, credit systems, state insurance, etc.) were not sufficiently linked and mutually coordinated with each other, not covering the whole process of accumulation and redistribution of resources. Development of the five-year plan, which outlined a huge program of capital investments, a wide scope of social and cultural construction, etc. they are

mutually linked and combined with each other. It was necessary to mutually link the operational plans of the financial system (budget, credit plan, state insurance plan, labour savings bank, etc.) with each other and with the plans of individual sectors of the national economy, as well as with plans for socio-cultural events, to build a single financial plan in which were expressed in the general lines of financial policy, organically arising from the general tasks of the national economic plan. Thus, although the problem of synthetic financial planning arose already at the end of the recovery period, the task of such planning arose in connection with the preparation of a five-year plan, sabotage and opportunistic ideas about the role of finance and the tasks of financial planning were vividly expressed. So, the wrecker Prof. Yurovsky put forward the "thesis" that the financial plan is nothing more than an extended budget, which has quite a few "applicants" in the practice of "planning" capitalist finance. "150 years ago," Yurovsky asserted, "under Speransky and Vyazemsky, the budget was restored, which provided a fairly complete overview of the state economy; since this goal cannot be fully achieved through the state budget, the financial plan appears on the scene". Consequently, according to Yurovsky, the work on the financial plan is just a simple evolution of the work that was "started" a century and a half before our time, the continuation of the "evolution" of capitalist finance, except with the "addition" that our financial planning is less "perfect" by their own models in comparison with the practice of bourgeois finance. This thesis about the financial plan as an extended budget was defended by a number of other financiers (prof. Sobolev, Shmelev), as well as by T. Sokolnikov, who argued that the idea of a

single financial. plan confirms “the need for such a restructuring of the state budget, which would turn it into a state financial plan, covering the entire totality of financial relations within the Soviet economy”¹. This thesis was based on the understanding of our state budget as a plan for the state economy, which has its own taxes in the practice of bourgeois finance.

What influence these bourgeois-sabotage concepts had in the understanding of our finances and the essence of a single financial plan, can be seen at least from the fact that this point of view made its way onto the pages of the official publication of the NKF “Unified financial plan for 1929/30.” it is said in this document—that each economic system has its own special form of financial planning. The capitalist economy did not immediately find the form it needed... The capitalist state received that financial plan and that a document that corresponded to the conditions of his economic system. Does the Soviet economic system already have one that is on the way from capitalism to socialism and stands at the same time is already in many respects closer to the latter than to the first, a financial plan that is adequate in form to the new socio-economic conditions? She doesn’t have it yet. She only has it at the present time in the form of a unified financial plan”². This interpretation of the essence of the financial plan led a number of “theoreticians” to the requirement to compress its volume to the limits of covering only capital investments in the sphere of the state economy or to cover all financial relations of the

¹ Sokolnikov, “Financial Science”, p. 6, 1930, ed. WZIFEN.

² “Unified Financial Plan”, State Publishing House, 1930, p. 14.

state economy.

The whole essence of a single financial plan, as a synthetic plan, was thereby emasculated; all its specificity, as a category born only by planning in the conditions of our economy, was reduced to zero. Along with these “theories” that sought to squeeze the concept of a single financial plan into the framework of some kind of “transforming” capitalist category, we had an attempt on the part of a number of economists to expand the financial plan to coverage of all resources of the national economic plan, to identify. financial plan with the national economic balance. This point of view, which was developed by a group of workers of the State Planning Committee of the Ukrainian SSR³, is based on an underestimation of the role of finance in the reconstruction period. In an effort to cover the financial plan with the entire complex of financial relations in the national economy, it imposed economic functions on the financial plan and turned it from an effective, powerful lever of intersectional, interclass and intersectoral: the redistribution of resources, from a synthetic plan, leading to the unity of the whole complex of methods, levers and financial institutions (without depriving them of their specificity and autonomous in the general, financial system), into some kind of conglomerate of different approximate options, statistical calculations, approximate orientations devoid of any operational and planned significance.

By the decree of the Central Executive Committee and the Council of People’s Commissars of the USSR

³ “Unified financial plan”, works of the State Planning Committee of the Ukrainian SSR, Kharkov, 1995.

dated May 23, 1930, which. the first experience of working on a single financial plan was completed, the latter was defined in the following words: "The achieved successes of the planned economy make it possible and necessary to raise financial planning to a higher level and cover the finances of the socialised sector with a single financial plan. This plan, without eliminating individual operational financial plans (state budget, industrial financial plan, credit plans, etc.), should facilitate and improve their mutual coordination and ensure the most expedient direction and economical use of funds for the needs of the national economy, management and defense of the USSR".

The organic unity of finance and the national economy in the conditions of the Soviet economy and the inseparability of national economic and financial planning find the most complete expression in a single financial plan. The joint plenum of the Central Committee and the Central Control Commission of the All-Union Communist Party of Bolsheviks in December 1930 noted in its resolutions this tremendous achievement of our socialist construction. "The successes of the planned socialist economy made it possible to move in the field of finance to a system of a single financial plan that embraced all the country's funds spent on capital construction, replenishment of the circulating capital of the socialised sector, on culture, administration and defense of the USSR."

Emphasising the idea of the unity of the financial and national economic plan, the plenum gave a resolute rebuff to all theories of underestimating the role of finance in the period of the onset of socialism. "Without strict fulfillment of the financial plan, the implementation of the economic plan in all sectors of

the national economy is impossible.”

6. Reconstruction of the Tax System

Achievements of the Socialist Reconstruction of the National Economy and the tremendous increase in the planning principle led to the possibility and the need for a radical reconstruction of our credit and tax system, carried out by two closely linked reforms— credit and tax.

The tax system in its development should follow the changes in the general forms of management of the national economy. Amid a tremendous increase in the pace of the socialist offensive, the insufficiently differentiated approach of tax methods to two different social sectors of the national economy—to the socialised, socialist sector and the private, previously admitted, has become the largest flaw. The application of the same methods and forms of withdrawal, also borrowed in a number of cases from the arsenal of bourgeois tax practice, to these two socially opposite ones sectors reduced their socio-class efficiency, not to mention their excessive complexity and lack of elasticity as a form of connection between the financial system and the socialised economy. The ever-increasing role of the socialist sector, with the decreasing share of the private economy, required the search for a new criterion and other methods of tax exemptions from the socialised economy, different from the methods of exemptions from the private sector.

The task of the reconstruction of the tax system was to find a form of tax relations, adequate to this process

of socialisation of the national economy. On the other hand, the changed role of the private sector, the policy of a decisive attack on the capitalist elements, launched already in the first years of the reconstruction period, also required changes in the methods of taxation of the private sector. As a result, we have a number of separate reconstructive moments in the field of our tax policy, completed by a radical tax reform carried out on the basis of the decree of the Central Executive Committee and the Council of People's Commissars of the USSR of September 2, 1930.

Reconstruction of the tax system began with the reorganisation of the excise tax system and experiments with one-off taxation in the socialised sector. Excise taxation with all its inherent technical methods excise reporting, supervision of enterprises, rules for the movement of goods, etc. undoubtedly played a positive role in the first years of the recovery period, when by these measures we stimulated the correct organization of industrial accounting and reporting. But already in the last years of the recovery period, when the organizational management of the branches of the socialised economy reached a high level. level, when the coverage of the planned impact on the part of the state increased significantly, the excise tax system came into conflict with the nature and essence of state acceptance and with forms of economic management. The practice of constant excise supervision, transportation documents, special excise reporting, etc., has lost its entire positive role under the new conditions.

The transition to a centralised system for calculating and levying excise taxes with the abolition of excise supervision over enterprises proceeded at a very slow

pace. The excessive caution shown by the People's Commissariat of Finance in this matter is evidently explained by the active and passive resistance of the old specialists, who then played an important role in the financial apparatus, especially in the field of excise tax. The very idea of reorganisation did not come from the People's Commissariat of Finance, but from the NKRKI, which had to make a lot of efforts to break the conservatism of financial practitioners in certain parts of the financial apparatus. Already the first experiments in the introduction and application of a centralized system for calculating and levying excise taxes gave a significant reduction and simplification of the work of the apparatus, and from 1928-29 households. year the centralized system was extended to all types of socialised excisable industry. This partial reconstruction of the methods of tax withdrawal overturned in practice all the fears and doubts with which the People's Commissariat of Finance embarked on the reform, it proved the need for more decisive steps to carry out a radical reconstruction, for which all the necessary prerequisites in the national economy were already present.

Along with the system of centralised excise tax, there was also the question of unifying a number of payments by industry to the state budget, which belonged to the so-called category of "unpayable" payments: income tax, deductions from profits, deductions for vocational education and reserve capital. A number of projects were developed to unify all payments in the form of a single payment—deductions from profits. Although these projects were not implemented, they played a large role in the subsequent implementation of the tax reform, putting

on the agenda the need to resolve a number of fundamental issues in the field of tax. theory and practice.

Finally, the last stage in the development of the taxation system there were tax novels of 1929/30, which marked the beginning of the transition to a one-time taxation in the system of trade tax, which was imposed on the turnover of each enterprise. The turnover tax was imposed far from evenly on individual enterprises, since the degree of the tax burden depended on the number of links of goods passed from the producer to the consumer. The move to a one-time taxation should have eliminated these shortcomings both in terms of uniformity of taxation and the excessive complexity of exemption methods. Initially, a one-time taxation was extended to certain types of goods (manufacture, tobacco products, etc.), and, as a rule, a single taxation was applied to the manufacturer in the person of the syndicate through which the goods were sold; nevertheless, other links of the commodity distribution system were exempted from taxation.

The experience of carrying out a one-off taxation brought up close to the question of further ways of tax reform. This primarily concerned the merger of the industrial tax with the excise tax. With a one-time taxation, the whole difference between these two types of taxation boiled down to the fact that in one case the scale of taxation was the price, and in the other, the weight or natural unit of goods (although in some excise taxes the taxation was based on the prices of the goods). From the point of view of the sources forming these taxes, both types of taxation were deposited in the price of the goods. The merger of excise with industrial tax was initiated in the area of excise on

textiles, replaced by a corresponding increase in the industrial tax rate.

The need to simplify the tax system as much as possible, unify a number of tax and non-tax exemptions in a small number of payments from the socialised sector to the state budget was so obvious that reactionary, bourgeois-harmful elements did not dare to openly oppose the overdue tax reform. Certain financiers of the Yurovsky school nevertheless made a number of attempts to prove the harm of “innovation” and in every possible way praised the “established order.” So, prof. A. Sokolov said that “the nature of taxes is deeply different from the nature of the price and that the objects of taxation that currently exist have been groped through long experience and theoretical research and selection, better than those that exist, cannot be found” (from speeches at the All-Union financial conference), and prof. Yurovsky defended the trade tax system with the argument that “high profits, which would be inevitable if the trade tax were replaced by deductions from profits, was inappropriate, since the reconstruction bridge by introducing a single payment could generally be the basis for demanding wage increases that would not be justified the height of labour productivity “(from a report at the same conference).

Apart from these “objections”, the need for a radical reconstruction of the entire system of tax payments in the socialised sector has been universally recognized. But the question of on what basis the general reconstruction should be carried out turned out to be very controversial. In the financial and economic literature, quite a few points of view have been expressed, which are not always sufficiently reduced to

an economic theoretical concept. Basically, two concepts fought among themselves, which reflected different understanding of the essence and role of finance in the conditions of the reconstruction period. One point of view argued the need for reconstruction by introducing a single payment for the socialised sector or a single channel, while the other proceeded from the need to introduce two payment channels—unification of all tax exemptions in a single tax and preserving, along with this, deductions from profits of state-owned enterprises.

The supporters of the first concept believed that the implementation of the principle of a single payment resolves the contradictions of the financial system. The whole problem boiled down to “attempts to find, determine the coefficient of accrual to the cost of production. If we ignore the payments of the private sector and attracted funds from the population, then all the expenses of the financial plan should be covered by the difference between the price and the prime cost. goods of the socialised sector. Hence ‘the coefficient of accrual with a single payment of the socialised sector should be equal to the ratio between the balance of expenditures of the financial plan and the cost of all products in the sphere of production and circulation’¹.

Determination of the coefficient of accrual to the cost, which should be distributed and differentiated from. separate links of production in accordance with the general policy of prices, in the opinion of this direction, resolved all the contradictions of the financial system. This position was substantiated by the

¹ S. Shakhnovskaya, “The problem of reconstruction of the financial system” in the collection “At a new stage”, vol. P, p. 293.

fact that the growth of socialist accumulation and the planned use of prices, the growth of strengthening the planning principle and planning discipline “eliminates the method of financial coercion, tax influence and switches financial relations to settlement². Thus, this position of the supporters of a single payment was based on a complete ignorance of the specificity of financial levers as methods of redistribution of the national income under the conditions of the reconstruction period. The growth of planned price regulation as a result of the increased planned influence of the state on the entire course of reproduction was considered by this concept as the moment of the “withering away” of finance, as a complete “dissolution” of financial categories in the general system of distribution relations. For finance, the importance of leverage on the course of reproduction was denied. The need for financial maneuvering and the impact of the entire set of budgetary methods on individual links of the socialised sector in the process of fulfilling the national economic plan was presented as something “incompatible” with the profound changes that took place in our economy after the onset of socialism along the entire front. The financial plan was increasingly attached to the importance of a single settlement plan with a complete dissolution in it of individual financial institutions and separate, specific in nature, methods of redistribution. The importance of cost accounting and ruble verification as planning methods was underestimated or, moreover, ignored. It was a “leftist bend” with its characteristic “jumping” over the stages.

² Ibid, p. 292.

The advocates of the need to preserve two payment channels at this stage were in the right position, although a number of arguments in defense of this concept of some financiers contain gross theoretical errors¹. In particular. The “theory” of the opposition of tax in the socialised sector to profit, that is, social accumulation, drawing the line between the two categories in the sense that taxes, they say, cover the “general costs of production”, while profit is directly related to the production process, represents a complete misunderstanding of the role of these categories and their mutual communication (see the collection of articles “Reconstruction of the system of tax and non-tax exemptions”, GIZ, 1931, p. 25).

By the decree of the Central Executive Committee and the Council of People’s Commissars of the USSR of September 2, 1930 two payment channels were established, which gave a significant simplification of the swollen tax system, as it developed in the recovery period, and survived into a radical reform of the taxation of the entire system of the socialised sector.

7. The Role of Finance in the Reconstruction Period

The development of the national economy on the basis of socialist industrialisation ensured the victory of the socialised sector over the capitalist sector; the question of “who—whom” in industry was finally and irrevocably resolved in favor of socialist forms of

¹ On Tax Reform, Its Content and Implementation, see Ch. V.

industry (Stalin).

For all these years, there have been socio-economic and technical advances in agriculture. On the basis of the mass collective farm movement of the working peasantry, which began a period of great change in the life of our country, the party moved from a policy of restricting and ousting the capitalist elements in the countryside to a policy of eliminating the kulaks as a class on the basis of complete collectivisation. "The fate of agriculture," said Comrade Stalin at the 16th Party Congress, "from now on is determined not by individual peasant farming, but by collective and state farms." The tremendous growth of the productive forces on the basis of the accelerated pace of socialist construction has solved the hanging problem of unemployment and increased the well-being of the broad masses of the working people. "These gigantic successes," the 16th Party Congress stated, "in building socialism in industry and agriculture, became possible only on the basis of the tremendous activity of the working class and the working masses following it, which was expressed in the broad development of socialist emulation and shock work among the workers. the beginning of the restructuring of the work of all bodies of the proletarian dictatorship, party, trade union, Soviet and cooperative organisations under the slogan of mobilising the masses for the Bolshevik pace of socialist reconstruction of the country."

Finance played an important role in these tremendous successes of socialist construction. They ensured the accumulation and redistribution of enormous resources on the basis of further improvement of the forms and methods of redistribution in accordance with the deepest social shifts that have

taken place in the country's economy. The role of the agricultural tax has grown even more as one of the most important levers of the economic policy of the proletarian state in the field of agriculture. In the context of the turn of the middle peasant towards collectivisation, the massive growth of collectivization and the elimination of the kulaks as a class on the basis of a continuous collectivisation, in the conditions of the inevitable sharp exacerbation of the class struggle, the agricultural tax was to be restructured in the direction of a sharp increase in the taxation of the kulaks and, conversely, benefits for collective farm construction. The X The development of the national economy on the basis of socialist industrialisation ensured the victory of the socialised sector over the capitalist sector; the question of "who—whom" in industry was finally and irrevocably resolved in favor of socialist forms of industry (Stalin).

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of complete liberation of low-power farms and stimulating the interest of the middle peasant in the implementation of measures that increase the cultural and technical the level of his economy. Along with this, the agricultural tax was to be used as the most acute weapon in the struggle against the kulak economy, as an integral element in the general complex of measures to eliminate the kulaks as a class on the basis of complete collectivization. The number of farms involved in taxation on an individual basis in 1929/30 increased in comparison with 1928/29 from 220 thousand to 706 thousand, that is, it was 2.8% of the total number of the farm, and the amount of tax increased from 55.8 million rubles. up to 114.1 million rubles.

With regard to taxation of the private sector in the city, our tax policy during this period is built with the expectation of further ousting private capitalist elements from all economic positions, at the same time encouraging the cooperation of small-scale producers. This policy was reflected in a corresponding increase in the progression in the scale of taxation of unearned elements with income tax and a different system of tax rates for the turnover of private enterprises compared to the state-cooperative sector.

The role of taxes as a factor in the socialist offensive is not is limited to the above points only. Along with them, we must take into account their redistributive function, the role they played in the general redistributive program implemented through the financial system. The most generalised indicator of the redistribution processes is the state budget, since it occupies a central place in the system of a single financial plan. A characteristic feature of the development of the state budget in the period from

1927/28 to 1929/30 is the faster rate of its growth in comparison with the national income. The increase in the national income and state budgets over these years is drawn in the following form (as a percentage of the previous year): XVI. Party Conference issued a number of directives on the principles of building the agricultural tax in the new conditions, pointing out the need to provide a number of benefits to collective farms in comparison with individual farms, while keeping in force the policy of complete liberation of low-power farms and stimulating the interest of the middle peasant in the implementation of measures that increase the cultural and technical the level of his economy. Along with this, the agricultural tax was to be used as the most acute weapon in the struggle against the kulak economy, as an integral element in the general complex of measures to eliminate the kulaks as a class on the basis of complete collectivisation. The number of farms involved in taxation on an individual basis in 1929/30 increased in comparison with 1928/29 from 220 thousand to 706 thousand, that is, it was 2.8% of the total number of the farm, and the amount of tax increased from 55.8 million rubles. up to 114.1 million rubles.

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	1927/28	1928/29	1929/30
The rate of growth of the national income.	109,4	116,0	113,2
The rate of growth of the state budget.	125,0	126,7	156,5

The total volume of state and local budgets increased from 8.027 billion in 1927/28 to 9.339 billion in 1928/29 and 13.138 billion in 1929/30¹.

The social shifts that took place in our national economy with the transition to the rails of the reconstruction period, naturally, affected the structure of the revenue and expenditure side of the state budget, where we have significant changes compared to

¹ The figure for the total volume of the budget for 1927/28 has been brought to a comparable form with the budget for 1929/30. This explains the discrepancy with the volume of the budget for this year given earlier.

the years of the recovery period.

Unified State Budget of the USSR (in million rubles)²

Income	1928/29	1929/30	Particulars. quarter of 1931
Income of the socialised sector	5,236,5	9,239,8	3,460,0
Mobilization of population resources	969,6	1,422,1	424,5
Other income	448,0	568,4	164,1
Total	6,654,1	11,230,3	4,048,6
Balance on execution, budget	205,4	186,8	651,5
Balance	6,859,5	11,417,1	4,700,1

Thus, in the structure of the income part, we observe a shift towards the growth of the socialised sector. Accumulation in the form of a turnover tax, which accounted for about 60% of all revenues of the socialised sector, is already beginning to play a huge role in these years. The percentage of deductions from the profits of the state industry sharply increased and the income of the railway transport, which began to be included in the budget with all its gross profit, noticeably increased. Among the mobilised funds of the population, the organised accumulation of the population in mass loans comes to the fore. The growth of this source in the state budget is due to an increase in the material and everyday life of the broad masses of

² It should be borne in mind that the data on the budget both in this table and in the following are given in amounts comparable in volume and composition of individual groups of income and expenses with the budget of 1932.

the working people and the restructuring of all our loan work by maximising the coverage of the accumulations of the working masses. Loans of the so-called “stock market” are significantly curtailed, and the entire center of gravity in the field of state credit is shifted to the issuance of massive loans, focused exclusively on the savings of workers. To ensure the full effectiveness of government loans, accumulating the accumulation of workers in the channels of long-term credit, the disposal of bonds, at the insistence of the masses themselves, it was put under the control of the public in the person of the election commissions for the promotion of state credit, which found its legislative form in the decree of the Central Executive Committee and the Council of People’s Commissars of the USSR of February 22, 1930.

Reconstructive shifts in the national economy and the active role of financial levers in accelerating the pace of socialist construction are especially clearly expressed in the expenditure side of the state budget.

Costs	1927/28		1928/29		1929/30		Particulars. Quart.	
	Million rubles	In % to the total	Million rubles	In % to the total	Million rubles	In % to the total	Million rubles	In % to the total
National economy	2,416,5	47.9	3,436,5	51,5	6,031,9	56,0	2,608,7	65,3
Social and cultural activities	357,3	7.0	416,1	6.3	740,3	6,9	296,3	7,4
Management regul. nar. khoz. administrative social and cultural expenses and defense	1,204,0	23.8	1,256,0	18.8	1,474,6	13.7	558,8	14.0
Loans (repayment and winnings)	299,5	5.9	317,5	4.8	405,7	3.8	74,9	1.9
Funds transferred to the local budget	580,0	11.4	1,045,6	15.7	1,460,8	13.5	205,3	5.1
roch. expenses.	200,9	4.0	198,6	2.9	652,3	6.1	249,7	6.3
Total	5,058,2	100.0	6,670,3	100.0	10,765,6	100.0	3,994,1	100.0
Excess of income over expenses	205,4	—	189,2	—	651,5	—	706,0	—
Balance sheet	5163,6	—	6,859,5	—	11,417,1	—	4,700,1	—

First, this table gives a picture of the enormous role played by the state budget as a lever for the

redistribution of resources for the purposes of expanded reproduction. Expenditures on the national economy in the reconstruction period show a sharp upward jump in comparison with the years of the recovery period. In the last year of the restoration period (1926-27), the share of expenditures on the national economy accounted for about 40% of the total, which amounted to approximately 1.5 billion rubles. The very first two years of the five-year plan give this expenditure item a decisive advantage in the total mass of state budget expenditures. In 1929/30, they accounted for more than 6 billion rubles, or 56% of the total.

In a special quarter we have a significant shift—expenditures on the national economy already make up 65.3% of the total, and this growth trend characterises the subsequent years of the first five-year plan. With a sharp absolute increase in spending on social and cultural activities, their share in the budget remains at about 7% all the time. The share of expenditures related to administration and defense is sharply falling. Thus, we can state the expansion of the role of the state budget as a redistributor of resources for the accelerated pace of socialist construction. The productive character of our state budget, its fusion with the plan of national economic construction, a feature characteristic of the evolution of our state budget in the years of the restoration period, gets even more vivid and outlined expression in the reconstruction period. Along with the growth of the state budget and a change in its qualitative structure, in the years of the reconstruction period, we have noticeable shifts in the quantitative and qualitative order also in the area of the local budget.

Income structure of local budgets of the USSR for

the first two the year of the five-year plan is drawn in the following form:

	1927/28		1928/29		1929/30		Special quarter-I 1930	
	Million rubles	In % to the total	Million rubles	In % to the total	Million rubles	In % to the total	Million rubles	In % to the total
Tax	984,6	49.3	1255,6	52.2	1561,9	45.8	426,1	34.1
Non-tax	596,8	29.9	693,3	28.7	991,0	18.1	358,2	28.7
Others (including budget balances)	415,6	20.8	463,0	19.1	850,5	25.1	466,4	37.2
Total	1997,0	100.0	2,411,9	100.0	3,403,4	100.0	1250,7	100.0

We have seen a noticeable increase in both tax and non-tax sources in the local budget compared to the recovery period. In addition, in the first five-year period, the local budget acquires a new source of income in the form of deductions from state loans. But more characteristic of qualitative shifts in the structure of local budgets is its expenditure side, which is expressed in the following form:

Costs	1927/28		1928/29		1929/30		Particulars. Quart.	
	Million rubles	In % to the total	Million rubles	In % to the total	Million rubles	In % to the total	Million rubles	In % to the total
National economy	575.1	29.6	649,4	28.0	1,018,8	31.5	191.9	20.3
Social cultural activities	769,3	39.6	992,5	43.2	1,365,9	42.3	446,0	47,2
Management, regulation, plank beds, households, adm. Social cultural activities	327,6	16.9	371,1	16.1	500,0	15.5	121,7	12.9
Total	268,6	13.9	291,6	12.7	349,5	10.7	185,7	19.6

Compared to the last years of the reconstruction period, in the first years of the reconstruction period, expenditures on the national economy increased, and expenditures on social and cultural activities also increased significantly due to a reduction in the proportion of administrative expenses. Thus, the

tendencies that marked the development of the state budget in the reconstruction period turned out to be characteristic for local budgets as well.

But these two major trends do not yet fully reveal the role of the financial system in the reconstruction process. To do this, it is necessary to refer to the figures characterising the implementation of the synthetic consolidated plan of financial institutions and financial plans of the branches of the national economy—to a single financial plan.

The fulfillment of the financial plan for the first two years of the five-year plan can be represented in the following figures:

Resources	1928/29		1929/30 and special quarter	
	Million rubles	In % to the total	Million rubles	In % to the total
Income of the socialised sector	9,357,5	72.3	19,391,5	70.8
including:				
1) industry	4,341,4	33.5	8,808,1	32.1
2) rural economy	117,5	0.9	293,0	1.1
3) transport and communication	1,203,1	9.3	2,264,2	8.3
Funds of the population	2,517,9	19.4	5,320,0	19.4
Including:				
1) mandatory payment	1,417,5	11.4	3,743,8	13.7
2) voluntary payments	1,046,4	8.0	1,576,2	5.7
Other income	1,076,7	8.3	2,698,1	9.8
Total	12,952,1	100.0	27,409,6	100.0

The total amount of resources of the financial plan, projected for the first year of the five-year plan at 11.4 billion rubles, and for the second—at 13.4 billion rubles, turned out to be fulfilled for this period (plus a special quarter) by 6 billion rubles more. The pace of development of the national economy, which outstripped the projected outlines, was reflected,

naturally, by a sharp overfulfillment of resources involved in the financial system, and the growth of resources was accompanied by a wide coverage of the resources of the socialised sector by a unified financial plan, which began to occupy up to three quarters of the entire financial plan. Among the resources of the socialised sector, the funds of socialist accumulation in industry show exceptional growth rates. The accumulations of the socialised agricultural sector remain at a low level in the first two years of the five-year plan. Among the mobilised communities of the population, a characteristic point is the increase in massive voluntary payments. This emerging trend was consolidated in the development of our financial system at a new stage.

In general, the unified financial plan in the most concentrated form reflects the deepest shifts in the national economy. In the synthetic indicators of the unified financial plan, we see that the accumulation funds in the national economy, in their overwhelming mass, were created in the socialised sector; on the other hand, in terms of mobilising the resources of the population, the enormous role of the financial system in mobilising the resources of other social sectors and population for the implementation of the pace of socialist construction.

The allocation of resources to expand the reproduction of socialist relations and to develop a cultural revolution is the main pivot of a single financial plan. In 1928/29 78.4% of all resources were allocated for these purposes, in 1929/30—84.5%. Capital investments are mainly directed to heavy industry and electrification. The resources invested in the expanded production of these industries were 1-2 times higher

than the projections of the five-year plan for the development of the national economy.

Resource channelling	1928/29		1929/30	
	Million rubles	In % to the total	Million rubles	In % to the total
Investments in the national economy	7,181,6	55.4	17,823,6	65.1
Financial social activities	2,973,5	23.0	5,327,2	19.4
Management and defense	1,588,1	12.3	2,551,9	9.3
Other expenses	1,208,9	9.3	1,706,9	6.2
Total	12,952,1	100.0	27,409,6	100.0

The financing system was placed at the service of the most important sectors of socialist construction - industry, electrification and transport, and thus contributed to the struggle for the economic independence of our country, solving the problem of catching up and overtaking the advanced capitalist countries.

Serving the pace of socialist reconstruction by distributing resources along the most important arteries of the national economic organism, the financial system has maximally activated its role in the socialist reconstruction of agriculture. The total amount of investments in agriculture in 1928/99 amounted to 1,240 million rubles, and in 1929/30—3,686,2 million rubles. The system of financing agriculture carried out Comrade Stalin's instructions regarding "the planting of state farms and the unification of small peasant farms into large collective farms, as the only way to solve the

problem of agriculture farms in general, and the grain problem in particular”. Investments in agriculture are characterised by the following figures:

	1928/29	1929/30	
	Million rubles	Million rubles	Growth in%
State farms	149	525	+252.3
Collective farm	139	560	+302.9
MTS	—	101	—
Individual farm	484		— 77.1
Agriculture, cooperation	206	135	

Funding for social and cultural events was carried out through a number of financial institutions—the budgetary system. mu, social insurance, economic agencies and other sources.

In a single financial plan, they show great rates in terms of financing education, health care, social security and labour protection. Funding for education amounted to 147.5 million rubles in 1928/29, and 3,150,5 million in 1929/30 and in the special quarter of 1930; financing of health care for the corresponding years was expressed in 699,4 million rubles and 1,193,1 million rubles. Thus, 1929/30 almost doubles these expenditures. During these years, we have already taken decisive steps to prepare personnel and broad social and cultural services to the broad masses of workers.

The state budget was the most important factor in the development of economic and cultural development. The overfulfillment of the five-year plan in financial terms was accompanied by overfulfillment of expenditure items for the economy and culture (the most important element of the unified financial plan of

the state budget), accordingly changing their structure.

Without dwelling on the role of other financial institutions—the local budget, the credit system, state insurance, etc., since they are already reflected in the socialised indicators of the single financial plan, we have the right to state that in the period between the XV. and XVI. party congresses, which covers two years the first five-year plan, our financial system coped with the tasks assigned to it by the party, participating in the implementation of the programme unfolded socialist offensive along the entire front, because **“the essence of the Bolshevik offensive is, further, to mobilise maximum funds for financing our industry, for financing our state and collective farms”** (Stalin, from a political report at the XVI. Party Congress).

REVIEW QUESTIONS

1. What is the significance of the transition from surplus appropriation to a tax in kind for the development of Soviet finance?

2. What tasks did the XI Party Congress set in the field of financial policy?

3. Why was the task of carrying out monetary reform the central task of financial policy in the early years of NEP?

4. What measures in the field of financial construction ensured the elimination of the budget deficit and the completion of the monetary reform, and what was the significance of the monetary reform for further successes in the field financial construction?

5. What were the main tasks facing the financial

system in the recovery and reconstruction periods of the New Economic Policy and how were these tasks determined?

6. How did the tax system develop and what role did it play at different stages of the New Economic Policy?

7. How did the content, role and significance of financial planning change at different stages of the NEP and what caused the transition to kinetic financial planning?

8. What role (facts and figures) did the financial system play in the restoration and reconstruction periods of the New Economic Policy (redistributive rule of the state budget for 1922-1930)?

CHAPTER IV. PEOPLE'S INCOME AND SINGLE FINANCIAL PLAN

1. Starting Points of the Analysis

The last years of socialist construction give a vivid picture of the growing role of finance in the redistribution of the people. income. The projected rates of economic and cultural development in the first five-year national economic plan provided for a huge program of mobilisation funds, the implementation of which required a radical restructuring of the financial system both in relation to the methods of withdrawing the national income, and in the relationship between sectors of the economy and social groups of the population. The general fundraising program was planned in the amount of 86 billion rubles, of which 51 billion rubles were supposed to be spent on capital construction. and to finance social and cultural activities 22 billion rubles.

The results of the implementation of the five-year plan in four years have shown not only the reality of the adopted program, but also the possibility of its overfulfillment. Industrialisation policy, socialist reconstruction. the structure of agriculture has created tremendous opportunities for the financial system in the redistribution of national income. During the years of the first five-year plan, the national income increased by 85% against the level of 1928, amounting to 45.1 billion rubles in 1932 (in prices 1926/27). The net production of the socialised sector has almost tripled—from 13.3 billion rubles in 1928 up to 37 billion rubles in 1932, the private sector's net output fell from the 1928

level by 56%.

The financial program, projected in the amount of 86 billion rubles, was implemented in 4% of the year in the amount of 120 billion rubles. The state budget, the main lever for the redistribution of funds, amounted in 1932 to 31 billion rubles. against 14 billion rubles five-year assumptions on the consolidated budget for 1932-1933.

The task of accelerating the pace of industrialisation, ensuring the socialist reconstruction of the national economy, remaking small-scale agriculture, increasing the defense capability of our country and freeing ourselves from foreign interests dependence, required a large investment.

For four years, 53.2 billion rubles have been invested in new construction. Capital investments in the heavy industry amounted to 16.6 billion rubles over 4 years, the cost of electrification from 300 million rubles in 1928/29 increased to 2.5 billion rubles in 1932; capital construction along the transport line required about 10 billion rubles from the financial plan; about 10 billion rubles were invested in the implementation of the program for the reconstruction of agriculture on the basis of the development of state and collective farms.

Along with the expenditures on the national economy, enormous expenditures were made on social and cultural construction. The implementation of universal primary education, the growth of students in secondary and higher schools, and health care measures required 24 billion rubles, of which about 2 billion rubles in the form of capital investments.

All this led to a system of specific relationships between the unified financial plan and its main part—the budget with the sectors of the national economy

and social groups of the population for the redistribution of both net production—the national income, and part of the previously accumulated resources.

By realising the redistribution of funds, the financial system organises, changes and thereby directs the movement of the national income in the interests of the development of socialist construction. At the present stage of socialist construction, the volume of resources redistributed by the financial system exceeds half of the country's national income. This determines the role that belongs to the financial system in the process of expanded reproduction. By identifying, accumulating and redistributing funds in the national economy for individual sectors of the national economy and social groups of the population, the financial system accelerates the rate of expanded reproduction of the entire economy on the basis of the growth of the socialist sector, regulates the accumulation of private capitalist groups of the population. To comprehensively define the role of the financial system in the process of socialist reproduction, it is necessary highlight such moments;

the active role of the financial system in creating the national income and speeding up the rate of accumulation, in the formation of a fund for expanded reproduction, in the redistribution of the overwhelming share of accumulation funds (with an analysis of the relationship between the financial plan and the sectors of the national economy);

the active role and importance of the financial system in the regulation of savings in various sectors of the national economy, in the redistribution of savings between individual sectors of the economy; the

direction and channels of this redistribution;

and, finally, the relationship of the financial system with individual groups of the population, a system of specific ties that ensure the regulation, accumulation and redistribution of funds and savings of various social groups of the population, as well as the content of methods for mobilising funds from the population.

At the same time, it is necessary to decide from the point of view of this role, what should be the specific organization of financial ties, both in volume and in the methods of covering the processes of expanded reproduction.

In particular, it is necessary:

1) finding out the optimal ratio of the volume of the national income and a single financial plan;

2) determination of the volume of those funds of a unified financial plan that should be directed as capital investments, which is of tremendous importance for determining the distribution of national income to accumulation and consumption funds, guided by the instructions of the XV. Congress of the CPSU (B) that “one cannot proceed from **at the same time**, the maximum number of both (as the opposition now demanded), for this is an insoluble task, or proceed from the one-sided **interest of accumulation** in a given period of time (as Trotsky demanded, setting the password of tough concentration and increased pressure on the workers in 1923), or on the basis of a homogeneous **interest in consumption**... It is necessary to proceed from the optimal combination of both of these points” (directives for drawing up a five-year plan)¹;

¹ Directives of the CPSU (B) on households. Questions— M. Sazeliyev,

3) the determination of the optimal volume of mobilisation of funds from the population is differentiated in relation to individual social groups, and not only from the point of view of fiscal value for the state budget, but also the value for regulating “accumulation processes through direct taxation of property, income, etc. politics is the main instrument of the revolutionary policy of the proletariat in a transitional era” (Resolution of the XI. Congress of the RCP (B);

4) the definition of the system and the meaning at each stage of the methods by which the financial system redistributes the national income (price, tax, loans, emission, etc.), their relationship to each other in their total volume and the volume of each method separately, which are determined in turn tasks facing a single financial plan, and the role that this method plays in the general process of redistribution of the national income.

The main source of resources mobilised and redistributed by the financial system is the **national income**. Therefore, before proceeding with the solution of the questions raised, we must define the national income.

In contrast to the capitalist economy, where the movement of the national income is conditioned by the spontaneous laws of reproduction, in our economy the national income is created, distributed, redistributed and consumed under the direct influence of the plan. Its volume, structure and growth rate are determined by the law of building socialism in our country.

Consequently, the national income of the USSR includes the qualitative and quantitative characteristics of the process of expanded reproduction of socialist relations.

“The question of national income, which is absolutely insoluble when this question is raised independently and has produced only scholastic reasoning, definitions and classification turns out to be completely resolved when the process of production of all “social capital”² is analysed. Hence, **the study of the national income should be based on the following basic principles:**

1. The definition of national income, summarising and fixing its general points, must have a specific content, since “the most comprehensive abstractions ... arise only under conditions of rich concrete development, where the same property is common to many or all elements”¹. Determination divorced from concreteness inevitably leads to incorrect methodological methods of analysis and to conclusions distorting reality. Bourgeois “science” is engaged in such an abstract study of the national income, divorced from reality. None, as we will see below, the calculation of the national income, tied up by bourgeois economists, gives correct results, is full of contradictions, does not explain, but distorts reality and at the same time complicates the study of the volume, structure and growth of the national income, and, consequently, the study of the capitalist social reproduction.

2. Complete and comprehensive study in connection with and in unity with other socio-

² Lenin, ed. 3rd, vol. Sh, p. 34.

¹ Marx, On the Critique of Political Economy, ed. 1929, p. 41.

economic phenomena. The rapid growth of our national income becomes understandable, for example, only when we understand the nature of our economy, the specific content of the policy pursued by our party both in the field of industry and in agriculture, the forms and methods of fulfilling economic and financial plans (socialist competition, shock work, etc.). Likewise, a correct analysis of the national income of the modern capitalist state can be given only on the basis of a detailed, concrete characteristic of the current general crisis of the capitalist economy.

3. Dynamic, as opposed to static study, that is, the knowledge of the national income in development, movement, change. We take the national income, calculated in one volume or another, as a result of the economic activity of a given year, but the production of a given year is determined by the level of productive forces accumulated in previous years; therefore, the national income reflects in the nature of the economic activity of the previous years. The increase in the national income in 1932 by 85% to the level of 1928 became possible not only as a result of the economic successes of 1932, but and as a result of the achievements that took place before 1932 and which made it possible to design reproduction, which would increase the national income by 11 billion rubles. Therefore, for a correct study of the national income of a given year, it is necessary to analyze the reproduction of not only a given year, but also a number of previous years.

This position is also confirmed by an analysis of the national income of the capitalist countries. The general economic crisis of capitalism is directly reflected in the national income of the capitalist states, but the analysis

of the economic crisis according to the data of the national income presupposes the study of the latter not only for the current year, but also for a number of previous years.

At the same time, it is of great importance to study the national income, not only in total, but especially by socio-economic sectors in the context of individual classes and groups of the population. The growth in the prevailing importance of the socialised sector in our economy is especially clearly confirmed by the growth in its share in the national income; the rise in the material and cultural position of the working masses is reflected in the tremendous growth in the proportion of the incomes of the working people, in the income, etc.

4. Of decisive importance in the study of national income is **the methodology for determining its quantitative and qualitative side**, which is by no means an “arbitrarily” developed system of techniques and methods: its content is determined by the real content of the object being determined. For example, social grouping in determining the social structure of the national income is entirely determined by the social structure of the national economy and the class structure of the population; any other grouping will be in direct contradiction with reality, and the calculation of the national income, which will be based on an arbitrarily developed social grouping, will not will give correct results.

Only the observance of these basic principles makes it possible to reveal the real content of social reproduction, an element of which is the net product created in production, that is, the national income.

2. The Concept of National Income

For a capitalist economy, the national income is the newly created value distributed among the main classes, the size of which is determined by the amount of socially necessary productive labour expended during a given year.

The value of the entire social product produced for this period, is composed of the value of the means of production (raw materials, auxiliary materials, instruments of production), transferred to a new product (c), and from the value created by newly employed productive workers, which, in its turn, splits into a fund for the production of labour or the wages of the workers (v) and the surplus value appropriated by the capitalists (m). The disintegration of the value of the social product into these of its component parts ($c+v+m$) is determined by the law of capitalist exploitation, the possibilities of obtaining maximum profit, and the wage fund (v) must ensure the reproduction of labour as an object of exploitation, the reproduction of the means of production (c), which are the property of the capitalists and therefore constitute the basis of exploitation, and the increase in surplus value (m) ensure the preservation and expansion of capitalist mode of production. Consequently, both the composition of the entire social product and the structure of the national income, that is, newly created value ($v+m$), include the entire set of contradictions of the capitalist economy. People's income is a class category, its specificity determined by the nature of reproduction, its movement expresses the movement of a given mode of production.

The study of the national income is included, therefore, as one of the moments in the study of the process of reproduction and its individual elements - production, distribution, exchange and consumption. "Manufacturing creates items that meet needs; distribution distributes them according to social laws; exchange redistributes what has already been allocated, according to individual needs; finally, in consumption, the product drops out of social circulation and becomes directly the object and servant of a separate need and satisfies it in the process of use"¹. This unity of the reproduction process determines the perfect necessity for an indissoluble study of each stage of the movement of the national income. On the other hand, it is impossible to identify all these stages, because their unity does not abolish their inherent difference. Distribution is determined by production, but "with a change in distribution, production changes, for example, with the concentration of capital, with a different distribution of the population between town and country, etc. Finally, the needs of consumption determine production. Interaction takes place between different moments"². The study of the national income should consist in examining its production, distribution, redistribution and consumption, in the unity of these processes.

The capitalist economy develops on the basis of the operation of the spontaneous law of value. The contradiction between the social character of production and the private capitalist form of appropriation is the basic contradiction of the capitalist

¹ Marx, *On the Critique of Political Economy*, ed. 1929, p. 22.

² *Ibid.*, p. 35.

mode of production. This contradiction is most clearly revealed in the analysis of the production and distribution of the national income. The labour of workers is the only source of value for the products created, however, the products are appropriated not by their producers—by the workers, but by the capitalist class. The development of capitalism entails a constant increase in the share of the national income that is appropriated by the bourgeoisie by reducing the wages fund. These distribution relations follow completely from the essence of the capitalist mode of production, because “the so-called distribution relations are created by historically determined specific social forms of production processes and those relations that people enter among themselves in the process of reproducing their human life, and correspond to these forms and relations.”³ In the capitalist economy, these relations are antagonistic in nature, and the category of the national income is important for us insofar as with its help we hide the real content of these antagonistic relations.

Unlike the capitalist economy, our economy is a planned economy, the basis of its development is the law of building socialism. The relations of production, distribution, redistribution and consumption are fundamentally different in their content from the corresponding relations in the conditions of a capitalist economy, therefore, the net products—the national income—created in the conditions of the economy in transition, represent a fundamentally different category from the category of the national income for the

³ Marx, *Capital*, vol. III, part 2, p. 343.

capitalist economy. Only on the basis of understanding the fundamental difference between our economy, and, consequently, its inherent categories, we can correctly approach and reveal the internal content of the national income, and, consequently, issues related to its redistribution.

The national income of the USSR is a newly created social product that goes into distribution between the socialised and non-socialised sectors, as well as between different groups of the population, and the process of movement of the national income through the sphere of production, distribution, redistribution and consumption occurs on the basis of our socialist plan.

Establishing the fundamental difference between the national income of the USSR and the national income of the capitalist countries is of significant importance not only from the point of view of internal content, but also from the point of view of the methodology that we must apply in calculating it.

Bourgeois economists who try to invent “general” laws inherent in all socio-economic formations fail to see or distort the difference that exists between our economy and the capitalist economy; therefore, their “research” does not reveal the specific content that is inherent in the national income in an economy in transition. As an example, we can point to the calculations of the national income of the USSR, done by prof. **Litoshenko**. These “calculations” are based on the bourgeois definition of the national income. So **Benham** gives a trace. definition: “Income of a nation is called the national income or national dividend. It is usually measured over a year. National income for any year can be defined as the sum total of all income

received by members of a given nation during that year, provided that institutions, government bodies, joint stock companies and other persons are included as members and that no income is lost and not counted more than once". Another bourgeois economist **Stamp**, establishing the essence of the national income, comes to the conclusion: "I define it (that is, the national income) as the total monetary expression of those goods and services that were produced by the inhabitants of a given country for a year and which are actually exchanged for money." ...Everything that is "produced" during the year, every "service rendered", every "new utility" is part of the "national income"; consequently, the national income "includes" both the benefit derived from the doctor's advice and the pleasure received from listening to a professional singer, and so on. **Chichek** defines the national income as a value that finds its expression in goods and services—the net proceeds of the national economy for which or a certain period, usually a year. **Hernberg** asserts that "the national income is the sum of exchange values" received by the consumer economy from production to satisfy its needs, thereby the economic category belongs only to that economic form where all incoming consumer farms are received from production farms as the sum of exchange values.

Despite the outward difference between all the above definitions of national income, they all consider the people's income vulgarly as a countable "category", without analysing the internal content inherent in this category in the context of various socio-economic formations.

Even the very first acquaintance with the national income of any country raises the question of the reasons

that determine the structure and content of this category. Thus, in the national income of the capitalist state, the share of the worker is much less than the share of the bourgeoisie. In our economy, on the contrary, the share of the working people is determined by the bulk of the national income, reaching in 1932 80% of the total national income. What is the reason for this difference? Obviously, it is a consequence of the fundamental difference **between the capitalist mode of production and the economy in transition.**

The general economic crisis of capitalism caused a sharp decline in production, which could not but affect the people's income, which in recent years not only does not give an absolute increase, but is significantly reduced. In the USA, the national income fell from \$84 billion in 1929 to \$40 billion in 1932, in Germany from DM 70.6 billion in 1930 to DM 57.1 billion in 1931, in England with 4.4 billion pounds. Art. 1930 to 4 billion pounds Art. 1931 This destruction of the productive forces, the fall in the national income is primarily reflected in the workers class; in all capitalist countries, along with an increase in the number of unemployed, the level of wages is significantly reduced.

The above illustration of the different structure of the national income confirms the fundamental difference that exists between our national income and the national income of the capitalist economy.

The rapid growth of our economy has found its vivid expression in the growth of the national income; total national income for The 1st five-year plan increased to 45.1 billion rubles. in 1932, or 85% to the level of 1928. The share of workers in the USSR reaches 80%, while the wage fund of the proletariat increased to 30 billion rubles, while capitalist groups receive only 0.1% of the

total national income.

From all of the above, we can give the following definition of the national income.

We understand the social-historical category of income as a social-historical category that expresses the totality of the results of the costs of socially necessary productive labour and their distribution between different branches of economic activity and different classes for a certain period of time¹. The historical nature of this category is determined by the fall of society into classes and the historical nature of the reproduction process. When the product of labour becomes a direct product of social labour, the division of society into classes is abolished, the distribution of the products of social labour is carried out on the basis of 'direct correspondence the quantity and quality of labour expended by each member of society, the process of withering away of the category of the people begins. income. The peculiarity of the transitional economy lies in the fact that the socialisation of the means of production has already been carried out to a large extent, the economy is developing towards the complete elimination of non-socialist forms and methods of distribution. Thanks to this, the elimination of the parasitic plundering of the national income was carried out and the direction the constantly increasing share of the national income for the expanded reproduction of socialist relations.

¹ V. Dyachenko, "Classification of income into primary, basic and derivatives in connection with the calculation of national income"—"Financial Problems of a Planned Economy" No. 4 for 1930.

3. Methods of Calculating the National Income

The reality of the category of national income is just as indisputable, as well as the reality of the reproduction process. Reproduction of social life is the reproduction of the means of production (c), the reproduction of labour power (v) and the reproduction production and consumption expansion fund (m). If a consumption of the means of production only transfers the labour time embodied in them to the newly created products (depreciation, the cost of raw materials, auxiliary materials, etc.) and, therefore, does not increase the consumption and accumulation fund, then the consumption of labour in the production process increases the social product, expands the power of man over nature, creates new values. This increase in the social product over a certain period of time forms the material content of the national income. The task of calculating the national income is reduced to capturing and quantifying the real results of the costs of socially necessary productive labour ($v+m$) for a certain time interval. The difficulty of such a calculation is due to the fact that, **firstly**, the reproduction process is in reality an uninterrupted, non-stop process, **secondly**, we cannot carry out the accounting of labour costs in the direct labour accounting procedure, and thirdly, the processes of distribution and redistribution of the national income are hidden behind are the initial source of income and basic production distributional and distribution relations.

It follows from the connection that exists between the category of national income and the process of reproduction of social life. There are also the basic

starting positions in the area of calculating the national income. The problem of national income cannot be viewed only as a problem of distribution—redistribution. Just as these distribution-redistribution relations can be understood only in connection with the analysis of production relations, so the volume and structure of the national income can be understood only by taking the social mode of production as a whole, the economic class structure of society as a starting point.

The practice of calculating the national income has developed two methods—**personal and real**. The personal method is understood as a method of calculation that covers the totality of incomes of individual social groups of the population; under the real method of calculation - the method that establishes the national income on the basis of its distribution among the individual branches of the economy. Establishing the aggregate income of the population gives a picture of the distribution of national income between individual classes and its total volume for a given period of time. Determination of the net production created in various branches of the national economy and in the total amount for the entire national economy gives the production characteristics of the national income.

Despite the apparent disunity of these methods, between they have an internal unity, since the object of study for both methods is the same—**a newly created social product**. Since the passage of the national income from the sphere of production through the sphere of redistribution-redistribution to the sphere of consumption does not increase its volume, then the sum of the national income calculated by the personal method must be equal to its sum calculated by the real

method. However, practice shows that there is a gap in the results of calculating these two methods. The national income, established by the personal method, usually exceeds the amount of the national income calculated by the real method in its volume.

The discrepancy is explained by the inconsistency in the application of the personal method for calculating the national income. The national income created in the sphere of production, falling into the sphere of redistribution, serves as a source of income for a number of social groups of the population that are not directly involved in its production.

Therefore, with the personal method, the national income, taken into account as the income of the producers directly participating in its creation, it is accounted for the second time as the indirect income of the persons receiving it in the sphere of redistribution. For example, a worker whose labour creates pure products receives a certain part of wages in the form of wages, which allows him to satisfy his material and cultural needs. Satisfaction of cultural needs, accompanied by payment for a number of services, forces the worker to spend wages, that is, to exchange the created net product for a service he receives from another person. The national income, thus, recorded as the worker's income (wages), is usually recorded as the income of the person who provides the service and receives a part of the national income created by the worker. The result is an increased amount of the national income, which, however, is not based on its real increase, but on a simple duplication of the same part as the income of the worker and as the income of the person creating the services. The consistent application of the personal method involves the

elimination of all income in the area of redistribution, the source of which is created in the field of production and already accounted for net products.

The correct application of the personal method presupposes a correct understanding of the movement of the national income through various spheres of social reproduction (production — distribution — exchange — consumption), which first of all requires the solution of questions about productive and unproductive labour, about basic and derivative costs.

Marx established that under capitalism, everyone is capitalistically productive labour organized labour that creates surplus value. Consequently, productive labour is not only labour in the sphere of material production, but also labour in the sphere of non-material production, if it creates surplus value. “A school teacher, if it is permissible to take an illustration outside the sphere of material production, is a productive worker if he not only processes children’s heads, but also processes himself to enrich the entrepreneur. Whether this latter invests his capital in a training factory or in a sausage factory, this does not change the attitude in question. Therefore, the concept of a productive worker is by no means exhausted by the relationship between the worker and the product of his labour: it also includes a specifically social, historically arisen production relationship that makes the worker a direct instrument for capital growth¹. And further: “The definite material character of labour, and hence of its product,” in itself has nothing to do with this distinction between productive and unproductive labour. For

¹ Marx, “Capital”, Gosizdat, 1929, vol. I, p. 395.

example, hotel chefs and footmen are productive workers because their labour becomes capital for the hotel owner².

Consequently, the concept of productive labour can be correctly clarified only from the point of view of a historically determined social form of production. Any labour that reproduces social relations inherent in a given historically determined mode of production is productive labour, regardless of its final results (material thing or service).

If in a capitalist economy, productive labour is any labour that creates surplus value, since the latter is a direct expression of the production relations inherent in the capitalist mode of production, then in an economy in transition, the content of productive and unproductive labour is there must be something completely different, fundamentally different from its content in the capitalist economy. The dominant form of production relations is socialist relations; the development of a transitional economy is a process of expanded reproduction of socialist relations, the reworking of small-scale commodities and the elimination of the capitalist sector of the national economy. Therefore, productive labour here is any labour aimed at the reproduction of “socialist relations, by means of expanded reproduction of the socialised sector, alteration of the small-scale commodity sector, restriction, displacement and elimination of the capitalist sector.

Consequently, the work of a mental worker aimed at training cadres will also be productive labour insofar as

² Marx, “Theory of approx. values”, vol. I, p. 169, Socialist, 1931.

he, by creating cadres for our economy, thereby contributes to the reproduction of socialist relations.

However, when calculating the national income, it is necessary to proceed from the definition of labour that creates the national income, that is, only from such labour that is expended in the sphere of material reproduction. Any socially necessary labour expended in the sphere of material production must be considered labour that creates the national income. Labour expended in the sphere of non-material production, despite its social utility, does not create national income. This must be taken into account when considering the sphere of redistribution, since this labour determines the movement and utilisation of a certain part of the national income in the form of so-called derived incomes.

The concept of derived income is associated with the existence of a redistributive sphere. The national income produced in the sphere of production is distributed primarily among the main participants in its production. In particular, in our economy, the main income must include all the incomes of individuals formed at the stage of the initial distribution of the national income (wages of workers, incomes of independent producers, etc.), as well as incomes of the socialised sector (accumulation of enterprises in the socialised sector that create the national income)... Determination of basic income, i.e. income generated in the sphere of the initial distribution of net profit among the main participants in the social production process, makes it possible to correctly approach the definition of derived income, and thereby correctly coordinate among themselves the results of personal and real methods of calculating the national income.

Derived income includes all incomes mastered in the order of redistribution of basic income. Since the processes of production, distribution, exchange and consumption are not separated from each other, but are carried out simultaneously and in a complex binding, and the distribution process does not appear outside the processes of redistribution, but is hidden behind them, it is extremely difficult to statistically delimit the sphere of production and the distribution of the national income from the sphere of its redistribution. However, the difficulty of differentiation does not mean an absolute impossibility, based on the correct methodology. statistically size derivatives income.

The so-called production sphere of social reproduction serves as a sign of basic income. Incomes distributed in this area among the participants in production form the main income. The production sphere includes all sectors of the national economy that create the national income: 1) industry, 2) agriculture, 3) construction, 4) transport, 5) communications, and 6) trade and public catering.

In all these industries, it is only necessary to take income related to production activities. From this point of view, it is especially difficult to determine the main income in the field of trade, where it is necessary to delimit the elements that increase the value of the social product and exclude the costs that make up the distribution costs. Such an exception, of course, it does not diminish the importance and necessity of these costs, but the isolation of trade functions does not turn them into production functions, since “it goes without saying that if there is any. a function that is not productive in itself, but is a necessary moment of reproduction, due to the division of labour, turns from a

side function of many into an exclusive function of a few, into their special occupation, this will not change the very nature of the function¹. At the present stage of socialist construction, “the interests of further strengthening the bond of the working class with the peasantry and improving the material situation of the working people of town and country require the all-round development of Soviet trade and, in particular, the trade of collective farms, collective farmers and working individual peasants (post. Plenum of the Central Committee of the CPSU (B), September 1932). But this expansion of Soviet trade increases the people’s income, only to the extent that trade increases the social value (processing of raw materials, transportation, loading and unloading, etc.), that is, it is included in the production sphere, thereby creating the main income (workers’ wages). In the same part in which it performs the functions of buying and selling, it should be taken into account in the line of the non-production sphere and derived income. In addition to these functions of trade, the non-production sphere also includes social and cultural institutions (education, health care, social security), administrative institutions, as well as institutions of public organisations.

The national income, calculated according to the personal method, must be co. set from the amount of basic income minus that part of them, which is then redistributed, plus the amount of derived income. The latter should be equal to just that part of the basic income, which is subject to redistribution. Consequently, the entire amount of income, calculated according to the personal method, must be equal to the

¹ Marx, Capital, vol. II, p. 80.

sum of the basic income, or, which is the same, the national income, calculated according to the real method.

When calculating the national income, social grouping is of fundamental importance, which determines the class structure of its production, distribution, redistribution and consumption. This grouping is determined by the nature of reproduction. For the Soviet economy, the following sectoral division of the national income is mandatory:

a) The socialised sector, including: 1) state and 2) cooperative; 6) non-social sector, including: 1) small-scale and 2) capitalist.

Sectoral grouping should be the basis of calculating the national income by a real method, which will ensure the definition of the role and importance of each sector in the process of expanded reproduction. As for the social grouping for calculating the national income according to the personal method, it must correspond to the really existing social groups of the population and must meet the following basic requirements: 1) find out the share in the national income of each separately taken group of the population; 2) find out the share of the city and the countryside in the total amount of the national income; 3) install the share of the national income utilised by enterprises in the socialised sector.

The share of each group of the population in the national income determines its place and role in production and distribution, characterises the class essence of our economy and the progress that we are making in socialist construction. The latter is especially important, because “the question of the distribution of the national income by class is a fundamental question from the point of view of the material and cultural

situation of workers and peasants”¹.

The transformation of our country from an agrarian-industrial into an industrial-agrarian one increases the share of the urban population in the national income. Over the past years, this has been characterized by the following indicators (in percentages to the total):

	1928	1929	1930	1931
The share of the agricultural population in the national income	56,5	52,7	54,1	53,2
Share of non-agricultural population	43,5	47,3	45,9	46,8
Including the proletariat	31,2	36,1	36,2	37,8

With a general increase in the income of the non-agricultural population, the income of the proletariat is growing at an even greater rate, with a significant reduction in the share of the capitalist group (from 4% in 1928 to 1.4% in 1931).

As for the share of the socialised sector, its volume and the growth rate is determined by the enormous growth of enterprises in the socialised sector. In the national income calculated by the personal method, this share increased from 8.2% in 1928 to 17.5% in 1931. Based on the foregoing, the social grouping for calculating the national income by the personal method should be as follows:

¹ Stalin, “Questions of Leninism”, p. 667, Partizdat, 1932.

1. Non-agricultural population:

1) the proletariat: a) workers, b) office workers, c) other proletarian population (daily variable workers, etc.); 2) artisans and handicraftsmen: a) cooperative producers, b) non-cooperative producers; 3) capitalist group: a) industrialists, b) small traders; 4) other population.

2. Agricultural population:

1) agricultural proletariat, 2) collective farmers, 3) individual farmers: a) poor peasants, b) middle peasants, c) kulaks.

3. Incomes of the socialised sector.

Vulgar bourgeois economists, denying the historically determined class content in the category of the national income, establish as the object of calculation “the sum of individual incomes generated in any economy.” At the same time, they completely ignore the unity of production and distribution, the unity of the reproduction process as a whole, due to which a complete rupture of the results of the application of personal and real methods of calculation is obtained. On the whole, however, the results of the calculation do not follow from the real process of social reproduction; moreover, denying the reality of the social product, which must be operated by a researcher who establishes the size of the national income, they argue that the real method is based on a “fictitious idea” of the totality of newly created social value. Hence the preference they give to the personal method of calculation. So, according to **L.N. Litoshenko**, the sum of material assets produced during the year in a given country is an object of calculation by a real method. Along with this, it is emphasised that “the concept of a national product (the national product is

understood as the sum of material values produced during a given year.—Ed.) Is insufficient already because it proceeds from the idea of the national economy as a single” pseudo-economy...”. Therefore, Litoshenko believes that “the national income is made up of individual incomes, and each’ individual income is already complete reality and really significant value¹. This opposition of the two methods logically “justifies the plurality of concepts” of national income, which is proposed by bourgeois economists, “There are two concepts of national income and, accordingly” two methods of calculating it¹. On the other hand, it is necessary in order to bypass or even veil the inner social classes the content of the national income in such a way that the structure of the calculated income does not reflect either the nature of the existing mode of production or the existing system of class distribution.

For example, prof. Litoshenko sets as the “criterion” for determining the class is not the relation to the means of production, but the height of income. “This principle is the only way to approach: the social grouping of society ... according to the amount of income received, regardless of the source of their receipt”². In essence, S. A. Falkner stands on the same positions, who in his “positive solution of the most important questions” of calculating the national income completely forgot about classes, replacing them with “personal income”, “simple summation of individual incomes”, “national product”. As a result, like all other bourgeois economists, under the national income the

¹ Litoshenko, National Income, pp. 6-7.

¹ Litoshenko, National Income, p. 7.

² Ibid., p. 12.

countable category, constituting “The aggregate income of all individuals and economic associations” (**B. Lederer**), or “the sum of all income received by members of a given nation during this year” (**Benham**), or “the amount of income received from any sources individually or collectively by persons living in the country” (**Bowley and Stamp**) etc.

4. Redistribution of National Income and the Role of the Financial System

Transitional finance, as clarified in the first chapter, represent a tool for the planned redistribution of the national income. Hence, the task of studying their redistributive role is to determine the entire internal mechanism—the financial system, the action of which provided the redistribution in 1932 of more than half of the total amount of the national income.

National income created in the production process and distributed between sectors and social groups of the population (profits of the socialised sector, wage funds for workers and cooperative handicraftsmen and artisans, incomes of collective farmers and individual peasant peasants, incomes of independent city producers employed in the sphere of material production, and surplus value capitalist elements in production sectors) is then redistributed both in the exchange of goods and services (pricing processes) and through the financial levers of the proletarian state.

The main directions of redistribution processes are:
1) redistribution between the socialised and private sectors of the economy and between different classes

and groups of the population; 2) redistribution within the sectors of the economy, between individual enterprises and within the social groups of the population; 3) redistribution between the city and. in the countryside, which also includes redistribution between industry and agriculture; 4) redistribution between the economic regions of the country. A specific characteristic of each direction of redistribution can be given only on the basis of a detailed scheme of movement of the national income through the spheres of production, distribution, redistribution and consumption.

The regularity of the development of the Soviet economy is the constant increase in the specific weight of the socialised sector in the production and distribution of the national income.

During the years of the first five-year plan, the growing role of the socialised sector is illustrated in the following indicators (in prices of 1926/27, as a percentage of the total):

	1928	1929	1930	1931	1932
Public sector	43.9	48.2	52.4	56.2	—
Co-operative	9.8	14.1	21.3	25.5	—
Total socialised sector	53.7	62.3	73.7	81.7	91.0
Private sector	46.3	37.7	26.3	18.3	9.0

The share of the socialised sector is steadily increasing from year to year from 53.7% in 1928 to 91% in 1932. In accordance with this, the role of the private sector is decreasing. This process is carried out on the basis of the huge growth rates of the national income of the USSR as a consequence and an indicator of the advantages of **our planned economy in front of a spontaneous capitalist economy.**

For 1925-1932, we had the following data on the movement of the national income in the main capitalist countries and in the USSR:

	1925	1926	1927	1928	1929	1930	1931	1932
USA (billions of dollars)	79.5	82.0	83.0	83.5	84.0	71.0	—	40.0
England (billion pounds)	4.1	3.8	4.3	4.2	4.4	4.4	4.0	—
Germany (billion marks)	54.3	56.2	62.5	69.0	70.6	70.2	57.1	—
USSR (billion rubles at constant prices)	—			26.4	28.8	33.4	37.8	45.1

Absolutely insignificant growth, and in 1930-32. the decline in the volume of the national income in the capitalist countries is opposed from year to year by the growing volume of the national income in the USSR.

Thus, in 1929 the national income in our country increased by 9.2%, in 1930—by 15.8%, in 1931—by 13.9%, and according to the 1939 plan it should grow by 29.9%. To the level of 1928, our national income increased in 1931 by 185%.

Along with the general growth of the national income of the USSR, the share of heavy industry in it is increasing. The share of the census industry increased from 21.7% in 1928 to 35.2% in 1931, the industry of group “A”—respectively from 11.6 to 17.6%. The share of industry, together with transport and construction, respectively, increased from 34.2 to 54%.

By redistributing the national income, the financial system thereby exerts a powerful influence in the field of the very creation of the national income. The significance of the financial system here is determined by the direction of resources along the line of capital construction, the increase in the working capital of the

national economy and social and cultural construction, as well as the daily exercise of ruble control over the activities of enterprises in the socialised sector.

The net production created within the socialised sector is divided mainly into the following parts: the wages of workers, including the socialised fund, the accumulation of enterprises in the form of surplus product, incomes of cooperative producers (salaries of members of industrial cooperation and other types of production cooperation) and monetary receiving collective farmers for workdays. The ratio of these parts in the total income of the socialised sector is established by the plan, thereby testifying to the absence of antagonism between them, inherent in the commodity capitalist economy.

If in a capitalist economy the formation of an accumulation fund is in direct contradiction with wages, then in our economy the policy of wages, for example, is in unity with the policy of accumulation of a socialised economy. As a result, the rapid increase in the accumulation fund of enterprises in the socialised sector is accompanied by an equally significant increase in wage funds (as a percentage of the previous year):

	1929	1930	1931	1931
The growth of the national income created in the census industry	24.2	27.0	25.2	38.0
Growth in incomes of workers' cities	20.9	33.6	48.3	25.2
Growth of the socialised payroll fund	9.8	34.7	75.0	—

The entire salary fund, including the salary generated in the order of the redistribution of the national income, increases from 9,580 million rubles in

1929 to 26.8 billion rubles in 1932. In addition, we have great growth in the area of the socialised wages fund. Thus, the redistribution of the national income, created within the socialised sector, occurs with a simultaneous increase in the income of the working people and savings of enterprises.

Newly created net products in the small-scale commodity sector come at the disposal of producers in the form of basic income of small producers. Thanks to the collectivization of agriculture, the share of non-collectivised peasant farms in recent years has been reduced from 43.4% in 1928 to 6.8% according to the plan in 1932. The same is happening in the group of small producers in the city, where the processes of socialisation (cooperatives) increase the share of cooperative producers, correspondingly reducing the share of non-cooperative ones.

As a percentage of the total, the ratio between cooperative and non-cooperative handicraftsmen and artisans in the total amount their national income is characterised by the following data:

	1928	1929	1930	1931	1932
Income of cooperative handicraftsmen and artisans	31.1	40.2	50.8	53.2	77.5
Income of un-cooperative handicraftsmen and artisans	68.9	59.8	49.8	36.8	22.5

As for the national income created in the capitalist sector, it is distributed to the wages of the workers employed in this sector and to the surplus value of the bourgeoisie. The rapid growth of the socialised sector restricts, displaces and eliminates this sector in our economy. At this stage of construction, the role of the capitalist sector in the creation of national income is

quite insignificant. In 1932, the role of the capitalist groups of the city and village in the national income is about 0.8%. This insignificant role, however, does not mean that the class struggle is “fading away”. On the contrary, the intensification of the class struggle in connection with the process of eliminating the last capitalist elements in our economy is manifested in their desire to win a greater place in the income. This determines the need to strengthen class vigilance, especially in connection with the fact that private capital, displaced from the sphere of production, switches to speculation and thereby seeks to snatch a share of the national income without participating in its creation. At this stage of socialist construction, the capitalist elements have completely turned into parasitic elements in our national economy.

This is basically the characteristic of the distribution of national income between social groups and sectors of the economy. As already indicated, the national income is then subjected to further redistribution, which changes its initial distribution, thus forming a system of derived incomes.

The redistribution of the national income is carried out by a number of methods, with our financial system playing the main role. By mobilising a certain part of the national income for individual sectors and social groups of the population through a number of specific financial methods, directing it to the national economy, our financial system thereby influences the course of expanded reproduction, actively participating in the creation of accumulation funds in the socialised sector, and also regulating accumulation of the capitalist sector.

The specific characteristics of the redistribution

methods used by the financial system are determined by the nature of the sources of national income creation, the specific ratio of classes and sectors. The methods of redistributing savings in the socialised sector differ from the methods of redistributing savings in the non-socialised sector. Only enterprises of the socialised sector are subject to turnover tax, while in the system of taxation of non-socialised economy there is no turnover tax, but there are a number of other methods of tax exemptions (trade tax, income tax, excess profit tax, etc.).

The role of the financial system in the redistribution of the national income is invariably increasing throughout the transition economy, with the socialised sector becoming the main source of the redistribution of funds. Of the total amount of Zhokhodov in the 1932 state budget, 30.9 billion rubles. about 22 billion rubles, or 80% of all income, falls on the income received by the “socialised sector”; in 1933 it is planned to receive 28 billion rubles for the socialised sector at 35 billion rubles. of all state budget revenues. Such an increase in the volume and role of savings in the socialised sector has become possible only on the basis of practical implementation of the 6th historical condition of Comrade Stalin on the need for the further development of industry and agriculture “to ensure that it is put into action new sources of accumulation, liquidate mismanagement, introduce cost accounting, reduce costs and raise inter-industrial accumulation¹.”

The predominant importance of the socialised sector in our economy has created all the prerequisites for the

¹ Stalin, Questions of Leninism, p. 770.

development of a huge financial program for the redistribution of funds, not only within the socialised sector, but also in order to attract funds from the population. The growth of socialist industry has increased the number of people employed in production, significantly increased their monetary incomes, and completely eliminated unemployment in our country. Along with this, the collectivisation of agriculture farms and the development of collective farm trade ensure the growth incomes of collective farmers and the individual working peasantry, cooperation of handicraftsmen and artisans and the deployment of their production program increases the growth of savings among the population and their inclusion, the main one way by organised accumulation, in the cause of socialist construction.

Along with this, not only does not weaken, but the active role of the financial system in the elimination of the kulaks as a class on the basis of complete collectivisation and in the fight against the speculator is not weakened, the program of withdrawing the savings of these groups of the population through direct taxes and fees is significantly intensified.

The accumulation by the financial system of the accumulations of the socialised sector and the savings of individual social groups of the population determines the general program for the redistribution of funds, and, consequently, the general program for the redistribution of the national income.

The direction of the financial system of associations in the national economy is also subordinated to the economic and political tasks of a given period of time. In general, this direction of funds is productive in our country, in contrast to the redistributive role of

capitalist finance. At the present stage, the overwhelming share of the financial plan's resources goes to finance capital construction. If in a capitalist state 60–80% of budget expenditures are associated with military expenditures and repayment of pledges for military government loans, then in our budget expenditures on administration and defense account for only 6% (1932) of all expenditures.

The redistributive role of the financial system is determined by the fact that the direction of funds, primarily in terms of volume, does not coincide with the amount of funds mobilised by the financial system by sources. Thus, the accumulations of transport can be directed to industry, the accumulations of public sector—to the cooperative sector and vice versa, the funds of the non-socialised sector are spent within the socialised economy, etc.

Analysis of these relationships or the balance of calculations for the accumulation and redistribution of funds reveals the specific content and role of the financial system.

Mentioned more at the XI. Party Congress tasks of tax policy to regulate accumulation processes “by direct taxation of property, income, etc.” are of great importance to the present time.

The regulation of accumulations in the capitalist sector, on the one hand, limits, displaces and eliminates its reproduction, and on the other hand, redistributes funds for socialist construction. Saboteurs like Yurovsky, limiting the concept of finance to the framework of resources created within the socialised sector, sought to paralyse this regulatory significance and the redistributive role of tax policy in relation to the capitalist sector. All their calculations on direct taxes

falling on the private capitalist sector were clearly underestimated, which in practice could lead to a faster reproduction of these elements in our economy.

Right-wing opportunists, objectively reflecting bourgeois ideology in financial planning, imposed parties such a policy, which was supposed to practically also lead to the expansion of the role of the private capitalist sector. This policy was supported by specially created theories: “equilibrium,” “the peaceful growth of the kulak into socialism,” “the stability of the peasant economy,” “feudal exploitation of the peasantry,” etc. The Party has exposed the subversive work of the wreckers, exposed right-wing opportunism and is unswervingly pursuing the Leninist policy of building a classless socialist society in our country, while doing all it can to develop the socialised sector, redoing the small-scale commodity sector and narrowing, ousting and eliminating the capitalist sector.

The most revealing example of intra-sector distribution is the movement of funds through the financial system within the socialised sector. Reconstruction of the national economy presupposes a change in the initial distribution of the accumulations of the branches of the national economy. New industries are developing, new factories and plants are being built, equipped on the basis of the latest achievements of science and technology. For the accumulations of some industries, factories, plants are redistributed to other areas of the socialised sector, to other objects construction. The task of the financial system is reduced primarily to identifying the maximum amount of funds for individual industries and enterprises of the socialised sector and directing them to meet the needs of new capital construction. The main directions of such

redistribution within the socialised sector are the redistribution of funds between the branches of heavy and light industries, the formation of a fund for the development of social and cultural construction and to cover the costs associated with the management and defense of our country.

Reconstruction of the branches of heavy industry presupposes a certain withdrawal of its accumulations and their expenditure on the development of new branches, on the construction of new factories and plants and on the development of new economic regions. Therefore, the financial system, represented by the state budget, with the help of deductions from profits and turnover tax, mobilises funds from enterprises in the branches of heavy industry and directs them back to heavy industry, but along completely different paths.

As for the savings in the light industry, they are directed in the order of redistribution between individual branches and enterprises of the light industry, but to a large extent in the heavy industry, for “it must be borne in mind that a faster turnover in light industry (production of essential goods) allows you to use its capital for the construction of heavy industry, provided the development of light industry”¹. This redistribution is determined by the fact that the technical basis for the development of light industry is our heavy industry. It is thanks to the success of industrialisation of industry and collectivisation of

¹ From the Resolution of the XV. Congress of the CPSU (B) on the Five-Year Plan. M. Savelyev. A. Poskrebshchev, “Directives of the CPSU (B) on Household Management Questions”, p. 411, Sotsekgiz, 1933.

agriculture at the present stage turned out to be possible, along with the growth of heavy industry, the accelerated development of the branches of the light industry. Back at the XVI. Party Congress, Comrade Stalin noted that “what is new in the development of our industry consists, among other things, in the fact that we now have the opportunity to develop at an accelerated rate both heavy and light industry.” “Until now, we have been saving on everything, including light industry, in order to restore heavy industry. But we have already restored heavy industry. It only needs to be expanded further. Now we can turn to light industry and move it forward at an accelerated pace.”¹

Hence the tasks of the financial systems are reduced at the present stage to the fact that, based on the given optimal ratios of the development of light and heavy industry, to determine the program of redistribution of funds both within the light industry and between it and heavy industry.

The redistribution of funds between the city and the countryside, between industry and agriculture, also finds its concrete expression in the activities of our financial system. And in capitalist countries, the bulk of the peasantry inevitably goes bankrupt, and the contrast between the city and the countryside deepens, then in our economy, socialist industrialisation is a powerful lever for the socialist suppression of agriculture. The antithesis between the city and the countryside is gradually being destroyed by bringing a new technical base for agriculture, switching individual peasant labor farms to large-scale production on the basis of the deployment of collective farm construction.

¹ Stalin, “Questions of Leninism”, p. 697, Partizdat, 1932.

The task of the financial system here is to promote the elimination of the antithesis between the city and the countryside-this legacy of capitalism-by reallocating the funds of activism. By mobilising part of the funds from agriculture, the financial system directs them to the economy. more funds are invested in agriculture in the form of capital investments and social and cultural construction of the village. Switching small-scale individual agricultural production to the path of large-scale socialized production requires the creation of a solid technical base by supplying the village with tractors and modern agricultural machines. During the four years of the First Five-Year Plan, the financial system allocated 13.8 billion rubles to agriculture instead of the expected 7.8 billion rubles over five years.

5. The Concept of a Single Financial Plan

Organisational forms through which the financial system accumulates and redistributes the national income, are in our economy the budget system and financial plans. Only an analysis of the budget and financial plan can give us a concrete illustration of the role of finance in the redistribution of the national income. However, a prerequisite for an “unavailable analysis should be a clear establishment of the distinction between the budget and the unified financial plan” in terms of their redistributive role.

The practice of financial planning in recent years is characterised by internal qualitative shifts that have taken place in the fiscal system, expressed in particular

in the transition to drawing up a single financial plan along with the state budget. In a government decree of May 23, 1930, it is noted that “the achieved successes of the planned economy make it possible and necessary to raise financial planning to a higher level and to cover the finances of the socialised sector with a single financial plan.”¹

In the decisions of the December plenum of the Central Committee of the CPSU (B) (1930), also dated, it is noted that “the successes of the planned socialist economy allowed the transition in the field of finance to the system of a single, financial plan covering all the country’s funds spent on capital construction, replenishment of circulating assets of the” socialized economy, culture, management and defense “of the USSR.

Drawing up a unified financial plan became possible only in the conditions of our developing economy. on the basis of the socialist plan, moreover, the direct transition to its preparation is determined by the strengthening of the planning principle, the growth of the socialized sector in income and expenses. financial system, as well as the need to develop and strengthen synthetic financial planning as the main method of checking a number of balance sheet problems of finance as a whole (capital investments, mobilisation of funds from the population, the balance of incomes of the socialised sector, etc.). We have already pointed out that bourgeois economists-saboteurs from the very first days tried to discredit the social-class essence of our

¹ “The budget system and the unified financial plan of the USSR”—a collection of All-Union legislation, compiled by S. Glezin, p. 12, Sov. Legislation”.

financial plan. For example, M. Bogolepov came to the “conclusion” that the very concept of a financial plan this term is not entirely new. On the contrary, there is a long history behind it ... There are several examples of their financial plans ... Such a plan was developed by the famous financial man of England, William Pitt-junior ... In 1879 Bismarck drew up a general financial plan for the newly formed German Empire ... In 1890, the Prussian statesman Minel draws up a plan for Prussian finance ... The experience of building a general financial plan was made in old Russia at the very beginning of the 20th century, when M. M. Speransky developed the main provisions of the financial structure of the Russian state, etc., etc.²

In an effort to disrupt the course of our construction, these economists tried to use the financial front of work to implement their bourgeois attitudes both in theory and in the practice of their subversive work. Therefore, the reasoning of the wrecker Mikeladze is not accidental, who saw in the financial plan a technical means for combining into a single financial document all plans of financial institutions (state budget, local, state insurance, social insurance, credit system) and plans of sectors of the national economy¹.

The essence of a unified financial plan is due to its role in financial planning and the redistribution of national income. In particular, the emergence of a financial plan is dictated by the transition to synthetic financial planning, which makes it possible to reveal and identify financial processes in their entirety. Therefore,

² M. Bogolepov, “Financial Plan of the First-Five Years”, p. 9–10.

¹ M. Mikeladze, “Unified Financial Plan”.

the national income is reflected in a single financial plan in a much larger volume than that part of the national income that passes through the state budget. At the same time, the role of the financial plan in the redistribution of the national income is different in comparison with the role that belongs to the state budget. If the financial plan covers and redistributes the national income insofar as it is previously covered by the financial plans of financial institutions and sectors of the economy included in it, then the state budget is an independent plan for the redistribution of the national income.

The financial plan covers both that part of the national income, which is redistributed by financial institutions, and that part of it, which is the accumulation of sectors of the economy and is not subject to redistribution. In addition, the financial plan reflects depreciation accumulations that are not related to the national income. Consequently, by their nature, the funds included in a single financial plan can be divided into the following groups: a) funds redistributed by financial institutions; b) funds accumulated by the plans of sectors of the economy in the form of profits, and c) depreciation accumulations.

This volume determines the essence of a single financial plan and the boundaries of its coverage of the national income. With the accumulation of experience in drawing up a single financial plan, various authors approached the definition of its task and essence in different ways. Moreover, their definition of the financial plan was extremely general.

We have such a definition in the “Experiments in drawing up a financial plan for 1928/29” published by the Economic Planning Department of the NKF of the

USSR².

“The main tasks facing the financial plan,” says these experiments, “can be summed up: 1) to determine the methods of optimal and most expedient financial servicing of the national economic plan; 2) to actively influence the national economy through financial and political measures in terms of achieving certain socio-economic goals, since in conditions of the monetary economy, the financial system is one of the. the most powerful levers of such regulation; 3) to achieve in this way a definite, predetermined, redistribution of the national income between classes of the population, regions and branches of the economy; 4) to identify the mutual dependence of certain financial measures.

By its generality, this definition, in essence, does not reveal those special tasks that a single financial plan should resolve. Its main point speaks of “the methods of the optimal variant and the most expedient financial servicing of the national economic plan,” but the definition of the tasks of a unified financial plan should not consist in general indication of such a “service”, and in determining **what** this service should be precisely through a **single financial plan**. The second point of the definition speaks of “active influence on the national economy through financial and political measures.” But even this: the definition does not indicate which aspects of a single financial plan provides an active impact on the national economy. But this is precisely its role in the redistribution of the national income. The third point speaks of one of the main tasks of the entire national economic plan, and in

² Bulletin of Finance 1929 № 2, p. 66.

general not about the main tasks of the actual financial plan: According to the last paragraph of the definition, the tasks of the financial plan also include “identifying the mutual dependence of financial measures.” This statement is incorrect: financially it is not about “revealing” mutual conditionality, but about the establishment of a certain financial system for the accumulation of resources and their spending on individual activities.

According to another definition, belonging to a group of employees of the State Planning Committee of Ukraine, the unified financial plan is the final synthetic part of the national economic plan, in which, on the basis of the projected level of production and the level of income, a system of financial measures is established: 1) for the redistribution of the national income, 2) for ensuring and accumulation of the necessary amount of accumulation and 3) on the movement of circulating resources and the provision of the national economy with circulating assets and reserves in accordance with the provisions of the plan for the development of the national economy and socio-cultural activities.¹

According to this definition, the task of a unified financial plan is to “establish a system of financial measures” aimed at “redistributing the national income”, at “ensuring the necessary amount of accumulation” and at financing the national economy and socio-cultural needs in accordance with the

¹ "Unified financial plan (methodology and construction scheme)", p. 10. Compiled by TT. Schmidt, Bogorad, Polyakov, and Shafir. Proceedings of the State Planning Committee of the Ukrainian SSR. Kharkiv, 1928

outlined plan for their development. Thus, it speaks of the general tasks of the national economic plan, but, with the exception of the last point, it does not at all speak of the specific tasks of the financial plan itself; in other words, it does not say that it is the financial plan that should be given to ensure the proper regulation of the national economy.

This is the main defect in defining the tasks of a unified financial plan given by a group of employees of the State Planning Committee of Ukraine. But this is not just a defect in the wording. It is largely associated with a special understanding of the methods of drawing up a single financial plan and the procedure for its application. This is already indicated in the introductory part of the above definition. As a result of the adopted directive, a single financial plan is completely divorced from separate operational financial plans, which directly regulate the financial economy of state and public organisations; in other words, a unified financial plan loses the property of being implemented in operational financial plans in the absence of a proper reality of the indicators outlined by their schemes.

The third definition of the tasks of a unified **financial plan** was put forward by **S. V. Shakhnovskaya** in a report at a conference on financial questions of the Five-Year Plan on April 16/19, 1929 under the USSR State Planning Committee.

S. V. Shakhnovskaya argued that “a single financial plan:

1) shows how, in what ways, with the use of what organisational methods and forms, with what accumulation and with what use of resources, a balance is achieved between the expanded reproduction of the national economy and finance, the balance of the

financial system as such;

2) gives a unified plan of financial policy along the lines of the main tasks of tax policy, government loans, accumulation policy and credit policy;

3) provides a plan for financing the national economy in accordance with the objectives of economic policy;

4) determines the conditions for the fulfillment of social tasks;

5) establishes the optimal type of development of the structure of the financial system, an adequate national economic model of building socialism (budget, loans and prices in their optimal combination).”

This definition favorably differs from the first two in that it tries to define the tasks of a **financial plan**, which has as its object the financial economy of the state and public organisations, and does not operate with general economic concepts like the first two definitions.

However, it also suffers from a significant drawback. It ignores the meaning of digital expressions and sees the financial plan rather as a financial policy plan in which digital expressions play only a secondary role. Meanwhile, in our conditions, the most important thing for a single financial plan is digital expressions: 1) the financial plan should, first of all, provide a **balance** of the planned resources and costs for the entire state or even socialised economy; 2) it must, further, express in numbers a number of elements and relations in the financial economy of the state with various social groups of the population and sectors of the economy. Without giving a balance of income and expenses and not expressing in figures a whole range of other elements and relations in the financial economy of the

state and public organisations, a single financial plan in our conditions loses almost all significance. Without attaching directive and planned significance to a number of figures in a single financial plan, a financial policy plan for the entire socialised economy cannot be outlined.

A single financial plan should give such a description of the elements and relations in the financial economy of the state and public organisations (cooperatives, trade unions, etc.) that would provide a **sufficiently unified** financial planning of the state economy and the most important public organisations engaged in economic activities or serving the cultural and social needs of the population. Its content and meaning are determined by an exhaustive and sustained solution of the following main points:

- 1) determination of the total amount of resources accumulated by the system of a unified financial plan and subject to planned redistribution;

- 2) methods of their accumulation (structure of incomes of the state and socialised economy);

- 3) the place and role of individual institutions of the state and socialised economy in the accumulation of resources and costs for individual sectors of the national economy;

- 4) sources and forms of financing of certain industries national economy, social and cultural construction, management and defense;

- 5) the distribution of the funds of the unified financial plan by sectors of the national economy and types of financing;

- 6) a comparative characteristic of individual institutions of a socialized economy in terms of the incomes they receive and the costs they produce

(characteristics of individual institutions that accumulate resources and spend them, as elements of a socialised economy);

7) settlement relations between sectors of the national economy and public administration and the financial system;

8) settlement relations within the financial system;

9) redistribution of resources between socialised and non-socialised sectors of the national economy;

10) capital investments in the national economy at the expense of the resources of the socialised economy and the state of the fixed assets of the socialised sector.

Consequently, a single financial plan provides a detailed picture of financial relations developing within the socialised sector, as well as between the socialized sector and the population for the redistribution of national income. This provides the definition of a strict relationship between the movement of financial resources and material assets, which is achieved by the balance method of financial planning. The active importance of finance in organising the expanded reproduction of socialist relations is fully revealed when we take the entire set of financial relations expressed in a correctly drawn up financial plan. Indeed, while studying the state budget, this basic, decisive element of the financial plan, we still cannot exhaust the role of the financial system. In particular, one of the most generalising indicators—capital construction—is not fully reflected in the state budget. In 1932, for example, the total volume of capital investments amounted to 22 billion rubles, and only 13.0 billion rubles were allocated under the budget; in the plan of 1933: the total result is 18 billion

rubles, and according to the budget, 13.3 billion rubles. The full amount of financing for capital construction is reflected only in the unified financial plan. The same is true for social and cultural construction, the growth rate of which is determined by the general growth of the reproduction of our economy. The total amount of funding for this industry in 1933 is planned at 11 billion rubles, and the state budget reflects only about 2 billion rubles.

On the other hand, it is possible to determine the overall size and sources of accumulation of the entire socialized sector only by synthesizing them: The same applies to the mobilisation of funds from the population. Finally, the analysis of the methods of redistribution of the national income, which is used by the financial system, is largely determined by the preparation of a unified financial plan.

This determines the role of a single financial plan in the entire financial planning system. However, the unified financial plan is not an operational plan at this time. The operational link of the financial system includes those parts of it that directly redistribute the national income. Such a link at the present stage is the state budget. The complete implementation of the unified financial plan also depends on the implementation of the state budget. Therefore, operational surveillance is established over this crucial part of the financial plan. In this regard, it is necessary to remember the indication in the “Rules and Forms for Compiling a Single Financial Plan for 1932” published by the NKF of the USSR that “on the current hundred. dii single financial plan is only an approximate economic summary of all the resources of the socialised sector of the national economy and is not subject to special

approval in the form of a budget law” (see the preface).

The role and significance of a unified financial plan are set forth with exhaustive clarity in the decree of the Central Executive Committee and the Council of People’s Commissars of the USSR of May 23, 1930: “without eliminating separate operational financial plans (state budget, industrial financial plan, credit plans, etc.) and improve their mutual coordination and ensure the most expedient direction and economical use of funds for the needs of the national economy, culture, administration and defense of the USSR.” Attempts to give the financial plan the character of an operational plan, substituting for the state budget, reflect a lack of understanding of its essence and its specific significance in the matter of financial planning.

The synthetic nature of the financial plan does not turn it into a plan, directly redistributing the national income. Its redistributive role is carried out through the operating financial plans of individual institutions of the financial system (state budget, local budget, credit system, etc.). This, however, does not eliminate the redistributive role of a single financial plan. Establishing, for example, the volume of capital investments, determining the sources of their coverage, bringing into line the individual plans through which they are financed, the financial plan thereby has an active influence on the redistribution of funds. Therefore, those who are trying to generally reduce the role of the financial plan in the redistribution of funds are wrong. At the same time, a feature of the financial plan is that it also includes those savings that are not redistributed at all, in particular a certain share of the profits of a number of industries and depreciation.

The unified financial plan is a method of synthetic

financial planning that ensures the linkage of funds accumulated in the national economy, allocated for capital construction, replenishment of working capital, financing of culture, management and defense of the country.

REVIEW QUESTIONS

1. What do we mean by the national income and what is the relationship between the content of the national income and the social nature of the reproduction process?

2. What is the commonality and difference between the personal and real method of calculating the national income? Why should the results obtained by each of these methods be the same?

3. What role does the financial system play in the redistribution of the national income, and what are the main channels and methods of this redistribution?

4. What is the main content and significance of drawing up a single financial plan?