

# **POLITICAL ECONOMY TEXTBOOK**

## **SECTION THREE SOCIALIST MODE OF PRODUCTION**

- A. Transition Period from Capitalism  
to Socialism**
- B. Socialist System of the National  
Economy**

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# ПОЛИТИЧЕСКАЯ ЭКОНОМИЯ



УЧЕБНИК

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ГОСУДАРСТВЕННОЕ ИЗДАТЕЛЬСТВО  
ПОЛИТИЧЕСКОЙ ЛИТЕРАТУРЫ  
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# INTRODUCTION

*Political economy is a social science.<sup>1</sup> It studies the laws of social production and distribution of material goods at various stages of the development of human society.*

*Material production is the basis of society's life.*

*To live, people must have food, clothing, and other material goods. To have these goods, people must produce them, they must work.*

*People produce material goods, that is, they fight against nature, not alone, but together, in groups, in societies. Consequently, production is always and under all conditions social production, and labour is the activity of a social person.*

*The process of producing material goods involves the following points: 1) human labour, 2) the object of labour, and 3) the means of labour.*

*The object of labour is everything to which human labour is directed. The objects of labour can be directly given by nature itself, for example, a tree that is cut in the forest, or an ore that is extracted from the bowels of the earth. Objects of labour that were previously exposed to labour, for example, ore at a metallurgical plant, clapping at a spinner and a factory, are skewed by the name of a building or raw materials.*

*The means of labour are all those things, with the help of which a person influences the product of his labour and .... the production area, as well as the production facilities, roads, canals, roads, etc. In the composition of the means of labour, the determining role belongs to the tools of production. These include a variety of tools that a person uses in his work, starting with the rough stone tools of*

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<sup>1</sup> The name of the science 'political economy' comes from the Greek words: 'politeia' and 'onkonomy', The word 'politeia' means 'social organisation'. The word 'oikonomy' in turn consists of two words: 'oikos' — house, household and 'nomos' — law. The name of the science 'political economy' appeared only at the beginning of the 17th century.



*primitive people and ending with modern shells. The level of development of the tools of production serves as a measure of the power of society over nature, a measure of the development of production. Economic epochs differ not in what is produced, but in how it is produced, with what tools of production.*

*The objects of labour and the means of labour constitute the means of production. The means of production by themselves, out of connection with the labour force, they represent only a pile of dead things. In order for the labour process to begin, the labour force must connect with the instruments of production.*

*Labour force is a person's ability to work, a set of physical and spiritual abilities of a person, thanks to which he is able to produce material goods. The working element is an active element of production, it sets in motion the production environment. With the development of production tools, a person's ability to work, his ability, skills, and production experience also develops.*

*"The instruments of production by means of which material goods are produced, the people who set in motion the instruments of production and carry out the production of material goods thanks to known production experience and skills for work—all these elements together constitute the productive forces of society.<sup>1</sup> The working masses are the main productive layer of human society at all stages of its development.*

*Productive forces constitute one side of production. They express the attitude of people to the objects of nature.*

*The other side of production consists of production relations. Production relations are the relations of people to each other in the process of producing material goods. Production relations are just as necessary an element of production as productive forces.*

*The technical side of production is studied by natural and technical sciences: physics, chemistry, metallurgy, machine science,*

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<sup>1</sup> J. V. Stalin. *On Dialectical and Historical Materialism, Questions of Leninism*, ed. 11, 1952, p. 589.

agronomy, and each other. Political economy studies the social system of production, social production, that is, economic relations of people, the laws of the development of production relations.

Production relations include: a) forms of ownership of the means of production; b) the resulting position of various social groups in production and their relationship; c) forms of distribution of products that are entirely dependent on the forms of ownership and on the position of social groups in production.

At each stage of historical development, the basis of social production relations is a certain form of ownership of the means of production.

The state of productive enterprises answers the question of how people produce the material goods necessary for them with the tools of production, the state of production relations answers the question: in whose possession are the means of production (land, forests, water, subsoil, raw materials, tools of production, industrial buildings, means of communication, etc.)—they are at the disposal of the whole society and at the disposal of individuals, groups, classes who use them to exploit other persons, groups, classes.

In other words, the state of production relations shows how the means of production and, consequently, also the material goods produced by people are distributed among the members of society. The relations of production determine and correspondingly the relations of distribution.

The products produced in society serve industrial or personal consumption. Productive consumption is the use of the means of production to create material goods. Personal consumption is the satisfaction of a person's needs for food, clothing, food, etc.

The distribution of manufactured consumer goods depends on the distribution of the means of arbitrariness in the household. In a capitalist society, the means of production belong to the capitalists, in view of which the products of labour also belong to the capitalists. The workers are deprived of the means of production and, in order not to starve, are forced to work for capitalists who appropriate the products of their labour. In a socialist society, the means of

*production are public property. In view of this, the products of labour belong to the workers themselves.*

*The totality of people's production relations constitutes the economic structure, or the economic basis, of society. The basis is the economic structure of society at this stage of its development. The basis of society also determines the superstructure corresponding to it, that is, political, legal and other views and institutions. Having been born, the superstructure, in turn, has the opposite active effect on the basis, accelerating or delaying its development.*

*Political economy studies social and industrial relations in their interaction with productive forces. .... form a production method.*

*The productive forces of society can develop unhindered only if the productive forces correspond to the state of the productive forces. When the productive forces outgrow the framework of these production relations, these latter grow old and become a brake on the further development of productive forces. A contradiction arises and develops between the new productive relations and the old production relations.*

*As a result, the old production relations are replaced earlier or later by new production relations, corresponding to the achieved level of development to the nature of the piercing forces of society. The new relations of production are the main and decisive force that determines the further development of powerful productive forces and without which productive forces are doomed to stagnation.*

*Thus, the economic law of the development of society is the law of mandatory compliance of productive relations with the nature of permissive forces.*

*In the depths of the old society, material prerequisites arise and develop for changing the old way of permissiveness with a new, higher one. In a society based on the private property exploitation of man by man, conflicts between productive forces and production relations manifest themselves in class struggle. In these conditions, the change of the old mode of production by the new one is carried out through social revolution.*

*Full economic economy deals with material production in its historically defined social form, with economic laws inherent in the corresponding methods of production, corresponding to social formations. Each method of production has its own basic economic law. The basic economic law is such a law that defines me any particular side or any particular processes of production development, and all the main stores and all the main processes of development, respectively, determines the essence of this method of production. However, individual social forms in their own way comply not only with their own specific economic laws, but also with eco-economic laws which are common to all formations, for example, the law of mandatory compliance of permissive relations with the nature of the permissive forces. Consequently, social formations are not only separated from each other, but also connected with each other by economic laws common to all formations.*

*The laws of economic development, as well as the laws of natural science, are objective laws reflecting the processes of economic development that occur independently of the will of people. Economic laws arise and operate on the basis of certain economic conditions. People can discover these laws, know them and, relying on them, use them for the interests of society, but they cannot destroy them or create new economic laws.*

*The use of economic laws in a class society always has a class background, and the standard-bearer of the use of economic laws in the interests of the developed society is the advanced class, while the aging classes resist this. In the era of the reformation, the advanced class of society uses against the old system the law of mandatory conformity of production relations to the character of the productive forces, breaks the resistance of the old ruling classes, overthrows the existing production relations and creates new arbitrary relations corresponding to the nature of the productive forces that have grown up in the bowels of the old system.*

*Political economy is a historical science. She studies the following well-known history of the main types of industrial relations: primitive communal system, slave system, feudalism, capitalism, socialism. The primitive communal system is a pre-class social system. The slave-owning system, feudalism and capitalism represent various forms of society based on the enslaved exploitation of the working masses. Socialism is a social system free from human exploitation by man.*

*The full economic theory investigates how development proceeds from the lowest stages of social production to its highest stages, how social orders based on the exploitation of man by man arise, disintegrate and are destroyed, It shows how the whole course of historical development prepares for the victory of the socialist mode of production. She further studies the economic laws of socialism, the laws of the emergence of a socialist society and its further development on the way to the highest phase of communism.*

*Thus, political economy is the science of the development of socio-industrial, that is, economic, relations by the distribution of necessary consumer goods—both personal and industrial consumption—in human society on ....*

*As you can see, political economy does not study any transcendental questions divorced from life, but the most real and topical questions affecting the vital interests of people, society, classes. Whether the downfall of capitalism and the victory of the socialist economic system are inevitable, whether the interests of capitalism contradict the interests of society and the progressive development of mankind, whether the working class is the stubborn capitalist and the bearer of the ideas of a society liberated from capitalism—all these and similar questions are solved by various economists in different ways. depending on the interests of which classes they reflect. This precisely explains why at present there is no single political economy for all classes of society, but several political economies: bourgeois political economy, proletarian political economy, and finally, the political economy of the intermediate*

*classes, striving to adapt the political economy of the working class to the tastes of bourgeois political economy. savings.*

*But it follows from this that those economists who assert that political economy is a neutral, non-partisan science, that political economy is independent of the struggle of classes in society and is not connected directly or indirectly with any political party, are absolutely right.*

*Is an objective, unbiased political economy, not afraid of the truth, possible at all? Certainly it is possible. Such an objective political economy can only be the political economy of that class which is not interested in glossing over the contradictions and ulcers of the capitalist society, which is not interested in preserving the capitalist order, whose interests merge with the interests of the liberation of society from capitalist slavery, whose interests lie not on the same line as the interests of the progressive development of mankind. So the class is the working class. Therefore, only political economy based on the interests of the working class can be objective and disinterested political economy. Such a political economy is the political economy of Marxism-Leninism.*

*Marxist political economy is the most important component of Marxist-Leninist theory.*

*Marx and Engels for the first time turned political economy into a genuine science. In "Capital"—the main work of Marx—all the main things that Marxism gave before Lenin and Stalin are concentrated. In "Capital" Marx revealed the laws of the emergence, development and death of capitalism, gave an economic justification for the feasibility of the socialist revolution in the establishment of the proletarian culture.*

*Lenin and Stalin enriched the Marxist economic science by summarising the new experience of historical development. They created the Marxist doctrine of imperialism. The highest skill and the essence of economic science is the political economy of socialism, created by Lenin and Stalin.*

*The method of Marxist political economy is the method of dialectical materialism. Marxist-Leninist political economy is based*

*on the application of the fundamental principles dialectical and historical materialism to the study of social production, economic relations of people.*

*The vital force of Marxist-Leninist political economy lies in the fact that it equips the working class, who are toiling the masses with knowledge of the laws of the economic development of society, gives them the power of orientation, clarity of perspective, confidence in the final victory of communism.*

*There are two methods of exposition of Marxist political economy—analytical and historical.*

*In the analytical method, the exposition begins with the general theoretical provisions of political economy, and historical material is used to prove and illustrate these theoretical provisions and conclusions. It is obvious that such a method is designed for a more prepared reader.*

*With the historical method, the stages of the economic development of society are consistently illuminated, beginning with the primitive communal system and ending with the socialist system. The basic principles of political economy—commodity, money, capital, surplus money, etc.—are examined in that historical the sequence in which the corresponding phenomena of the economic life of society arose and developed. There is no doubt that the historical method of presentation is more accessible, since it gradually leads the reader to an understanding of the laws of the economic development of society.*

*This method is the basis for the presentation of the material in this course of full-time economics.*

## **SECTION THREE. SOCIALIST MODE OF PRODUCTION**

### **A. Transition Period from Capitalism to Socialism**



## CHAPTER XXII. MAIN FEATURES OF THE TRANSITION PERIOD FROM CAPITALISM TO SOCIALISM

**Proletarian revolution and the need for a transition from capitalism to socialism.** The entire course of development of the capitalist mode of production and the class struggle in bourgeois society inevitably leads to the revolutionary replacement of capitalism by socialism. As shown above, capitalism gave production a social character incompatible with private capitalistic property and requiring public ownership of the means of production. In the epoch of imperialism, the conflict between the growing productive forces and the bourgeois production relations, which have become fetters for these productive forces, reaches an unprecedented acuteness. The law of the obligatory correspondence of production relations to the nature of the productive forces requires the liquidation of the old, bourgeois production relations and the creation of new, socialist production relations. From this follows the objective necessity of the proletarian, socialist revolution.

In view of the opposition between the foundations of bourgeois and socialist societies, the antagonism of the interests of labour and capital, the peaceful “growing” of capitalism into socialism, as advocated by the opportunists, is impossible. The transition from capitalism to socialism can be accomplished only through the proletarian revolution and the dictatorship of the proletariat, the proletariat by virtue of its own economic position is the only class capable of uniting all working people around itself for the overthrow of capitalism and the victory of socialism.

The proletarian revolution is fundamentally different from all previous revolutions. During the transition from the slave-owning system to the feudal system and from the feudal to the capitalist, one form of private property was replaced by another form of real

property, the power of some exploiters was replaced by another form of exploiters. Because all methods of production based on exploitation have failed. The complete basis—private property and the means of production—the new economic order was gradually maturing in the womb of the old mode of production. Thus, a bourgeois revolution usually begins with the emergence of more or less ready-made forms of the capitalist way of life, which have grown and matured in the depths of feudalism. A bourgeois revolution usually ends with the seizure of power.

The proletarian revolution is aimed at the abolition of private ownership of the means of production and of all exploitation of man by man. It does not find any ready-made germs of a socialist economy. A socialist structure based on public ownership of the means of production cannot grow in the womb of a bourgeois society centred on private property. The main task of the proletarian revolution is to build a new, socialist economy after establishing the power of the proletariat. The seizure of power by the working class is only the beginning of the proletarian revolution, and power is used as a lever for restructuring the old economy and organising a new one.

In view of this, the replacement of the capitalist system by the socialist one requires in each country a special transitional period, embracing an entire historical epoch. “Between capitalist and communist society lies a period of revolutionary transformation of the former into the latter. This period corresponds to both the political transition period, and the state of this period cannot be anything other than the revolutionary dictatorship of the proletariat.”<sup>1</sup> The period of transition from capitalism to socialism begins with the victory of the proletarian revolution and ends with the building of socialism—the first phase of communist society. During the period of transition in the country of the proletarian

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<sup>1</sup> K. Marx, *Criticism of the Gotha Program*, K. Marx, F. Engels, *Selected Works*, vol. II., 1948, p. 23.

revolution, the old, capitalist basis is eliminated and a new, socialist basis is created, and the development of productive forces necessary for the victory of socialism is ensured. During the transition period, the proletariat must temper itself as a force capable of governing the country and re-educating petty-bourgeois masses in the spirit of socialism.

Relying on the propositions of Marx and Engels, Lenin and Stalin created an integral doctrine of the transitional period from capitalism to socialism and the dictatorship of the proletariat, arming the working class of the whole world with a learned knower of the ways of building socialism.

The proletarian revolution whitewashed everything in Russia. Russia has reached a level of development of capitalism sufficient for the dinner of a proletarian revolution. At the same time, Russia turned out to be the focal point of all the contradictions of imperialism, which sharply intensified the process of revolutionising the proletariat and rallying the peasant masses around it. In October 1917, the proletariat of Russia, led by the Communist Party, armed with the Leninist-Stalinist doctrine of the possibility of whitewashing socialism in the whole country, in alliance with the peasant poor, overthrew the power of the capitalists and landlords and established their own dictatorship. The Great October Socialist Revolution, for the first time in the history of mankind, paved the way to socialism, showed an example of what a proletarian revolution in the main should be in any country.

**Dictatorship of the proletariat as a tool for building a socialist economy.** Without the dictatorship of the proletariat as a political superstructure, the economic emancipation of the working people is impossible, the transition from the capitalist to the socialist mode of production is impossible. Since the task of the proletarian revolution is to abolish all exploitation, it cannot do without the demolition of the old state machine designed to suppress the working masses. The proletarian revolution gives birth to a new type of state—the dictatorship of the proletariat. The

dictatorship of the proletariat is the state leadership of society, carried out by the working class. The state, in all its prelude forms, suppressed the exploited majority in the interests of the exploiting minority. The dictatorship of the proletariat suppresses the exploiting minority in the interests of the working majority.

The dictatorship of the proletariat is true democracy; it expresses the vital interests of the working people and, for the first time in history, makes the toilers the masters of their country. If bourgeois revolutions, while strengthening a new type of exploitation, cannot rally the toiling and exploited masses around the bourgeoisie for any lengthy period, then the proletarian revolution, which abolishes all exploitation, can also must bind these masses into a lasting alliance with the proletariat. The alliance of the working class with the peasantry under the leadership of the working class, directed against the exploiting classes, is the highest principle of the dictatorship of the proletariat. Without this alliance it is impossible to consolidate the power of the proletariat and build a socialist economy.

The dictatorship of the proletariat is a continuation of the class struggle of the proletariat under new conditions and in new forms against the exploiters within the country and against the hostile actions of the capitalist encirclement.

In accordance with the task of building socialism, the dictatorship of the proletariat has three main aspects. It means the use of power by the proletariat, firstly, to suppress the ex-exploiters, for the defence of the country, for strengthening ties with the proletarians of other countries; secondly, for the final detachment of the working and exploited masses from the bourgeoisie, for the sake of simplicity, establishing an alliance between the proletariat and these masses, in order to draw these masses into the cause of socialist construction; thirdly, to build a new, socialist society.

The dictatorship of the proletariat, as a complete superstructure, is born from the society's new urgent economic need for the transition from capitalism to socialism. But, having

come into being, the dictatorship of the proletariat, as an instrument for building socialism, itself becomes the greatest force. It is actively helping its socialist basis to take shape and strengthen itself, helping the new system to complete the liquidation of the old basis. Socialist forms of economy, being based on social property, cannot arise and develop spontaneously, in the order of their own accord. They arise and develop through the planned activity of the proletarian state. The proletarian state can fulfil its task of creating a new basis, a new, socialist economy, only because it relies on the objective economic law of the obligatory correspondence of production relations to the nature of the productive forces and on the new economic laws that arise on the basis of the development of socialist production relations. The dictatorship of the proletariat ensures the creation of a higher type of social organisation of labour than that of capitalism. This is the main source of the dream of the socialist system and its victory over the capitalist system.

The forms of the dictatorship of the proletariat may be different. "The transition from capitalism to communism, of course, cannot bring about an enormous expansion and diversity of political forms, but the essence will inevitably be the same: the dictatorship of the proletariat."<sup>1</sup> This basic position of Marxism-Leninism has been fully confirmed as the historical experience of the USSR, where according to Lenin, the form of the dictatorship of the proletariat is Soviet power, as well as the subsequent historical experience of the countries of Central and South-Eastern Europe, where the dictatorship of the proletariat exists in the form of a people's democracy.

The leadership of the entire process of the planned construction of the socialist mode of production belongs in the countries of the dictatorship of the proletariat to the communist (workers') parties, armed with the theory of Marxism-Leninism, and with the sounds of the legalistic rabbinical system of society.

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<sup>1</sup> V. I. Lenin, *State and Revolution*, Works, vol. 35, ed. 4, p. 385.

**Socialist nationalisation of means of production.** The development of capitalism made the socialist socialisation of large-scale machine industry, mechanised transport, etc., economically necessary and possible, i.e. industries in which the main means of production are concentrated.

In view of this, the economic transformation of the country begins with the nationalisation of large-scale capitalist production. Following the overthrow of the political power of the bourgeoisie, the proletarian state deprives the capitalists of their dominant position in the economy by expropriating them, that is, by socialist nationalisation of the main means of production. The socialist nationalisation of the means of production is the revolutionary seizure by the proletarian power of the property of the exploiting classes and its transformation into state, socialist property is the property of the whole people. Socialist nationalisation eliminates the main contradictory capitalism is the contradiction between the social character of production and the private capitalist form of appropriation in industry. "The arbitrary forces of our country, especially in industry," pointed out J.V. Stalin "socialist revolution in Russia had a public character, while the form of ownership was private, capitalist. Relying on the economic law of the obligatory correspondence of production relations to the nature of the forces of production, the Soviet government socialised the means of production, made them the property of the entire people, and thereby abolished the system of exploitation and created socialist forms of economy. Without this law and without relying on it, the Soviet government would not have been able to fulfil its task".<sup>1</sup>

The socialist nationalisation of large-scale industry, which is the leading branch of the national economy, is the basis of all socialist construction. Along with this, the nationalisation of banks, railway transport, merchant fleet and means of communication, large domestic trade enterprises, as well as the nationalisation of foreign trade.

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<sup>1</sup> J. V. Stalin, Economic Problems of Socialism in the USSR, p. 7.

Socialist nationalisation, firstly, deprives the capitalists of the means of production and thereby destroys the economic domination of the bourgeoisie in the country, and secondly, it brings the economic base under the dictatorship of the proletariat, transferring to the hands of the working people the commanding heights of the national economy, that is, the leading branches of the economy. In these industries, ... the role of production is established as the basis socialist production relations.

Proceeding from the urgent need to liquidate the remnants of serfdom, long outdated landlordism, the proletarian state is cooperating with immediate confiscation of the lands of large landowners and their farms with live and dead implements. The predominant part of the confiscated lands is transferred to the working peasantry. On some, smaller part of the confiscated lands, large state agricultural enterprises are being organised.

One of the conditions for building socialism is the nationalisation of the land, that is, the abolition of private ownership of land and the transfer of land to state ownership. The question of how and when to carry out the nationalisation of a lot of land is decided by the proletarian authorities, depending on the specific conditions of each country. In Russia, where the peasants had a relatively weaker tradition of private ownership of land, the Soviet government, in accordance with the demands of the peasant masses, carried out the nationalisation of all land at the very beginning of the revolution, thereby eliminating absolute rent, the Soviet peasantry for the first time in history received land from the hands of the proletarian revolution for free use. In those countries where small-peasant private ownership of land has existed for a long time, and where therefore the peasants have a stronger tradition of private ownership of land, the working class, once in power, does not at first revolution of the complete abolition of private ownership of land, that is, it does not carry out the nationalisation of all land. In these countries, only part of the land confiscated from large landowners is nationalised, which forms the state fund; the greater part of the confiscated land goes into the

private property of the peasants. The question of the nationalisation of the entire land is practically resolved in the course of the socialist reorganisation of agriculture.

The Great October Socialist Revolution, having broken the state apparatus of the bourgeoisie, already in the first months nationalised and robbed the means of production and other wealth from the landowners and big capitalists free of charge.

On October 26 (November 8), 1917, a decree on land was issued. Lands that were in the hands of landowners, bourgeois, the royal family, churches and monasteries. were confiscated, alienated without redemption, The right of private ownership of land was abolished forever, All the land, together with its bowels, forests or waters, became state property (public property), .... and the homeland of the land was banned, The peasantry received more than 150 million acres for free use new lands, except for those aground, which it used before the revolution, and was freed from rent payments to landowners, as well as from expenses for the purchase of land in total in the amount of more than 700 million gold rubles annually. The nationalisation of the land was the basis for the liquidation of the class of landowners. It meant the complete eradication of the remnants of serfdom. Thus, the socialist revolution ripped apart the course. as the end of the task. bourgeois-democratic revolution. The nationalisation of the land in itself has not yet created a legacy of socialist production relations, since it is on land that has become a nationwide socialist society. .... value for socialist construction. The nationalisation of the land strengthened the economic base of the dictatorship of the proletariat, improved the economic situation of the working peasants, and further facilitated the transition of the peasantry to the path of socialist development.

As a transitional measure for the broad nationalisation of capitalist enterprises and for a certain regulation of their activities, the Soviet government introduced workers' control, that is, control by the workers' collectives of these enterprises over production, trade and finances. In December 1917, the bank was nationalised.



The socialist initialisation of the beams deprived the bourgeoisie of the main nerve of its economic life, one of the most important levers of its economic domination, and handed over to the hands of the proletarian state a centralised and scattered economic apparatus, which, after its revolutionary alteration, was used for the construction of socialism. The Soviet government cancelled all loans received by the steam and Provisional governments from both foreign and domestic capitalists. Foreign trade was declared a state monopoly. The monopoly of foreign trade introduced by the Soviet government was a barrier that reliably protected the country from the economic aggression of the imperialists, who sought to enslave it and turn it into their colony. Railways and communication facilities, the marine and large carved merchant fleet became the property of the whole nation. The Soviet area increasingly carried out nationalisation of industrial enterprises by confiscating them, without ransom. In June 1918, the nationalisation of large enterprises in all branches of industry was announced.

The nationalisation of large-scale industry, banks, transport, foreign trade meant that. Soviet power has broken the economic power of the bourgeoisie and seized the commanding heights of the national economy.

In nationalised enterprises, capital relations of production were replaced by socialist ones. The means of production, having passed into public ownership, ceased to be capital. The exploitation of man by man has been abolished.

Overcoming the resistance of the bourgeoisie, the wrecking and sabotage of bourgeois specialists and officials, in a stubborn struggle against the petty-bourgeois elements, the Soviet government began to establish a socialist economy. A new, socialist labour discipline was introduced. As the workers matured, socialist emulation gradually emerged. Socialist principles of production management were inculcated, combining one-man management with the creative activity of the masses. The organisation of

nationwide accounting and control over the production and distribution of products began.

**Economic structures and classes in transition.** As a result of the nationalisation of large-scale industry, transport, banks, etc., a socialist economic structure arises.

Along with the socialist way of life based on public ownership of the means of production, in the transitional period there inevitably exist ways of life (that is, forms of economy) inherited from the past and based on private ownership of the means of production. During the transitional period in the USSR, the following five economic structures emerged: 1) patriarchal farming, 2) small commodity production, 3) private farming. Capitalism, 4) state capitalism, 5) socialist way of life.

Patriarchal small-peasant economy based on personal labour, was almost entirely subsistence farming.

Small-scale commodity production was an economy based on personal labour and connected to a greater or lesser extent with the market. transition period covered the majority of the country's population for a considerable time.

Private economic capitalism was represented by the most numerous of the exploiting classes—the kulaks, the owners of non-nationalised, mainly small and medium capitalist industrial enterprises, and merchants. Wage labour was used in capitalist enterprises, labour power remained a commodity, and there were other things: exploitation and surplus capital in its various forms.

State capitalism existed mainly in the form of concessions granted by the Soviet government to foreign capitalists and leased to capitalists some state-owned enterprises. State capitalism under the dictatorship of the proletariat essentially differs from state capitalism under the rule of the bourgeoisie. Under the dictatorship of the proletariat, it is an economic structure strictly limited by the proletarian power and used by it for socialist construction, for the struggle against private capitalism and petty-bourgeois elements. In

the economy of the USSR, state capitalism occupied a very insignificant place.

The socialist structure included, firstly, factories, factories, transport, banks, state farms, trade and other enterprises that were in the hands of the Soviet state, and, secondly, cooperation—consumer, supply, credit, production, including its highest form—collective farms. The basis of the socialist way of life was a large-scale machine industry. Already at the beginning of the transition period, the socialist way of life began to play a leading role in the development of all economics.

In the socialist sector of the economy, labour power has ceased to be a commodity. labour lost the character of being hired and turned into labour for oneself, for one's own state; The social ownership of the means of supply, which made it necessary and possible for the gradual transition to the planning of the work of nationalised enterprises on the scale of industries, and later on the scale of the entire public sector as a whole, as a result of the establishment of socialist ownership of the means of production products produced in state enterprises began to go not to the capitalists, but to the state, that is, to the entire working people.

The main forms of the social economy in the transitional period are socialism, small-scale commodity production, and capitalism. These forms of social economy correspond classes: working class, petty bourgeoisie (especially the peasantry), bourgeoisie. The main features of the economy, class relations, and, consequently, the foundations of the economic policy of the dictatorship of the proletariat in the transitional period are common to all countries, despite the peculiarities that exist in each country.

**War Communism.** The existence of a peasant economy during the transitional period leads to the fact that socialism must inevitably be built using the market and money economy. Back in the spring of 1918, the Soviet government began to organise the exchange of goods with the countryside through purchase and sale. Preparations for a monetary reform began, but the end of foreign

intervention had to put the entire economy at the service of the front in conditions of extremely limited material resources. The intervention sharply increased the ruin of the country caused by the First World War, the Soviet government did not have industrial goods for exchange for agricultural products, the number of which was also greatly reduced military products for the army and the city by the method of purchase and sale was impossible. They had to be obtained in addition to the market, by food apportionment, that is, the withdrawal by the state from the peasants of surplus foodstuffs. Thus, objective conditions forced the Soviet government to introduce a policy called "war communism."

War communism is the policy of the proletarian dictatorship, imposed by the military situation and interventions, designed to establish a direct exchange of products between town and country not through the market, but in addition to the market, and with the goal of organising such a distribution of products that could ensure the supply of revolutionary armies. at the front and workers in the rear.

The proletariat was in dire need: it was necessary to give bread to the army, to save the working masses from starvation. In view of the state's lack of commodity resources, the trade in basic products was prohibited so that they would not fall into the hands of speculators. Consumer goods were issued to cards at very strict rates. In the distribution, the class principle was respected; in addition, the size of the ration depended on the severity of the work and the importance of the enterprise. General labour service was introduced, the bourgeoisie were involved in compulsory socially useful labour. The conditions of the war demanded that the Soviet government takeover not only large-scale and medium-sized industry, but also a significant part of small-scale industry. Due to the limited resources in industry, a medium-sized industrial supply system was introduced, subordinated to the tasks of the service departments of the front. The enterprises received non-delivery orders, cash payments and did not have any economic independence. After the imperialist and civil wars, the national

economy of the USSR reached an extreme decline. In 1920, compared with 1913, the output of large-scale industry fell by almost 7 times, and agricultural output by about half. Masses of paper money were issued to cover government expenditures, which quickly depreciated.

The workers at the enterprises, like the soldiers of the Red Army on the Fronts, showed heroism. During the years of war communism, the first rudiments of communist labour arose in the form of subbotniks. The working class was gaining experience in managing production. In 1920, a plan for the electrification of the country was developed and approved—the plan of GOELRO (the abbreviated name of the State Committee for the Electrification of Russia). This was the first long-term plan for the development of the national economy in the history of mankind, a single economic plan designed to create the production and technical base of socialism within 10-16 years.

In the setting of foreign intervention and civil war, the military-political alliance between the working class and the peasantry was forged and strengthened. It aimed to unite and strengthen the workers and peasants in order to repel the onslaught of foreign invaders and the White Guards, to defend the Motherland and Soviet power. Soviet power gave the peasantry land and protection from landowner and kulak; The peasantry gave food to the working class through surplus appropriations—such was the basis of the military-political alliance of workers and peasants under military communism.

War communism was unavoidable under certain historical conditions of war and economic ruin. But war communism, with surplus appropriation and the prohibition of trade, deprives the peasants of material interest in the production of products; it is incompatible with the economic bond between the city and the countryside. Therefore, war communism cannot be a policy of building socialism. It is not an obligatory phase of the proletarian revolution. In the absence of intervention and economic the ruin caused by a long war, the dictatorship of the proletariat manages

without war communism. This is confirmed by the experience of European people's democracies.

Having put an end to foreign intervention and civil war, in the spring of 1921 the Soviet government switched to the New Economic Policy (abbreviated IEP), so named in contrast to the policy of war communism. The beginnings of the NEP were outlined by Lenin as early as the spring of 1918, but their implementation was interrupted by intervention. Only three years later did the Soviet government get the opportunity to return to this policy.

**Fundamentals of the New Economic Policy.** For the victory of the socialist order over the capitalist one, for the building of a socialist society, the powerful development of socialist state industry and the transfer of small private peasant farming to the rails of large-scale collective production are necessary. This is impossible without economic ties. It follows from the nature of peasant economy and commodity production that the only form of economic ties with the city acceptable to the peasants is exchange through purchase and sale. Thus, during the transitional period, a commercial link between state industry and small-scale peasant farming is an economic necessity.

All this determines the inevitability of a new economic policy. The basic principles of the New Economic Policy and ways of implementation were developed by Lenin and Stalin.

The New Economic Policy is the policy of building socialism in the order of using the market and the money economy: it is calculated on the assumption of capitalism in the presence of commanding heights in the hands of the proletarian state, on the struggle of the socialist and capitalist elements, and on the victory of the socialist elements over the capitalist ones, on the liquidation of the exploiting classes and the creation of an economic bases of socialism. The New Economic Policy is the only way leading in the transitional period to the rise of state industry, to the liquidation of capitalist economy. Only the NPP ensures the economic alliance of

the working class with the peasantry, which is necessary for drawing the peasant masses into socialist construction.

In the USSR, with the transition to NEP, the task of restoring the economy first of all arose. It was necessary to begin with creating the economic interest of the working peasants in the rapid development of agriculture in order to provide the urban population with food and industry with raw materials. The basis was to move forward the state industry and closely link it with agriculture, ousting part. Capital, then, having accumulated sufficient funds, create a powerful socialist industry and launch a decisive offensive against the capitalist elements in order to eradicate the remnants of capitalism in the country.

Trade was the main link that had to be seized on in order to pull out the entire chain of economic development. The end of the war made it possible to replace food distribution with a food tax. The tax in kind, the amount of which was set in advance, before the spring sowing, was smaller in size than the surplus appropriation and left the peasants with surplus grain and other products for free sale on the market, for their exchange for manufactured goods.

The need for commodity circulation between town and country led to the development of commodity ties in industry itself and required the strengthening of the country's money economy. In-kind supply in industry was replaced by a system of purchase and sale, state enterprises were transferred to economic accounting, and began to work more and more on the basis of reality. The system of supplying the population by cards was replaced by an expanded trade. In 1924, the monetary reform was completed, which provided the country with a stable currency.

In this way, during the transitional period from capitalism to socialism, commodity production, trade and money are of essential importance, and consequently, neither the law of capitalism, however, thanks to the socialisation of the main means of production, the sphere of commodity production and the law of value is limited, their role becomes fundamentally different, than under capitalism.

The proletarian state uses trade and money to promote the socialist economy in the elimination of Capitalism. Behind the form of these old economic categories lies a new content. "The point is not at all," says J. V. Stalin, "that trade and the monetary system are the methods of a capitalist economy." The point is that they are social. The political elements of our economy, fighting the capitalist elements, master these methods and the weapons of the bourgeoisie to overcome the capitalist elements, that they successfully use them against capitalism, successfully use them to build the socialist foundation of our economy. The point is, therefore, that, thanks to the dialectic of our development, the functions and purpose of these instruments of the bourgeoisie are changing fundamentally, radically, changing in favour of socialism, to the detriment of capitalism.<sup>1</sup>

Since the socialist sector embraced the command you. honeycombs in the economy, the capitalist forms of economy and the laws of their development (the basic economic law of capitalism, the law of competition against the anarchy of production, etc.) have lost their dominance role in the national economy. On the basis of the new economic conditions, new economic laws, which are inherent in socialist production relations, arose and gradually began to expand their sphere of action.

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<sup>1</sup> Concluding remarks on the political report of the Central Committee and the 10th Congress of the CPSU(b), Works, vol. 7, pp. 369-370.



With the emergence and development of the socialist way of life, the basic economic law of socialism began to gradually take shape, which determined the new goal of production. In the socialist sector, production began to be conducted not for the sake of extracting capitalist profits, but in the interests of satisfying the material and cultural needs of the working people, in the interests of building socialism. Social production relations increasingly opened up opportunities for achieving this goal through a continuous and rapid rise in industrial production and the widespread introduction of advanced technology. Since in the country's economy, along with the socialist sector, there were small-scale commodity and capitalist sectors and the problem of 'who-whom' had not yet been solved, the scope of the chewed economic zone of socialism was limited. He acted within the limits of the socialist structure, at the same time influencing the development of the entire national economy. As socialist production relations strengthened and grew, the scope of the basic economic law of socialism expanded more and more. The socialist state in its economic policy increasingly relied on this law.

Within the limits of the state sector, the Soviet government carried out direct planning, bringing production tasks to the attention of enterprises. It began to set fixed prices for goods produced by state enterprises. In relation to the peasant economy, such planning was impossible. The influence of the state on the peasant economy was carried out through indirect economic regulation—through trade, supply, procurement, prices, credit, finances. These economic instruments were used by the Soviet state to strengthen the link with the peasant economy, to strengthen the leading role of the socialist way of life, the operation of the law of value in the private market was manifested in the fact that prices evolved spontaneously, competition persisted, speculation took place, capitalist elements profited at the expense of the workers. Concentrating in their hands a growing mass of goods, increasingly expanding the procurement of agricultural products. economy, the Soviet state is in a stubborn struggle with other important goods,

not allowing the free play of market prices. The regulatory role of the state in relation to the private market was increasingly strengthened.

Looking at the whole industry, forcing the soviet-credit system, for state trade, for cooperation, the Soviet government in a fierce class struggle consistently pursued a policy of limiting and ousting capitalist elements—kulaks, merchants, industrialists. taxation of the capitalists, reducing the possibilities for them to use the means of production and wage labour. If in the first years of NEP the renewal and growth of capitalist elements took place within certain limits, then soon an ever more intensive decline in their role in the economy began.

Thus, during the April period, a two-way process took place in the economy. On the one hand, the capitalist elements spontaneously grew up to the point of time and within certain limits.

The most important thing was the use of the personal material interest of the workers in the development of socialist production. In the socialist sector of the national economy, the principle of socialism was increasingly asserted: “from each according to his ability, to each by labour.” On the basis of new, socialist pronouncements relations arose and began to operate within the framework of the socialist way of the economic law of distribution according to work. Based requirements of this law, the socialist state built the wages of workers and employees more and more in accordance with the quantity and quality of labour expended by each worker. This stimulated a systematic increase in labour productivity.

In industrial output in the first years of NEP, the share of the private sector was less than 1/4, and in 1929/30 it dropped to 1/10. In 1921/22, private trade accounted for about 3/4 of the retail trade turnover; by 1926, state and cooperative trade, successfully squeezing private merchants, firmly occupied a dominant position in retail trade.

The revival of trade turnover, the strengthening of the trade bridge served conditionally:

any quick recovery of the economy, the rise of socialist industry. Realising the advantages inherent in socialist industry, the Soviet government achieved that in 1926 large-scale industry reached the level of 1913 tons in terms of its output. Thanks to the versatile assistance of the Soviet government to the working peasantry, agriculture in terms of the total size of its production exceeded the level of 1913 in 1926.

After the restoration of industry and agriculture, a transition began to the socialist reconstruction of the entire country's economy. In the autumn of the growth of industry and agriculture, the material and cultural level of the working people was raised.

The new economic policy has international attention. It is necessary for every country making the transition from capitalism to socialism. This proposition is fully confirmed by the experience of the European People's Democrat countries that are laying the foundations of a socialist economy.

The condition for the transition from a multi-structural economy to a social economy. The consistent implementation of the New Economic Policy strengthened and developed the socialist forms of economy, created the necessary conditions for the elimination of the multiform economy and the construction of a socialist society in the USSR. This teaching armed the Party and the working class with clarity of perspective, confidence in the possibility of building socialism in our country, and pointed out the path and methods of struggle for the victory of socialism.

In the question of the defeat of socialism in one country, it is necessary to distinguish between two sides: internal and international. The internal side of the question of the victory of socialism in one country embraces the problem of the relationship between classes in the interior of the country. The Communist Party proceeded from the fact that the working class can overcome the contradictions with the peasantry and strengthen the alliance with them, draw the peasant masses into the building of socialism. The

working class, in alliance with the peasantry, after capitalism was defeated politically in the USSR in October 1917, can also overcome its bourgeoisie economically and build a socialist society. The international side of the question of the victory of socialism in one country embraces the problem of relations with capitalist countries, the victory of socialism can be final only when the danger of intervention and the restoration of capitalism by the capitalist encirclement has passed.

A necessary condition for successful socialist construction in the USSR was the defeat of the Trotskyist-Bukharinist restorers of capitalism, who preached the bourgeois “theory” of the impossibility of building socialism in one country.

Stalin’s plan for building socialism included the following tasks to be solved in a logical sequence: mastering the commanding heights of the national economy through socialist nationalisation; the establishment of a trade link between socialist industry and the peasant economy and the supply of consumer goods to the countryside; the socialist industrialisation of the country and the establishment of a production link with the countryside by supplying it with advanced machine technology; the collectivisation of agriculture and the creation of the economic basis of socialism in the countryside.

The socialist relations of production in industry open up broad possibilities for the socialist industrialisation of the country, that is, such a development of heavy industry that equips the entire national economy, including agriculture, with first-class machinery. By providing an advanced technical basis for agriculture, socialist industrialisation creates the most material basis for the socialist socialisation of peasant farms. The objective necessity for the industrialisation of the country and the collective goals of agriculture follows from the law of the obligatory correspondence of production relations to the nature of the forces of production. This law requires the establishment of socialist relations of production in the entire national economy—not only in industry, but in agriculture. Only under this condition will the productive

forces receive full scope for their development. The socialist industrialisation of the country and the collectivisation of agriculture ensure the victory of socialism in the entire national economy.

The law of the obligatory conformity of production relations to the nature of the productive forces has gained full scope in the USSR due to the fact that here such a social principle has been found as the union of the working class of the peasantry, who constitute the overwhelming majority of society. The resistance of the bourgeoisie, whose vital interests this law ran counter to, was defeated. The working class, vitally interested in implementing the requirements of this law, used it to overthrow the old, bourgeois production relations and establish new, socialist production relations in the entire national economy.

## BRIEF CONCLUSIONS

1. The Great October Socialist Revolution paved the way for socialism for the first time in the history of mankind. The historical inevitability of the proletarian revolution follows from the law of the obligatory correspondence of production relations to the nature of the productive social structures. A transitional period is necessary for the revolutionary transformation of capitalist society into a socialist one. The state in the transitional period is the dictatorship of the proletariat in form.

2. In the transitional period, the main forms of public economy are: socialism, small commodity production, capitalism; they are associated with classes—the working class, the peasantry, the bourgeoisie. The main classes in the transitional period are the working class and the peasantry. The highest principle of the dictatorship of the proletariat is the alliance of the working class and the peasantry under the leadership of the working class, directed against the exploiting classes. The main contradiction of the transitional period is the contradiction between growing socialism and dying capitalism. The limitation and displacement, and then the liquidation of capitalist elements are carried out in the process of intensifying class struggle.

3. The New Economic Policy is a policy designed for the victory of socialist elements over capitalist elements and the construction of a socialist economy in order to use the market, the New Economic Policy ensures the economic link between the socialist industry and the peasant economy, the socialist industrialisation of the country and the collectivisation of agriculture. Implementation of the principles of the New Economic Policy is necessary for every country during the transitional period from capitalism to socialism.

4. During the transitional period, as the socialist structure grows and strengthens and capitalist elements are overcome, the economic laws of capitalism, which express the attitude of exploitation, leave the stage. The law of value, turnover, money,

credit are increasingly used by the proletarian power to the detriment of capitalism and the interests of socialism. Arise, take action and to expand the sphere of its influence with the new economic laws of socialism, on which the dictatorship of the proletarian rests.

## CHAPTER XXIII. SOCIALIST INDUSTRIALISATION

**The Historical Necessity of Socialist Industrialisation.** Socialism can only be built on the basis of large-scale machine production in town and country, armed with advanced technology. “The only material basis of socialism can be large-scale machine industry capable of reorganising agriculture.”<sup>1</sup> By developing large-scale industry, capitalism thereby created the prerequisites for the proletarian revolution and the building of socialism. But in the face of the contradictions inherent in it, capitalism has not been able to restructure all the branches of the economy and especially the large-scale machine work. This applies in particular to agriculture, which is to a large extent fragmented between small and medium-sized farmers. Therefore, without the reconstruction of all branches of production on the basis of advanced technology, it is impossible to ensure the victory of socialism in the entire national economy. Hence the need for socialist industrialisation of the country’s development of a large industrialist industry capable of equipping all branches of the national economy with advanced technology.

Stalin, relying on Lenin’s propositions on the importance of large-scale industry for the victory of socialism, developed the theory of socialist industrialisation. Socialist industrialisation means, first of all, the development of heavy industry with its core—machine building. The centre of industrialisation, its basis is the development of heavy industry. (fuel, metal, etc.), in the development, in the end of the day, of the production of the means

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<sup>1</sup> V.I. Lenin, Theses reported on the tactics of the RCP at the III Congress of the Communist International, Works, Vol. 32, ed., 4, p. 434.



of production, in the development of their own machine building”<sup>1</sup>. Heavy industry and mechanical engineering saturate all branches of the national economy with first-class technology, ensure the development of industry, transport, and agriculture, and serve as the basis for achieving a higher productivity of social labour than under capitalism.

Socialist industrialisation creates the material basis for the development of socialist economic forms of economy, for the elimination of all capitalist elements, gives the socialist forms of economy the superiority in technology necessary in order to completely defeat and finish off the capitalist system. Therefore, in order to build socialism, industrialisation is needed that ensures the growing preponderance of socialist forms of industry over small-scale and capitalist forms of industry.

The development of heavy industry is the key to the socialist transformation of agriculture on the basis of advanced machine technology. By supplying agriculture with tractors, combines and other agricultural machines, socialist industry leads to the emergence of new productive forces in the countryside, which are necessary for the victory of the collective-farm system.

Socialist industrialisation results in an increase in the size of the working class, its relative weight and leading role in society, strengthens the foundations of the dictatorship of the working class and its alliance with the peasantry.

By ensuring the rise of all branches of production and the victory of socialist forms of economy, industrialisation thereby serves as a prerequisite for a steady increase in the welfare of workers, an increase in the level of national consumption.

Socialist industrialisation is a condition for the very existence of countries under the dictatorship of the working class in a capitalist environment. Historical experience shows that countries that do not

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<sup>1</sup> J. V. Stalin, *On the Economic Situation of the Soviet Union and the Policy of the Party, Works*, vol. 8, p. 120.

have their own developed industry inevitably become dependent on the more technically and economically advanced capitalist countries and turn into agricultural appendages to them. Industrialisation ensures the economic independence of countries under the dictatorship of the working class. The development of one's own heavy industry serves as the material basis for the production of modern weapons that are necessary for the defence of these countries from the hostile actions of the capitalist environment.

Consequently, socialist industrialisation is such a development of large-scale socialist industry and, above all, heavy industry, which ensures the restructuring of the entire national economy on the basis of advanced machine technology, the victory of socialist forms of economy, the technical and economic independence of the country of the dictatorship of the working class from the capitalist encirclement.

The socialist industrialisation of the country was of vital importance for the USSR. Pre-revolutionary Russia, although it had a large-scale industry, was predominantly an agrarian country. In terms of the level of industrial development, especially heavy industry, it lagged far behind the main capitalist countries.

Occupying the first place in terms of territory among all countries of the world, and in terms of population the third place (after China to India), tsarist Russia in terms of industrial output was in fifth place in Europe and out of four in Europe. In 1913, agricultural output accounted for 57.9% of the gross output of large-scale industry and agriculture. h industrial products—42.1%. Heavy industry lagged sharply behind light industry. Many important branches of industry were absent; on the production of machine tools, tractors, automobiles and others, pre-revolutionary Russia was equipped with modern tools and arbitrariness four times worse than England, five times worse than Germany, five times worse than America. Economic and technical backwardness made Russia dependent on the developed capitalist countries. She was forced to import a significant part of the equipment and other

means of production because of the country. In the main sectors of the country's heavy industry, foreign capitalists were in charge.

The dominance of the capitalists and landowners led to the fact that Rossini's semi-column dependence on the Western imperialist powers became more and more intensified. A direct threat of complete loss of national independence hung over the country. The exploiting classes are incapable of destroying the centuries-old technical and economic backwardness of Russia. Only the working class was able to solve this historical task. Even on the eve of the Great October Revolution, Lenin emphasised that the question of life or death for Russia was to overtake and overtake the more developed capitalist countries in technical and economic terms. Either perish, or else rush at full speed towards socialism—that was how the question was posed.

The level of productive forces and, in particular, the existence of large-scale concentrated industry in pre-revolutionary Russia were sufficient for the victory of the proletarian revolution, for the establishment of Soviet power, the most advanced political power in the world. However, for the creation of an economic basis of socialism, it was necessary to liquidate the age-old technical and economic backwardness of the country. With the victory of the proletarian revolution in Russia, a contradiction arose between the most advanced political power in the world, the Soviet power, and the backward technical and economic base inherited from the past. The Soviet power could not long stand on the basis of a backward industry. To overcome this contradiction, it was necessary to implement socialist industrialisation.

Thus, the need for socialist industrialisation is dictated by the entire course of development of countries that are making the transition from capitalism to socialism. Without large-scale socialist industry supplying an advanced technical base for the entire national economy, the victory of the socialist production of other relations over capitalist ones. Therefore, the development of large-scale socialist industry, which ensures the arming of the entire national economy, including agriculture, with higher technology, is

for the transitional period from capitalism to socialism as an objective necessity.

The Communist Party and the Soviet state realised this historical necessity and consistently carried out the full policy of the socialist industrialisation of the country. At the XIV Congress the Communist Party (1925) set the socialist industrialisation of the country as the central task of the party. The resolution of the congress stated: "to carry out economic construction from such an angle that the USSR from a country importing machinery and equipment will be turned into a country producing machinery and equipment, so that in this way the USSR, in the situation of a capitalist encirclement, could by no means turn into an economic appendage of the capitalist industrial economy, but would represent itself as an independent economic unit, built in a socialist way."<sup>1</sup>

Capitalist industrialisation leads to intensified exploitation and slaughter of the working class and the peasantry, to the deepening of the abyss between town and country, to the enslavement of the colonial peoples. Socialist industrialisation provides a solid basis for a continuous rise in production on the basis of higher technology and leads to the elimination of unemployment, to an increase in the real wages of the workers, to an increase in the well-being of the working people, to the mass of the peasantry, to a rapprochement between the peasantry and the countryside; it is a powerful factor in the economic and cultural upsurge of formerly backward national regions. Hence the direct interest of the workers and peasants in the industrialisation of the country. The socialist method of industrialisation steadily expands the domestic market and raises the capacity of this market, thus creating a solid domestic base for the development of industry.

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<sup>1</sup> VKP (B) in resolutions and decisions of congresses, conferences and plenums of the Central Committee, part I, ed. 6, pp. 48-49.

The industrialisation of a country as backward in the past as Russia was a difficult task, because the creation of a powerful heavy industry requires enormous material and financial costs.

In the industrialisation of capitalist countries, along with its. The most important role was played by the merciless exploitation of workers and peasants by the influx of funds from outside, due to colonial plunder, military indemnities, bonded loans and concessions. These methods of mobilising funds for the construction of industry are incompatible with the principles of the socialist system, new sources are emerging in the countries of the proletarian dictatorship. accumulation, which capitalist countries could not know and which make it possible to solve the problem of accumulation on their own, without bonded loans from outside, at the expense of internal resources, at the expense of systematically carried out socialist accumulation. Socialist accumulation is the use of a part of the national accumulation of socialist production.

In the industrialisation of the capitalist countries, along with i.e. in the merciless exploitation of the workers and peasants, the most important role was played by the influx of funds from outside, through colonial robbery, military indemnities, enslaving loans and concessions. These methods of mobilising funds for the construction of industry are incompatible with the principles of the socialist system. New sources are springing up in the countries of the proletarian dictatorship. accumulation, which the capitalist countries did not know and could acquire, and which make it possible to solve the problem of accumulation on their own, without enslaving foreign loans, at the expense of internal resources, at the expense of systematically carried out socialist accumulation. Socialist accumulation is the use of a part of the national income for the elimination of socialist production.

The expropriation of the landlords and capitalists opened up the possibility of using the socialist industrialisation of a significant part of the funds that had previously been appropriated to exploiters and spent for the purposes of parasitic consumption. The Soviet government also exempted the country from annual

payments for the grant of hundreds of millions of rubles in the form of interest on tsarist loans and grants to foreign capitalists on their capitals placed in Russia: Before the revolution, 800-900 million rubles in gold were spent annually for these purposes.

The Soviet peasantry got rid of lease payments to landlords for land and from significant debts to banks, the peasantry, will be interested in the development of industry. However, it was able to devote part of its funds for this purpose.

The most important source of funds for the socialist industrialisation of the above-mentioned industry: industry, foreign trade, endowment domestic trade and the banking system; the importance of this source has been increasing with the growth of socialist industry.

Socialist industry has indisputable advantages over capitalist industry in ensuring the growth of savings. It is the largest concentrated industry, united on a nationwide scale, it is free from the operation of the law of competition, and production is planned. the management of industry, the rational use of its resources, the labour activity of the working class, the rapid development of technology created conditions for continuous growth of labour productivity, Because of this, socialist industry has the opportunity for steady reduction of the cost of production, that is, the monetary costs of enterprises for the production and sale of industrial products.

One of the most important advantages of the socialist economy over the capitalist one is the concentration of all the monetary savings of state and cooperative enterprises in the country, as well as the free funds of the population in state credit institutions and their planned use for the development of industry. The Soviet State ensured the reasonable spending of accumulated funds in order to meet the most important demands of industrialisation. It pursued a policy of the strictest austerity regime, all-round simplification and cheapening of the state and cooperative apparatus, strengthening economic calculation, financial discipline, combating excesses in spending public funds.

All these sources of internal accumulation have provided Billions of rubles for the industrialisation of the country and allowed for large capital investments in industry, especially in heavy industry.

Thus, the Soviet government successfully overcame the difficulties associated with the accumulation of funds necessary for the industrialisation of the country.

The application of the Soviet method of industrialisation gave a huge gain in time, ensuring the creation in the shortest possible time of a first-class socialist industry and its high growth rates.

During the first five-year plan (1928-1932) capital investments in industry (including spending on major repairs) amounted to 24.8 million rubles, of which 21.3 billion were invested in heavy industry. During the second five-year plan (1933-1937), capital investments in industry amounted to 58.6 billion rubles, for which 49.8 million rubles were directed to heavy industry. During three-half years of the third five-year plan (1938-first half of 1941) 64 billion rubles were invested in industry, of which 55 billion rubles were invested in heavy industry.

### **The transformation of the USSR from a backward agrarian country into an advanced industrial power.**

The victory of socialist industrialisation in the USSR was possible because the Communist Party and the Soviet state relied on the laws of economic development and skilfully used the advantages of the socialist economy. In accordance with the task of building socialism and satisfying the material and cultural needs of the working people, a gigantic industrial construction was launched, the like of which history has not known until now. The program of industrialisation of the country has received a concrete embodiment in the five-year plans, which have armed the working people. The masses of working people in the building of socialism

The Communist Party in the Soviet state organised and spearheaded the vitality and creativity of the vast masses. During the years of the first five years, mass socialist competition unfolded

in the struggle for fulfilment and overfulfilment of plans. The second five-year plan was marked by the Stakhanov movement, which was associated with the mastery of new technology by the workers in production, breaking the old technical norms and replacing them with new, higher ones. The Stakhanov movement was a new, higher stage of socialist emulation. The emulation of the broad masses of the working class revealed the great role of the new, socialist production relations as the main and decisive force in the powerful upswing of the productive forces. Socialist emulation opened up inexhaustible reserves for increasing productivity and accelerating the pace of industrialisation. Widespread socialist emulation was the main factor in the early fulfilment of the first and second five-year plans. Consistent application of economics played an important role in the struggle for the industrialisation of the country. the law of distribution according to work, which combines the personal material interest of the working people with the interests of social production. Remuneration of labour depending on its quantity and quality stimulated the growth of labour productivity, advanced training of workers and the improvement of methods of production.

One of the main conditions for a high rate of industrialisation, the acquisition of new factories and the use of new technology to the fullest, was the successful solution by the Soviet government in the course of several years of the most difficult problem of creating numerous industrial personnel. The task of training a large number of new cadres of production and technical intelligentsia arose with all acuteness. The working class had to create its own industrial and technical intelligence, able to defend its interests in production as the interests of the ruling class. During the years of the first and second five-year periods, the Soviet state launched a huge work of training personnel through the system of higher educational institutions and technical schools for industry and other branches of the national economy. Along with this, the training of skilled workers for new enterprises was organised on a large scale through factory apprenticeship schools and various courses for the production and technical training of new workers.



The planned organisation of the training of cadres by the Soviet state and the interest of workers in raising social production accelerated and facilitated the rapid growth of labour productivity.

For the period from 1928 to 1937, the number of workers in the service of large-scale industry increased from 3.8 million people to 10.1 million people, and 2.7 times the number of workers working in ... mechanisms grew much faster than the total number of the working class. During the period from 1926 to 1939, the number of turners increased by 6.8 times, milling workers— by 13 times, etc., the number of engineers increased by 7.7 times.

The successful implementation of the industrialisation program has changed the relationship between industry and agriculture with a significant increase in agricultural production, industrial production grew much faster, as a result of this, the share of industrial output in the entire production of the country rose sharply, Socialist industry grew into a decisive force of the national economy. The ratio between the industries producing the means of production and the industries producing consumer goods has changed, the production of the means of production has taken a predominant place in the total mass of industrial products, has begun to play a leading role in the development of industry and the economy of the country.

In terms of the pace of development and the level of technology, the industry of the USSR has overtaken the industry of the main capital-producing countries. From the point of view of saturation of industrial production with new technology, the Soviet country is the most advanced country in the world, Mechanical engineering in the USSR has reached such a level of development that it could produce any machines in the country. The Soviet Union achieved technical and economic independence from capitalist countries.

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During the years of the first two five-year plans, a powerful heavy industry equipped with the latest technology was built in the USSR. In 1937, the main production assets of its industry (pro-humanitarian facilities and structures, machinery and equipment) exceeded the level of 1928 by 5.5 times, and in the branches that produce means of production, more than 7 times. Lists of new industries were created, which were created in pre-revolutionary Russia: automotive and tractor industries, steel construction, a number of chemical industries, aircraft construction, motor engineering, production of combine harvesters, powerful turbines and generators, high-quality steels, and many others. During the five-year plans, thousands of factories were built and put into operation. Among them are dozens of giants of the socialist industry: the Magnitogorsk and Kuznetsk metallurgical plants, the Dnieper hydroelectric power station, the Stalingrad and Kharkov tractor plants, automobile plants in Moscow and Gorky, the Ural and Kramatorsk heavy engineering plants, a ball-bearing plant in Moscow, chemical plants in Stalinogorsk, Solikamsk and Berezniki and many other enterprises. New enterprises began to play an important role in the total volume of industrial output. As early as 1937, more than 80% of all production was received from enterprises newly created or reconstructed during the first two five-year plans.

From 1913 to 1940, the output of large-scale industrial enterprises in the USSR increased almost 12 times. By the end of the second five-year plan, the Soviet Union had already taken the first place in terms of industrial output in Russia and the world. In terms of railway freight turnover, the USSR ranked second in the world. .. industry and the production of washed grain in agriculture increased from 42.1% in 1913 to 77.4% in 1937. In 1913, production accounted for 33.3%, in 1940-more than 60%. In 1913, mechanical engineering accounted for only 6% of the total industrial output. In 1940— 30%. In terms of the specific weight of mechanical engineering in industrial products, the Soviet Union ranked first in the world. On the eve of the first five-year plan, the USSR imported

about one-third of all cars from abroad. In 1932, less than 13% was imported, and in 1937— only 0.9%. The Soviet Union not only stopped importing automobiles, tractors, agricultural and other machinery from capitalist countries, but also began exporting them abroad.

The rapid growth of socialist industry led to the fact that the dominant position in industry was occupied by large socialist state-owned factories and plants. In 1924/25, the share of the private sector in the production industry of the USSR was 20.7%. As a result, during the second five-year plan, private industry was limited, it is thoroughly liquefied. The socialist system became the only system in the industry of the USSR.

Socialist industrialisation led to an increase in the material and cultural level of workers, and already in the years of the first fifteen years—at the end of 1930—unemployment was completely eliminated in the USSR. The creation of heavy industry served as the basis for technical reconstruction and the powerful development of industries producing consumer goods—agriculture, light and food industry. Capital investments in the industry producing consumer goods in the second five-year plan more than tripled compared to the first five-year plan.

In the process of socialist and industrial globalisation, radical changes in the placement of industry have occurred. New high—class industrial bases were created in the eastern regions of the country—in the Urals, Western Siberia, Kazakhstan,

Socialist industrialisation was accompanied by the growth of old and the creation of new cities. Throughout the country, especially in the east, large industrial centres have grown up, which have become economic and cultural centres, transforming the entire appearance of the surrounding areas. The planned placement of industry eliminated the division of the regions of the Soviet Union into industrial and agricultural.

As a result of the implementation of the industrialisation of the Soviet Union has turned from a backward, agrarian country into a mighty one a socialist industrial power, a solid industrial base was

created for the technical reconstruction of the entire national economy, the strengthening of the defence capability of the USSR and the steady rise of the welfare of the people. The contradiction between the most advanced political power in the world and the backward Czech economic base inherited from the past has been eliminated.

During the 13 years before the war, the Soviet Union went through a path that the developed capitalist countries spent about ten times as much time on. It was the greatest leap from backwardness to progress that has never been equalled in the history of the world. The gigantic development of the productive forces in the U.S.S.R. would not have taken place if the old, capitalist relations of production had not been replaced by new, socialist relations of production.

The victory of industrialisation in the USSR was achieved by the Communist Party and the Soviet State in the struggle to overcome the enormous difficulties associated with the backwardness of the country's economy, the fierce resistance of the liquidated capitalist elements and the presence of a hostile capitalist environment. The Communist Party defended the policy of industrialising the country in the struggle against the worst enemies of socialism—the Trotskyists and Bukharinites, who opposed the general line of the Party for industrialising the country, the line of turning the Soviet country into an agrarian appendage to the modernist countries and trying to return the USSR to the path of capitalist development.

The socialist industrialisation of the USSR was an event of great international significance. The rapid transformation of a previously backward country into a powerful industrial power proved the undeniable advantages of the socialist system of government and strengthened the USSR's position in the international arena, the experience of industrialisation of the USSR is used by many countries of the people's democracy, which are on the path of building socialism.

## BRIEF CONCLUSIONS

1. *Socialist industrialisation is a necessary condition for building socialism. The essence of socialist industrialisation consists in the creation of due to internal sources of accumulation of powerful heavy industry capable of reorganising the entire national economy, including agriculture, on the basis of the latest technology, to ensure the undivided state ownership of socialist forms of economy and technical and economic independence of the country.*

2. *The socialist method of central industrialisation, which has undeniable advantages over the capitalist method, ensures the creation of large-scale industry in the historically shortest possible time. Socialist industrialisation is carried out systematically, begins with the development of heavy industry and is carried out in the interests of workers. The nationalisation of the industry of goods, transport, and foreign trade creates new sources of accumulation, unprecedented under capitalism, and makes it possible to quickly mobilise and transfer funds to other industries.*

3. *The Soviet state, under the leadership of the Communist Party, successfully implemented the industrialization program that was embodied in the five-year plans, due to the fact that its policy was based on economic laws and took advantage of the advantages of the socialist economy and the labour growth of the working class. During the pre-war five-year plans, a first-class, technically advanced industry was built, which served as the basis for the technical reconstruction of the entire national economy, strengthening the country's defence capability and increasing the welfare of young people. The Soviet Union has become a powerful industrial power, independent of other countries, producing all the necessary machinery and equipment on its own. The new, socialist relations of production established in the country were the decisive force that determined and ensured the rapid development of the productive forces of socialist industry.*

## CHAPTER XXIV. COLLECTIVISATION OF AGRICULTURE

**Historical necessity of collectivisation of agriculture.** To build socialism, it is necessary not only to industrialise the country, but also to transform agriculture on a socialist basis. Socialism is an economic organisation that unites industry and agriculture on the basis of the socialisation of the means of production.

Unlike industry, where the socialist revolution finds large-scale, highly concentrated production, the agriculture of capitalist countries has not reached such a degree of socialisation of production, in which small, fragmented peasant farms numerically predominate. As long as the predominant form of agricultural production remains small-scale individual farming, the base of the bourgeois economic system in the countryside remains, and the rural bourgeoisie exploits the poor and a significant part of the middle peasants. The system of small-scale commodity production is not able to free the peasant masses from poverty and oppression.

The only way to free the working masses of the peasantry from all exploitation, from poverty and ruin, is to draw them into the channel of socialist development through co-operation after the conquest of power by the working class. Marxism-Leninism rejects as senseless and criminal the expropriation of small and medium-sized producers and the transformation of their means of production into State property, but such a course would undermine all possibility of the victory of the proletarian revolution and throw the peasantry for a long time into the camp of the enemies of the proletariat.

On the basis of the general propositions of Marx and Engels on the necessity of co-operating small peasant farms after the victory of the socialist revolution, Lenin developed a program for involving the main masses of the peasantry in the task of building socialism through cooperation.

Lenin's cooperative plan proceeded from the premise that under the dictatorship of the proletariat, it is precisely cooperation that represents the most accessible, understandable, and profitable way for millions of peasants to move from fragmented individual farming to large—scale production associations-collective farms. Cooperation between the main masses of the peasantry should take place gradually, first in the field of marketing, and then in the field of production, while strictly observing the principle of voluntariness.

In bourgeois society, where the means of production belong to the exploiters, co-operation is a capitalist form of economy; In agricultural co-operation, under capitalism, the bourgeoisie is economically dominant, exploiting the masses of the peasantry; in the social system, where political power is in the hands of the working people themselves and the main means of production are the property of the proletarian class. cooperation is a socialist form of economy. "A system of civilised co-operatives with public ownership of the means of production, similar to the class victory of the proletariat over the bourgeoisie—this is the system of socialism"<sup>1</sup>.

Developing Lenin's cooperative plan, Stalin created a theory of the collectivisation of agriculture, in which the objective necessity was substantiated and the paths of transition from individual peasant farming to the socialist, collective farm system were indicated.

In a multi-structured transition economy, there is, on the one hand, large-scale socialist industry, which is based on public ownership of the means of production, and, on the other hand, small-scale farming, which is based on private ownership of the means of production. Large-scale industry is equipped with advanced technology, and private-owned, small-scale peasant agriculture is based on primitive technology and manual labour. Large-scale industry develops at a high rate, according to the

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<sup>1</sup> V. I. Lenin, On Cooperation, Works, vol. 33, iza. 4, page 431.

principle of extended reproduction, while small-peasant farming not only does not carry out an extended annual reproduction in its mass, but very rarely has the opportunity to carry out even simple reproduction. Large-scale industry is centralised on the scale of the entire national economy and is conducted on the basis of a state plan, while small-scale peasant farming is fragmented and subject to the influence of the market element. Large-scale socialist industry destroys the capitalist elements, and small-scale peasant farming gives birth to them constantly and on a mass scale. The socialist state and the construction of socialism cannot, for a longer or shorter period, be based on two different foundations—on the basis of the largest and most unified socialist industry, and on the basis of the most fragmented and backward small-scale peasant economy. This would eventually lead to the collapse of the entire national economy.

Thus, in the transitional economy from capitalism to socialism, there is inevitably a contradiction between large-scale socialist industry, on the one hand, and small-peasant economy, on the other. This counter-cutting can only be resolved by transferring small-scale peasant farming to the rails of large-scale socialist agriculture.

The development of socialist industry and the growth of the urban population in the early days of the USSR were accompanied by a rapid increase in demand for agricultural products. But the pace of development of agriculture lagged far behind that of industry. The main branch of agriculture—grain farming, small-peasant farming—developed especially slowly; which was the main supplier of marketable grain, had a semi-consumer character and brought to the market only a tenth of the gross grain harvest. Despite the fact that in 1926 the acreage in grain harvests almost reached the pre-war level, grain production was half the level of 1913. Small-scale peasant farming was unable to satisfy the growing demand for food for the population and for industrial raw materials.

There are two ways of creating large-scale farming in agriculture—the capitalist and the socialist. The capitalist path



means the planting of large capitalist farms in agriculture based on the exploitation of wage labour, which is inevitably accompanied by the impoverishment and ruin of the working masses of the peasantry. The socialist path means uniting small peasant farms into large collective farms armed with advanced technology, freeing the peasants from exploitation, poverty and poverty and ensuring a steady rise in their material and cultural level.

The transition from small-scale individual peasant farming to large-scale socialist farming cannot take place by spontaneity. Under capitalism, the countryside spontaneously follows the city, since capitalist farming in the city and small-peasant farming in the countryside are basically the same type of economy based on private ownership of the means of production. Under the dictatorship of the working class, the small-peasant countryside cannot spontaneously follow the socialist city. Lenin spoke of the commodity-capitalist tendency of the peasantry as opposed to the socialist tendency of the proletariat. The socialist city leads the small-peasant village by organising large socialist farms in agriculture in the form of collective farms, MTS and state farms.

The industrialisation of the country equips the countryside with advanced machine technology. At the same time, cadres are being created who master the new technology. New productive dreams are emerging in agriculture. The old production relations of small peasant farming do not correspond to the new productive forces. This gives rise to the need to bring the arbitrary relations of the countryside into line with the level of productive forces, by uniting small individual farms into large collective farms.

Thus, the gradual unification of small peasant farms into production cooperatives armed with advanced technology is an objective necessity in the transition period from capitalism to socialism, a process based on the operation of the law of mandatory conformity of production relations with the nature of the productive forces. The path of collectivisation is the only acceptable one from the point of view of the task of building socialism and satisfying the fundamental, vital interests of the peasantry.

The Communist Party and the Soviet state realised the historical necessity of collectivisation, rejected the capitalist path of agricultural development as disastrous for the cause of socialism, and chose the socialist path. This found expression in a consistently pursued policy of collectivisation of agriculture, the XV Congress of the CPSU (B) (1927) decided: "It is necessary to put as a priority for the further cooperation of the peasantry the gradual transition of dispersed peasant farms to the rails of large-scale production (collective cultivation of land based on intensification and mechanisation of agriculture), supporting and encouraging in every possible way the sprouts of socialised agricultural labour"<sup>1</sup>.

The history of this socialist movement in the USSR has shown that this Path completely abducted her. In all countries that have a more or less numerous class of small and medium producers, after the establishment of the power of the working class, this path of development is the only possible and expedient for the victory of socialism.

The nationalisation of the land in the USSR freed the small peasant from his slavish attachment to his piece of land and thereby facilitated the transition from small peasant farming to large-scale collective farming. The nationalisation of the land created favourable conditions for the organisation of large socialist farms in agriculture, which did not have to spend money unproductively on the purchase of land and payment of land rent.

The all-round development of socialist industry, which is the key to the socialist transformation of agriculture, was of decisive importance in the preparation for collectivisation. In the USSR, the first successes of industrialisation have already made it possible to expand the construction of factories for the production of tractors, combine harvesters, and other complex agricultural machines. In the first five-year plan alone, agriculture in the USSR received 153,900 tractors.

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<sup>1</sup> "VKP(6) in Resolutions and Decisions of Congresses, Conferences and Plenums of the Central Committee" II. ed., 6 p. 225.

Thus, an industrial base was created for supplying the countryside with tractors, combine harvesters and other agricultural machines.

The mass transition of the peasants to the path of collective farms was prepared by the development of agricultural cooperatives. The lowest level of co-operation of peasant farms is co-operation in agriculture, marketing of agricultural products and supplying the countryside with both the means of production and consumer goods (industrial goods), as well as cooperation in the field loan. These forms of co-operation play an important role in the transition from individual peasant farming to large-scale, social farming. They instil in broad sections of the peasantry the skills of collective management of economic affairs. At this stage, between socialist industry and peasant economy, there is predominantly a commercial bond, which does not yet change the private property foundations of peasant production.

In the relations between the state and cooperative associations, the system of contracting, which is a form of organised trade, is of great importance. This turnover is carried out on the basis of agreements under which the state gives orders to cooperative producers for the production of a certain amount of agricultural products, supplies the cooperatives with seeds and implements, buys marketable products from them to supply oil with foodstuffs, and industry with raw materials. This system is beneficial to both sides and links peasant farms with industry directly, without private trading after sales.

The highest level of cooperation among the peasantry is the organisation of collective farms—kolkhozes, which signifies the transition to large-scale socialised production.

The first collective farms, which were created shortly after the socialist revolution, play an important role in the preparation of mass collectivisation. On the example of these collective farms, the peasants are convinced of the advantages of collective forms of farming over individual farming.

The leading role of large-scale socialist industry in the collectivisation of agriculture is played through machine and tractor stations. The machine and tractor station (MTS) is a state socialist enterprise in agriculture, concentrating tractors, combines, as well as other complex agricultural machines and servicing collective farm production in a contractual manner, the MTS is such a form of organisation by the socialist state of the material and production base of a large collective agriculture, which ensures the most complete combination of amateur activity of the collective farm masses in the construction of their collective farms with leadership with the help of the socialist state.

The machine and tractor stations are a powerful lever for the socialist reorganisation of agriculture, a means of establishing a link between industry and agriculture.

An important role in the socialist development of the economy is played by large state-owned agricultural enterprises organised by the socialist state on part of the Former landlords' lands, as well as on free lands of the state fund. In the U.S.S.R., state-owned Soviet farms (sovkhozes) began to be established as early as the first year after the socialist Revolution. A state farm is a large-scale socialist agricultural enterprise in which the means of production and all the products produced belong to the Soviet State. State farms are one of the most important sources of food and raw materials available to the State. State farms, as examples of a highly mechanised and highly commodity-based socialist economy, gave the peasants the opportunity to see the enormous advantages of a large-scale socialist economy, and provided them with tractors, varietal seeds, and breeding cattle. They made it easier for the peasant masses to turn towards socialism, towards collectivisation.

The collective-farm system is spawned with the financial and organisational support of the working class. The Soviet state spent huge sums of money to finance collective and state farm construction. During the first years of the mass collective-farm movement, the best party workers and tens of thousands of

advanced workers were sent to the countryside and rendered enormous assistance to the peasants in organising collective farms.

State expenditures only from the state budget for the financing of agriculture, not counting the expenditures on exile-cultural events, amounted to 1923/24-1927/28 for the years 1923/24—1927/28, 1.3 billion rubles, 1928/29—1932, 9.5 billion rubles, 1933—1937, 36.9 billion rubles.

The turn of the main masses of the peasantry to the path of collectivisation required an irreconcilable class struggle against the kulaks. The resistance of the kulaks to the Soviet government in the countryside especially intensified in 1927-1928, when the Soviet country experienced difficulties with bread. The kulaks organised the sabotage of slaughterhouses, committed terrorist acts against collective farmers, party and Soviet workers, set fire to collective farms and state grain warehouses. The policy of resolutely fighting the kulaks and defending the interests of the working peasants rallied the masses of the poor and middle peasants around the Communist Party and the Soviet state.

**Complete collectivisation and the liquidation of the kulaks as a class.** A radical turn of the peasantry towards the collective farms became apparent in the USSR in the second half of 1929. By this time, the economic and political prerequisites for the collectivisation of agriculture had been created. The middle peasants, that is, the bulk of the peasantry, went to the collective farms. The peasants joined the collective farms, no longer in separate groups, but in entire villages and their families. In the Soviet village, the process of collective nationalisation began.

Prior to complete collectivisation, the Communist Party and the Soviet state pursued a policy of limiting and ousting the capitalist elements of the countryside; did not destroy the economic foundations of the kulaks, did not entail its liquidation as a class.

Such a policy was necessary as long as the conditions for complete collectivisation were not created, until there was a wide network of collective farms and state farms in the countryside that could replace capitalist grain production with socialist production.

In 1926/27 the kulaks produced 617 million poods and sold 126 million poods in non-village exchange, while the state and collective farms produced 80 million poods and 37.8 million poods of marketable grain. Things changed radically in 1929, when the state and collective farms produced no less than 400 million poods and produced more than 130 million poods of marketable grain, that is, they cut off kulak production of marketable grain.

The great turn of the main peasant masses towards socialism marked a radical overexposure of class forces in the country in favour of socialism, against capitalism. This made it possible for the Communist Party and the Socialist State to pass from the old policy of restricting and ousting the capitalist elements of the countryside to the new policy of eliminating the kulaks as a class on the basis of complete collectivisation.

The transition to collectivisation is carried out not in the order of simple and peaceful entry of the peasants into collective farms, but in the order of a mass struggle of the peasants against the kulaks. The kulaks fiercely resisted collectivisation. The working class, leading the main masses of the peasantry, led them to storm the last capitalist stronghold in the country in order to defeat the kulaks in open battle, in full view of the entire peasantry, and to convince the masses of the peasants of the weakness of the capitalist elements. Under continuous collectivisation, the land area in the area of villages and villages was transferred to the use of collective farms. But since a considerable part of this land was owned by the Kulaks, the peasantry, organising collective farms, took away land, cattle, and grain from the Kulaks, and dekulakised them. The Soviet government repealed the laws on land lease and labour hiring and lifted the ban on dekulakisation. Thus, the

elimination of the kulaks as a class was a necessary component of complete collectivisation.

Collectivisation was carried out in strict compliance with the Leninist-Stalinist principles of collective farm construction; voluntary entry of peasants into collective farms, taking into account the peculiarities of the economy. the level of culture in various regions of the country, the non-turbidity of jumping over the agricultural highway, as the main one for collective farm construction, to the commune.

Complete collectivisation carried out on its basis ..... the next revolutionary upheaval, a leap from the old qualitative state of society to a new qualitative state, equivalent in its consequences to the revolutionary upheaval of October 1917.”<sup>1</sup>

It was a revolution that eliminated the old, bourgeois individual-peasant economic system in the countryside and created a new, socialist collective farm system, The peculiarity of this revolution was that it was produced from above, on the initiative of state power, with direct support from below, from the millions of peasants who fought against the Kulak bondage, for a free collective farm life.

This revolution solved a number of fundamental tasks of socialist construction.

First, it eliminated the largest exploiting class in the country, the kulak class. The liquidation of the kulaks as a class on the basis of complete collectivisation was a decisive step in the destruction of the exploiting classes. The problem of “who—whom” was solved not only in the city, but also in the village in favour of socialism. Inside the country, the last sources of the restoration of capitalism were destroyed.

Secondly, it transferred the most numerous working class in the country, the class of peasants, from the path of individual farming, giving birth to capitalism, to the path of social collective-

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<sup>1</sup> “History of the CPSU (B), Short Course”, p. 291.

farm, socialist farming, thereby solving the most difficult historical task of the proletarian revolution after the conquest of power.

Thirdly, it gave the Soviet government a socialist base in the most extensive and vital, but in the most backward area of the national economy—in agriculture. Agriculture began to develop on the same basis as industry—on the basis of public ownership of the means of production. Thus, one of the most profound contradictions of the transitional period was resolved—the contradictions between large-scale socialist industry and small-scale individual peasant economy—and the ground for the antithesis between town and country has been eliminated.

The old, capitalist production relations in the countryside, which were a brake on the productive forces, were replaced by new, collectivist production relations. Thanks to this, the productive forces in agriculture received full scope for their development. .

Agricultural artel as the main form of collective farming. The main and primary form of collective farm construction was the agricultural artel.

Before complete collectivisation, the predominant form of collective farms was partnerships for the joint cultivation of the land (TOZ's), in which land use and labour were socialised, but working livestock and agricultural implements remained in the private property of the peasant. In a number of regions there were agricultural communes, in which not only all the means of production, but also private households were socialised. These communes turned out to be frail, since they arose in conditions of undeveloped technology and a lack of products, They practiced an equal distribution of consumer goods, With the development of complete collectivisation TOZ's turned out to be a stage already passed, and for the organisation of feed the conditions are not yet ripe.

An agricultural artel is a form of collective farming in which the main means of production of peasant farms are socialised, but the personal property of collective farmers is preserved. for the management of the artel economy, all enterprises for the



processing of products. In an agricultural artel, residential buildings, his personal livestock, poultry, outbuildings necessary for the maintenance of livestock left in the personal property of the peasant, small agricultural implements necessary for personal subsidiary plots remain in the personal property of the collective farm yard. Collective farmers receive the main income from the social economy of the collective farms, which is the main and decisive one.

According to the Rules of the agricultural artel, each collective-farm household, depending on the characteristics of the farms of individual regions, may also have personal property: in regions with a predominance of grain, potato and vegetable, sapling and other industrial crops—1 cow, up to 2 head of young cattle, 1 sow with offspring, or, if the collective farm management finds it necessary. 2 sows with offspring, up to 10 sheep and goats together, unlimited poultry and rabbits, up to 20 beehives; in agricultural areas with animal husbandry—2-3 cows and, in addition, young animals, from 2 to 3 sows with offspring, from 20 to 25 sheep and goats together, and a limited number of poultry and rabbits and up to 20 beehives; and in livestock farms, where agriculture is of little importance, and livestock breeding plays a decisive role in the economy, the number of livestock in the personal property of collective farmers is much larger.

Of the socialised land, each kolkhoz yard is allocated for personal use for a subsidiary farming plot of land in the amount of 1/4 to 1/2 hectare, and in some districts up to 1 hectare, depending on the characteristics of the districts.

The agricultural artel fully meets the vital interests of the Peasantry, since it correctly combines personal interests. What are the collective farmers' interests and their public interests? The artel successfully adapts personal and everyday interests to the public interests, thereby facilitating the education of yesterday's sole proprietors in the spirit of collectivism.

The reorganisation period in agriculture in the USSR ended by the end of the first five-year plan. In 1932, the collective farms

united over 60% of all peasant farms and concentrated over 75% of all peasant crops. But the kulaks, defeated in open battle, had not yet been finished off. Penetrating the collective farms by deceit, the kulaks, by means of various methods of wrecking sought to blow up the collective farms from the inside. The Communist Party and the Soviet state set organisational and economic strengthening as the main task of collective farm construction, that is, the strengthening of party and state leadership of the collective farms, the cleansing of the collective farms of those who have made their way into the kulak elements, the protection of public socialist property, and the strengthening of the discipline of collective labour.

The victory of the collective-farm system was won in a decisive struggle against the exploiting classes and their ideologists, the Trotskyists and Bukharinites, who defended the kulaks by all means, fought against the creation of collective farms and state farms, demanded their dissolution and liquidation.

**The transformation of the U.S.S.R. from a country of small-peasant farming to the largest and most mechanised agriculture in the world.** By the end of the second five-year plan, the collectivisation of agriculture was completed. The method of collectivisation proved to be a highly progressive method, since it made it possible within a few years to cover the whole country with large collective farms that could use willow technology, use all the agricultural achievements, and give the country more marketable products; it opened the way to improving the welfare of the peasantry.

The world's largest agriculture has been created and consolidated in the USSR in the form of a comprehensive system of collective farms, MTS and state farms, which represent a new, socialist mode of production in agriculture.

Instead of 25 million peasant farms, existing in the USSR on the eve of a continuous code of action, by the middle of 1938 there were 242.4 thousand collective farms (not counting the fishing and trade). Each collective farm accounted for an average of 1,534

hectares of agricultural land, including 485 hectares of sown area. In the US in 1940, there were 1.6% of all Ossetian farms with a land area of 405 hectares or more.

The collective-farm system has shown its indisputable advantage over the capitalist system of agriculture and the small-peasant economy system.

“The great significance of the collective farms lies precisely in the fact that they represent the main base for the use of machines and tractors. It is a land of mine that they constitute the main basis for the transformation of the peasant, for the reworking of his psychology in the spirit of socialism.”<sup>1</sup>. During the first two five-year plans in agriculture The USSR carried out a genuine technical revolution, which resulted in the creation of a solid material and production basis for socialism in the countryside. Socialist agriculture is not only the largest but also the most mechanised agriculture in the world. While under capitalism the use of machinery in agriculture is inevitably accompanied by the ruin of the small peasants, the mechanisation of socialist agriculture on the basis of collective labour facilitates the work of the peasant and leads to an increase in his well-being.

In 1940, there were 530,000 tractors in the agriculture of the USSR. 182 thousand combines and 228 thousand trucks. The number of MTSs was 158 in 1930 and 7,069 in 1940. The level of mechanisation of agriculture in the USSR reached in 1940 in tractor ploughing: the rise of fallows - 83%, the rise of fallow—71%: for tractor sowing of spring and winter crops—52-53%, for harvesting grain combines—43%. At the same time in the USA only half of the ploughing and one-third of the sowing was done by tractors, not to mention the Western European countries, where the technical equipment of agriculture is much lower than in the USA.

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<sup>1</sup> J. V. Stalin, On the issues of agrarian policy in the USSR, Works, vol. 126, 165.

On the basis of the mechanisation of production and the application of socialist forms of labour organisation, the collective farms have achieved a high level of labour productivity. The productivity of labour in the collective farms has become much higher than in the peasant and capitalist economy, not only in old Russia, but in other capitalist countries. Labour productivity in grain farming on collective farms in 1937 was 3.3 times higher than in pre-revolutionary agriculture, and, taking into account the reduction in the length of the working day, it increased almost 4 times. Tractors in the USSR are used several times more productively than in the USA. Socialist competition arose and developed on the collective farms for raising the yield of agricultural crops and the productivity of animal husbandry.

The collective farm system has ensured a significant increase in agricultural output and a high marketability of agriculture, which is important for supplying the country with food and raw materials. Gross agricultural output of the USSR in 1940 exceeded the pre-revolutionary level (1913) by almost 2 times, the marketability of collective farm and state farm grain production reached in 1938, 40% of the gross grain production against 26% in 1913. At the same time, the marketability of grain in the poor and middle peasant farms in pre-revolutionary times was only 14.7%.

The victory of the collective farm system provided the Soviet peasantry with the necessary conditions for a prosperous and cultural life. The collective-farm system destroyed the possibility of stratification of the peasantry. poverty and the countryside. Tens of millions of poor people, having joined the collective farms, turned into wealthy people. Thanks to the collective farms, there were no horseless, cowless people in the countryside. without inventory of peasant households. In 1937, the gross grain harvest per household on the collective farms was two and a half times greater than that of the poor and middle peasants before the revolution. increased by 2.7 times.

As a result of the victory of the collective-farm system, the friendly alliance of workers and peasants has grown immeasurably

stronger. The collective-farm peasantry has become a new, firm base of Soviet power in the countryside. Now not only the working class, but also the peasantry began to base their existence on social, socialist ownership of the means of production.

The experience of the socialist transformation of agriculture in the USSR serves as an example for all countries that have embarked on the path of building socialism.

## BRIEF CONCLUSIONS

1. A necessary condition for building socialism is the collectivisation of agriculture. The collectivisation of agriculture consists in the gradual and voluntary amalgamation of peasant farms into production cooperatives, that is, collective farms. Collectivisation means the transition from small, individual, backward private economy to a large-scale socialist economy, armed with advanced machine technology, collectivisation frees the working peasantry from exploitation and poverty and opens the way for them to a prosperous cultural life. Collectivisation meets the vital interests of the peasantry and all working people, showing the peasants the advantages of a socialist chicken economy, the creation of machine and tractor stations, and a decisive struggle against the kulaks.

3. The complete collectivisation and on its basis the liquidation of the kulaks as a class, carried out under the leadership of the Communist Party and the Soviet State, represented a profound revolutionary revolution, which meant the transition from the bourgeois individual-peasant system, from the countryside, to the new, socialist, collective-farm system. This revolution eliminated the most numerous exploiting class, the kulaks, shifted the most numerous working class, the peasantry, from the capitalist path of development to the socialist path of development, and created a solid socialist base for the Soviet State in agriculture.

4. As a result of the victory of the collective farm system, the Soviet Union turned from a country of small-scale peasant farming into a country of the largest and most mechanised agriculture in the world. The productive forces of agriculture have received full scope for their development. On the basis of highly productive and highly commodity socialist farms—kolkhozes and sovkhozes—and for a short period of time the grain problem was resolved and high rates

of development of all agriculture were ensured, the Soviet peasantry was forever freed from exploitation, poverty and misery were eradicated in the countryside, and a continuous rise in the material and cultural standard of living of the economic peasantry was ensured.

## CHAPTER XXV. THE VICTORY OF SOCIALISM IN THE USSR

**Creation of a socialist mode of production.** The success of the socialist industrialisation of the country and the collectivisation of agriculture led to a radical change in the correlation of class forces in the USSR in favour of socialism, to the detriment of capitalism. Until the second half of 1929, a decisive offensive against the capitalist elements was carried out mainly along the line of the city. With the transition to the complete collectivisation of peasant farms and the liquidation of the kulaks as a class, this offensive also engulfed the countryside, thus assuming a general offensive. Socialism began a furious offensive along the entire front. As a result of the turn of the main masses of the peasantry towards socialism the capitalist structure lost its base in the form of small-scale production. He began to sink to the bottom. In 1930, the socialist sector already held in its hands the levers of the entire national economy. This meant that the USSR entered the period of socialism.

The entry into the period of socialism was not the end of the transitional period, since the task of building a socialist society had not yet been fully realised. But this was already the last stage of the transitional period. If at the beginning ..... the last NEP jelly has come - the stage of the complete liquidation of capitalist elements in the country.

The advance of socialism along the entire front took place in the conditions of an intensification of the class struggle, in order to overcome difficult difficulties. These were difficulties associated with the radical reconstruction of industry and agriculture, with the restructuring of the technical base of the entire national economy. In agriculture, reconstruction was impossible without the simultaneous restructuring of the old economic structure, without the collectivisation of peasant farms, without uprooting the roots of capitalism in the countryside. The offensive of socialism inevitably



evoked desperate resistance from the perishing exploiting classes, which, with the support of the capitalist encirclement, carried out sabotage, sabotage, sabotage and terror. Difficulties of the socialist construction are fundamentally different from the difficulties that are inherent in the capitalist economy. The difficulties of the capitalist economy are expressed in crises, depressions, rising unemployment: they are the difficulties of decline or stagnation. On the contrary, the difficulties of socialist construction are the difficulties of growth, progress, advancement; therefore they themselves contain the possibility of overcoming them.

As a result of the first five-year plan, the foundation of a socialist economy was built in the USSR in the form of socialist industry and large-scale collective agriculture, armed with advanced technology. Capitalist elements in industry: All the features were eliminated. Collectivisation in the main agricultural regions of the country was basically carried out; the kulaks were defeated, although not yet finished off, the transition to Soviet trade took place—to trade without capitalists, small and large, private trade was completely supplanted by the state gift, cooperative and collective farm trade.

Already at the beginning of the second five-year plan, the economy of the USSR ceased to be diversified. Of the five economic structures that existed in the national economy, the three economic structures—private capitalism, state capitalism, and patriarchal economy—no longer existed, the small-scale commodity structure was relegated to secondary positions, and the socialist structure became the separately dominant and only dominant force in the entire national economy. This meant that the Soviet government began to be based both in the city and in the countryside on a socialist basis. In the second five-year period, the technical reconstruction of the entire national economy was completed. Collectivisation is over peasant farms, the collective farm system finally got stronger. Thus, the roots of capitalism in the economy were uprooted, The process of differentiation of the peasantry, the birth of capitalist elements. The liquidation of the executing classes

was carried to the end, the causes that give rise to the exploitation of man by man were eliminated.

The main contradiction of the transitional period—the contradiction between growing socialism and a bent but still strong capitalism based on small-scale commodity production—was overcome. economy has been achieved. Lenin said that NEP was introduced in earnest and for a long time, but not forever, that NEP Russia would be a dream Russia. Lenin's hopeful vision was realised. The victory of socialism meant the end of the transitional period, the end of NEP.

In 1936, the share of socialist forms of farming in the total amount of means of production reached 98.7%, including: in industry—99.95%, in agriculture—96.3%. From 1923/24 to 1936 The share of the socialist forms of economy has risen: in the gross output of industry—From 76.3% to 99.8%; turnover of trade enterprises—from 43% to 100%, in the national trade—from 35% in 1924/25 to 99.1% in 1936.

During the years of the transitional period, the most progressive mode of production that has hitherto existed in history has been created in the USSR—the socialist mode of production, which is the unity of the productive forces and production relations of socialism. New, powerful productive forces were convened throughout the entire national economy. Large-scale machine production embraced all branches of the national economy and extended to agriculture. In turn, the socialist relations of production, which have triumphed both in the city and in the countryside, opened up scope for the development of the productive forces and ensured the uninterrupted growth of socialist production. The building of socialism was the only way that led to the elimination of Russia's age-old technical and economic backwardness, delivered the country from foreign bondage and ensured its national independence. In a historically short time, the USSR became a powerful industrial-collective farm. The working class and the working masses of the USSR under the leadership of the Communist Party, having taken first place in the world in terms

of the level of technology in industry and agriculture, having built a socialist society, realised the aspirations of many generations of working people.

The building of socialism in the USSR was the most profound revolutionary upheaval in the history of mankind.

Changes in the class structure of the action. The building of a socialist economy led in the USSR to fundamental changes in the class structure of society. Under socialism there are no exploiting classes. Socialist society consists of two friendly working classes—the working class and the peasantry—and the intelligentsia, all rooted in these classes.

In pre-revolutionary Russia in 1913, workers and employees accounted for 16.7% of the population, small commodity producers (peasants, handicraftsmen, artisans)— 65.1, exploiting classes— 15.9 (including kulaks—12.3), the rest of the population (we study pensioners, army and others)—2.3%.

In the USSR in 1937, workers and employees accounted for 34.7% of the population, the collective farm peasantry and cooperative handicraftsmen—53.5%, students, pensioners, the army and others—4.2%. Peasant farmers and non-cooperative handicraft workers, that is, persons engaged in their labour in small-scale farming, constituted only 5.6% of the population. The classes of landowners and the bourgeoisie were eliminated during the transition period.

The victory of socialism radically changed the character and position of the working class, the peasantry and the intelligentsia.

The working class has ceased to be a proletariat, that is, a class deprived of the means of production, selling its labour power and being exploited by the capitalists. The working class of the USSR has become a completely new class, unprecedented in history, which, together with the entire people, owns the means of production and is freed from exploitation. The working class in the USSR bases its existence on state ownership of the whole people and on socialist labour. It is the leading class of socialist society, the leading force in

its development. Therefore, in the USSR, the state leadership of society (dictatorship) belongs to the working class.

The peasantry, from a class of small, dispersed producers, basing its existence on private property, individual labour and primitive technology and exploited by landowners, kulaks, merchants and usurers, has turned into an entirely new class, the like of which history has never known. The peasantry in the USSR has been freed from exploitation; it bases its work and its wealth on public, cooperative-collective-farm property, collective labour and advanced technology. In close alliance with the working class and under its leadership, the peasantry actively participates in the administration of the Soviet state, which is a socialist state of workers and peasants.

The victory of socialism in the USSR completely put an end to the exploitation of the countryside by the city, to the ruin of the peasantry by capitalism. Thus, the age-old opposition was eliminated ....., ..... under capitalism, the centre of the exploitation of the countryside, became the centre of socialism economic, political and culture wave to the village.

Enormous help to our peasantry from the side of the socialist city, from the footsteps of our working class, rendered in the liquidation of the landlords of the kulaks, strengthened the ground for an alliance between the working class and the peasantry, and the systematic supply of the peasantry and its collective farms with first-class tractors and other machines turned the alliance of the working class into peasantry into friendship between them.<sup>1</sup>

Thanks to the socialist city, the countryside acquired new, powerful productive forces. The bond between industry and agriculture became ever stronger. Contrasting interests disappeared. cities and villages. There is no trace left of the former distrust, and even more hatred of the village for the city. Both the city and the countryside are developing on a socialist basis. The interests of the workers and peasants lie on the same common

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<sup>1</sup> J. V. Stalin, Economic Problems of Socialism in the USSR, pp. 36.

ground—strengthening the socialist system and building communism.

In the USSR, a new, hitherto unknown, socialist intelligentsia was born, which also included that part of the old intelligentsia, which after the revolution joined the people. In bourgeois society, the intelligentsia is replenished predominantly from the propertied classes, serves the capitalists, exploits mines and herself helps them to exploit the workers and peasants. Under capitalism, a large part of intelligentsia is forced to engage in unskilled labour or falls into the ranks of the unemployed. In the USSR, the vast majority of the intelligentsia are from the working class and the peasantry. The Soviet intelligentsia knows no exploitation, serves the working people, the cause of socialism, and has every opportunity for the fruitful application of its knowledge. At socialism, the intelligentsia is king with the working class and peasantry as an equal member of society, actively participates in governing the country. In 1937, the cadres of the Soviet intelligentsia numbered 9.6 million. Taking into account family members, the intelligentsia made up approximately 13-14% of the population of the USSR.

With the victory of socialism in the USSR, the age-old antithesis between mental and physical labour was eliminated—the exploitation of manual workers by representatives of mental labour, workers and managers of enterprises constitute a single labour collective interested in raising production. The monopoly of the propertied classes on education, science is used in the interests of the whole people, education is the property of the workers and peasants.

The victory of socialism created everything necessary for the prosperous and cultural life of the masses. In line with the fact that socialist production is carried out to satisfy the needs of the working people, the well-being of the working class, the peasantry and the intelligentsia has risen significantly during the years of the transition period. Unemployment and poverty disappeared. There were no poor peasants in the countryside, the real wages of workers and employees increased significantly, and the real incomes of the

peasantry increased. The country has undergone a cultural revolution. As a result of the first two five-year plans, universal compulsory primary education was implemented in the languages of the nationalities of the USSR. A network of educational institutions grew on an enormous scale throughout the country. The number of specialists for various branches of the economy and culture has increased several times.

The national income of the USSR, which is wholly owned by the working people, increased by more than 4½ times in monumental prices in 1937 in comparison with 1913. The production of articles for personal consumption by large-scale industry increased in 1937 after a decline since 1913 by almost 6 times. During the second five-year plan alone, the real wages of workers and employees doubled.

The number of primary and secondary school students increased from 7.9 million in 1914 to 29.6 million in 1937; the number of students in institutions of higher learning increased from 117,000 to 547,200; the circulation of books increased from 86.7 million to 673.5 million; 7 million to 35.2 million.

In accordance with the principles of the socialist system, the Soviet government put an end to the oppressed position of women. In the USSR, women actually enjoy equal rights with men in all areas of economic, cultural, and socio-political life. The victory of socialism introduced millions of women to skilled work. For the goals of five-year plans grew numerous leading cadres from among women. Women occupied an equal position with men in the intelligentsia. A radical change in the position of women in the countryside occurred with the victory of the Kolkhozes, which abolished the former inequality between women and men, which had taken place in the individual peasant economy. Women were given the opportunity to equal footing with men and take a place of honour in the public economy. The victory of socialism freed the bridegroom from semi-Russian state, in which it was located in a number of national outskirts, where there were feudal and patriarchal remnants. The women of the national outskirts, along

with the women of the whole country, have become active builders of socialism.

In 1936, women accounted for 42% of those admitted to universities and 48% of those admitted to technical schools. In 1935, the proportion of women among students in the industrial universities of the USSR was 7 times higher than in Germany, 10 times higher than in England, and 20 times higher than in Italy. The number of women doctors in the USSR in 1940 compared with 1913 increased about 40 times. If in 1913 women accounted for 9.7% of the total number of doctors, 40 in 1940 about 60% of the total number of doctors were women.

With the victory of socialism and the liquidation of the exploitation of man by man, there were no hostile, antagonistic classes, no irreconcilable class contradictions in the USSR. The class relations of socialist society are characterised by friendship and comradesly cooperation between the working class, the peasantry and the intelligentsia. The class distinctions between the working class and the peasantry, as well as between these classes and the intelligentsia, are gradually being erased. While capitalist society is torn apart by class and national antagonisms, which make it unstable, socialist society, which knows no class and national antagonisms, is distinguished by solidity and stability. The undivided dominance in the USSR of public property and the socialist economic system was the economic basis on which such mighty driving forces of social development unfolded, as the moral and political unity of Soviet society, the friendship of the peoples of the USSR, Soviet patriotism. These social forces have a huge feedback effect on the economy, accelerating its development.

The fundamental changes that took place in the socialist economy and the class structure of the USSR were reflected in the state superstructure. The Soviet socialist state, as JV Stalin showed, went through two main phases in its development. The first phase refers to the period from the October Revolution to the liquidation of the exploiting classes. The state during this period suppressed the overthrown classes, defended the country from attack from outside.

The economic and cultural and educational functions of the state were also carried out, but this function had not yet been fully developed. In the second phase of its development, the Soviet state fulfilled the task of organising a socialist economy throughout the country and eliminating the last remnants of capitalist elements. The function of suppressing the exploiters disappeared, its place was taken by the function of protecting socialist property; the function of military defence of the country from the capitalist encirclement was preserved. The creation of a socialist basis ensured the full development of the function of economic, organisational, cultural and educational work of state bodies.

As a result of the changes that had taken place in 1936, a new Constitution of the USSR was adopted, which fixed in law the principles and basic foundations of socialism. It is not limited fixing the formal rights of citizens, but shifts the centre of gravity to the real provision of these rights. Thus, the Constitution of the USSR does not simply proclaim the right of working people to work. For rest, for material support in old age, in case of illness and disability, as well as the right to education. The real exercise of these rights is ensured by the socialist system of the national economy, the elimination of unemployment, an eight-hour working day, annual holidays for workers and employees with their wages saved, social insurance for workers and employees at the expense of the state, the provision of sanatoriums, rest homes, state protection of the interests of mothers and child, universal compulsory primary education, free seven-year education, state scholarships for students and other material means. Thus, the victory of socialism in the USSR has created a solid economic foundation that guarantees the actual realisation of the rights of workers. This expresses the genuine socialist democracy of Soviet society and the Constitution of the USSR.

### **Elimination of the economic inequality of nations.**

Socialism, which destroys all exploitation, also eradicates the causes that give rise to the oppression of the nation. The socialist system



eliminates as political. and the economic and cultural inequality of nations, ensuring the material and cultural uplift of all peoples without exception, "If private property and capital inevitably separate people, incite national strife and increase national oppression, then collective property and labour just as inevitably bring people together, undermine national strife and destroy the national decay. The existence of capitalism without national oppression is just as unthinkable as the existence of socialism without the liberation of the oppressed nations, without national freedom."<sup>1</sup>

With the establishment of the dictatorship of the proletariat in the USSR, the political inequality of nations, the system of national oppression and colonial exploitation were abolished. Further, the task arose of eliminating the economic inequality of nationalities, of putting an end to the backwardness of a number of peoples inherited from the past in economic and cultural terms. This task could be solved only on the basis of socialist construction.

Of the growing up national outskirts of Russia, about 25 million people were in the pre-capitalist stage of development, and 6 million people were cattle-breeding tribes who had not yet switched to agriculture and had not outlived the patriarchal-tribal system. It was necessary to help the peoples of the national outskirts to free themselves from numerous feudal and patriarchal remnants, to eradicate the remnants of the colonial elements, to enable these peoples to build a socialist economy.

Lenin and Stalin discovered and scientifically substantiated the possibility of a non-capitalist path of development for backward countries and peoples.

With the help of the advanced countries of the proletarian dictatorship, the backward countries, assemblages under the yoke of imperialism, can gradually pass over to the path of socialist

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<sup>1</sup> J. V. Stalin, *On the Immediate Tasks of the Party on the National Question*. Works, vol. 5, p. 19.

construction, bypassing the stage of capitalist development. In the scab of the proletarian dictatorship, such a non-capitalist path of development is traversed by the backward peoples with the help of the advanced peoples. As a result of the all-round assistance of the Russian people, the Russian working class, to the backward peoples of the national border regions, these peoples made the greatest leap from patriarchal and feudal forms of economy to socialism, bypassing the painful and long path of capitalism. development. The construction of socialism in the USSR was carried out with careful consideration of the features of the economic state, historical past, life and culture of each people.

In the USSR, the actual inequality in economic and cultural development between peoples of different nationalities inherited from the bourgeois-landowner system has been eliminated. between central Russia, which had gone ahead, and the national outskirts that lagged behind in the past. There are no more backward peoples in the Soviet Union. The national outskirts of tsarist Russia have been transformed from colonies and semi-colonies into truly independent states—Soviet socialist republics. In the previously backward national republics and regions, large-scale socialist industry was created, the collective-farm system was established, numerous national cadres of the working class, including skilled workers, grew national intelligentsia. The powerful economic growth of the national border regions was accompanied by a rapid growth material well-being and a huge rise in the cultural level of the working people.

With the general high growth rates of industry in the USSR and the republics, industry grew especially rapidly. The gross output of large-scale industry increased in 1940 compared with 1913 in the Soviet Socialist Republic as a whole by almost a 12 times; in the Kazan SSR, 20 times; in the Georgian SSR, 27 times; in the Tajik SSR—308 times.

Under Soviet rule, 48 nationalities received opera writing. At that time, before the resolution, a significantly predominant part of the population national cutting was illiterate, the socialist revolution

led to the fact that already in 1939 the vast majority of the national population swelled became literate. The number of students in primary and secondary schools in 1940, compared with 1914/15, increased. in the Azerbaijan SSR—9 times, in the Armenian SSR—9.4 times, in the Kazakh SSR—10.9 times, in the Turkmen SSR—36 times, in the Kirghiz SSR—47 times in the Uzbek SSR—73 times, in the Tajik SSR—822 times.

The building of socialism fundamentally changes the nature of nations. As a result of the revolutionary transformation of social relations, the place of the bourgeois nations that make up capitalist society is being occupied by new, socialist nations, which are formed on the basis of the old, bourgeois nations. .... with opposite interests, socialism unites people on the basis of social property and common interests. Each socialist line is monolithic, it consists of workers led by the working class.

“The main features inherent in the advanced socialist nations are as follows:

First, there is the most advanced social and state system in the world, in which there are no exploiting classes, and all power belongs to the people.

Secondly, the presence of highly developed socialist industry and large-scale socialist agriculture.

Thirdly, universal literacy of the population, compulsory education of children, a developed system of higher education that provides training for national specialists in all areas of the economy and culture; flourishing science and art.

Fourth, a systematic increase in the living standards of the entire population by ensuring the growth of real wages of workers and employees and incomes of peasants, through the development of trade, urban growth and improvement, unnecessary conditions; the presence of a wide network of medical institutions that ensure the protection of the health of the people.

Fifthly, the triumph of the ideology of equality of all races and nations, ideology of friendship between peoples.”<sup>1</sup> The victory of socialism consolidated the unity of the economic and political interests of the peoples of the USSR and led to the flourishing of their cultures—national in form, socialist in content.

The Soviet Union is the strongest and most viable multinational state based on fraternal labour of peoples, which is a model for resolving the national question for the whole world.

The entry of the USSR into the period of completing the construction of a socialist society and the gradual transition from socialism to communism. With the victory of socialism, the USSR entered the New a strip of its development, in the strip of completion of the construction of a socialist society and a gradual transition from the social. ism towards communism.

Communism is a social system in which there are no classes and class distinctions, all means of production and products are public property, the level of productive forces ensures an abundance of products, and the guiding principle of social life is the principle that everyone abilities, to each according to his needs.

Socialism and communism are two phases of the same communist socio-economic formation. Socialism is a little mature; the first, lower phase of the communist formation, and by communism is understood the more mature, second, higher phase of this formation. The development of socialism leads to the creation of a material and arbitrary ball of communism and the abolition of products, to the embracing of all the means of production and products of production by the people’s form of ownership, to an enormous rise in the well-being and level of culture of the people. Thus, the completion of the construction of a socialist society means at the same time the implementation of a gradual transition to communism. The entire people—the working class, the peasantry, the intelligentsia—are vitally interested in

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<sup>1</sup> L. Beria; Speech at the 19th Congress of the CPSU (B), 1952, p. 10.

building a communist system and are active builders of communism, which means the greatest material and cultural flourishing of society.

An important milestone on the road to communism was the Third Five-Year Plan. During the first three and a half years (1938-June 1931) the tasks of the third five-year plan were successfully carried out. A new, significant growth was achieved in industry, and above all in heavy industry, and collective-farm agriculture was further strengthened and developed. The peaceful creative drive of the Soviet people to build communism was interrupted in 1941 by a treacherous attack on the USSR by fascist Germany and its vassals.

The Great Patriotic War of the Soviet Union (1941-1945) was the most difficult of all wars that took place in the history of Russia. The war confirmed that the USSR is cloaking the most durable and viable social and state system in the world. The Soviet system turned out to be not only the best form of organising the economic and cultural upsurge of the country during the years of peaceful construction, but also the best form of mobilising all the forces of the people to repulse the enemy in time of war.

A powerful economic base for the active defence of the country, used during the war, was created during the years of the pre-war five-year plans as a result of the implementation of the policy of industrialisation and collectivisation.

In 1940 in the USSR it was arbitrary: 15 million tons of pig iron, that is, almost 4 times more than in 1913; 18,300 thousand tons of steel, that is, four and a half times more than in 1913; 166 million tons poured out; that is, 5 and a half times more than in 1915; 31 millions of oil, that is, 3 and a half times more than in 1913; 38,300 thousand tons of marketable grain, that is, 17 million tons more than in 1913. 2,700 thousand tons of cotton, that is, 3.5 times more than in 1913.

The socialist system made it possible in the shortest possible time to create in the USSR a well-coordinated and rapidly growing military economy, the economic basis of the Soviet state in a few difficult situations, caused by an incomparably more viable

economy than the economy of enemy states. Thanks to the benefits of a planned socialist economy the Soviet state, in the incredibly industrious vulnerable, caused by the temporary loss of a number of important regions of the country, was able to timely carry out the maximum mobilisation and the most effective help of internal, labour organisations, financial resources, Despite the enormous damage caused to economy of the country, the high level of socialist accumulation ensured at the end of the war the volume of capital investments in industry exceeding the pre-war level. The Soviet state launched a huge construction of new enterprises and ensured an intensive growth of industrial output. Throughout the war, technology and the organisation of industrial production were continuously improved, the quantity and quality of Soviet weapons increased rapidly. Despite the temporary occupation by the enemy of the most important agricultural areas, kolkhozes and sovkhoses supplied the country without serious interruptions with food, and industry with raw materials, the kolkhoz system withstood the severe tests of war and showed its great vitality. The working class, the peasantry, the intelligentsia, including Soviet women and youth, showed selflessness in their work. Enormous results have been produced by nationwide socialist emulation. Thanks to the growth of labour productivity in the heavy and defence industries, a very significant reduction in the cost of production has been achieved. This made it possible to sharply expand the production of weapons.

The moral and political unity of socialist society, the friendship of peoples, and Soviet patriotism aroused the mass heroism of the Soviet people at the front and in the rear, and the Communist Party, directing the defence of the country, skilfully directed all the forces of the people to defeat the enemy. The decisive advantages of socialism and the indestructible strength of the Soviet rear provided the Soviet Union with the economic and military victory it won in the deadly struggle against imperialist Japan. The Soviet people not only defended the freedom and independence of their Motherland and their socialist struggles, but also liberated the peoples of Europe from Hitler's yoke and saved world civilisation from fascism.

The war caused enormous damage to the national economy of the USSR. Any, even the largest capitalist state, having suffered such damage, would inevitably be thrown back decades and would turn into a secondary power. But the USSR, thanks to the advantages of the socialist system, successfully coped with the most difficult tasks of eliminating the consequences of the war. Having ended the war with a victory over the enemies, the Soviet Union was able on its own within a few years not only to reach the pre-war level of production, but also to leave it far behind. The plan of the fourth five-year plan (1946-1950) was successfully implemented, the main tasks of which were to restore the affected areas of the country, restore the pre-war level of industry and agriculture, and then surpass this level on a significant scale. The fourth five-year plan for industry was carried out ahead of schedule.

The successful fulfilment of the Fourth Five-Year Plan meant a major step along the path of the development of Soviet society from socialism to communism. The USSR's further movement towards communism is carried out on the basis of solving the tasks of the Fifth Five-Year Plan (1951-1955).

The victory of socialism in the USSR is of the greatest international significance. It was a powerful new blow to the world imperialist system, further shattering its foundations. With the establishment of socialism, the superiority of the socialist system of the national economy over the capitalist system was revealed with all its might. It took capitalism about a hundred years, and feudalism about two centuries, to prove its superiority over previous modes of production. The socialist economic system has shown its undeniable superiority over capitalism already during the years of the transition period, that is, in less than twenty years. In practice, the correctness of the Marxist-Leninist theory of the socialist revolution has been proven. This strengthened the faith of the working people in the strength of the working class, in the final victory of socialism throughout the world.

## BRIEF CONCLUSIONS

1. As a result of the transition period from capitalism to socialisation in the USSR, the capitalist elements were eliminated in all sectors of the economy, the socialist system became the only system of the national economy, the economic basis of the socialist society was created. The victory of socialism was reflected and legislatively consolidated in the Constitution of the USSR—the most democratic constitution in the world.

2. Socialism is a system based on social ownership of the means of production, in which there is no exploitation of man by man, the national economy develops in a planned manner in order to satisfy the growing material and cultural needs of the whole of society through a continuous rise in production. and the guiding principle of social life is the principle ‘from each according to his ability, to each according to his work’.

3. Socialist society consists of two friendly classes—the workers and the collective farm peasantry—and the intelligentsia. The victory of socialism led to a radical improvement in the material and cultural conditions of the working people, to the elimination of the antithesis between town and country, between mental and physical labour, to the eradication of national inequality and the emergence of new, socialist nations.

4. With the victory of socialism, the USSR entered a period of gradual transition from socialism to communism. Thanks to the advantages of the socialist system, the USSR won an economic and military victory in the Great Patriotic War. After the war, the Soviet Union restored the national economy in the shortest possible time and achieved its new powerful upsurge, successfully continuing its path to communism. The victory of socialism in the USSR was of world-historical significance. She actually proved the superiority of socialism over capitalism.



## **B. Socialist System of the National Economy**

## CHAPTER XXVI. MATERIAL AND PRODUCTION BASE OF SOCIALISM

**The main features of the material and production base of socialism.** As a result of two great transformations—the socialist industrialisation of the country and the collectivisation of agriculture—the material and production basis of socialism was created in the USSR. Material and production base. Socialism is large-scale machine production in all branches of the national economy, based on higher technology and the labour of workers free from exploitation.

The material and production base of socialism represents a new stage of development of large-scale machine production, higher than that of capitalism, and fundamentally differs from the material and production base of the capitalist society.

Socialist production is united by social ownership of the means of production and develops according to plan in the interests of the whole of society. The development of socialist production does not encounter obstacles due to private ownership of the means of production.

Socialist production is the largest and most concentrated in the world. The socialist system, established in the USSR, signifies the undivided dominance of large-scale production not only in industry, but also in agriculture, while under capitalism agriculture is dominated by small, fragmented farms of individual peasants.

Socialist production is the most mechanised in the world. While in bourgeois society machines are an instrument of exploitation and are introduced into production only when they increase the capitalist's profit by savings on the wages of workers, under the socialism of the machine applied when they save labour for society. In socialist society, machines have become a powerful means of facilitating the work of the workers and peasants and increasing the well-being of the people. There is no unemployment in the USSR, and machines cannot compete with the working people. Because of

this, under socialism the working people are very willing to use machines in the national economy.

As a result of the elimination of private ownership of funds of production, all the achievements of advanced science and technology under socialism are the property of the whole society. In a socialist economy, there can be no question of that artificial retardation of technical progress which the capitalist monopolies practice for their own selfish ends.

Socialism requires a steady and rapid development and improved technology; old technology must be replaced by new technology, and new technology by the latest. Hence the need for large capital investments in the national economy. The socialist state, concentrating in its hands the main means of production and accumulation of the national economy, can make capital investments in the national economy on a scale inaccessible to capitalism. The socialist state is able to bear the losses associated with the incapacitation of old machines and replacing them with new ones, so that after a number of years they will compensate for the expenses incurred. As a result, technical development under socialism, in contrast to capitalism, is not weighed down by the burden of old technology. Soviet industry and agriculture embody the newest, the most perfect thing available to modern science and technology. The national economy of the USSR has the youngest production and technical apparatus in terms of age.

Thus, socialism ensures the consistent introduction of modern machine technology into all branches and processes of production, including agriculture. Meanwhile, under capitalism, agriculture and even entire branches of industry are illuminated mainly by manual labour.

Under socialism, the position of workers in production changes radically. The liberation of workers, collective farmers, intelligentsia from equipment is the basis for the existence of a socialist society. The working people work for themselves, for society, and not on the exploiters, and therefore are deeply interested in the improvement of production on the basis of higher technology. At the same time,

socialism leads to a steady and rapid increase in the general cultural level and technical training of the workers. This determines the creative activity of the working people in the development of production and the tools of labour. The workers, collective farmers and intelligentsia are making a serious contribution to the cause of technical progress, are overcoming the old standards for the use of technology, and establishing new, ever higher standards.

Socialism ensures the continuous growth of the productive forces at a rate unattainable for capitalism.

**Socialist industry.** The social and economic industry is a highly concentrated and technically advanced industry, united on the basis of public ownership throughout the country. Socialist industry plays a leading role in the national economy, and it equips all branches of the national economy with advanced technology. This is ensured by the faster growth of industries that produce capital goods and the high level of development of mechanical engineering.

Socialism has raised the technical level of industry to an unprecedented level. From the point of view of production techniques, the increase in industrial production by new technology, the industry of the USSR ranks first in the world.

The main industrial production assets of the USSR grew by 77% in 1950 compared to 1940. The output of the entire industry in 1952 increased 2.3 times compared to 1940, including the output of industries that produce means of production—2.7 times and industries that produce consumer goods—1.6 times. The share of mechanical engineering in industrial output was 27% in 1938, and 39% in 1950, which is much higher than in any economically developed capitalist country. Thus, before the war in the United States, mechanical engineering accounted for 17.5% of all industrial output; in Germany—14.6%, in England—16.2%.

Socialist industry is the most centralised industry in the world. The concentration of production under socialism is carried out

according to plan and is accompanied by a general rise in production in the interests of the whole society.

Meanwhile, under capitalism, concentration is carried out spontaneously, accompanied by the ruin and destruction of small and medium-sized enterprises and the establishment of the rule of monopolies. "We are the country of the most concentrated industry. This means that we can build our industry on the basis of the best technology and, thanks to this, ensure unprecedented productivity of labour, unprecedented rate of accumulation"<sup>1</sup>.

Under socialism, one of the important forms of concentration—the combination of production—is being widely developed. Combining production makes it possible to use raw materials and fuel more fully, reduces transport costs, and leads to an acceleration of the production process.

In 1940, 71% of all workers and 84% of all production were concentrated in the industry of the USSR at enterprises with an arbitrariness of production of more than 5 million rubles (in constant qualifications 1926/27), and in 1950—79% of all workers and 92% of all industrial products.

If we compare the data on the concentration of industry in the USSR and the USA (for convenience of comparison, for both countries, a grouping according to the number of workers and employees is taken), it turns out that in 1950, in the manufacturing industry of the USSR, enterprises with more than a thousand workers and employees were concentrated 62 % of all workers and employees and these enterprises produced 70% of all industrial products; in the US manufacturing industry, according to the post-war census (1947), enterprises employing more than a thousand workers and employees concentrated 32% of workers and produced 34% of industrial output.

The growing concentration of production in the USSR is accompanied by the specialisation of industrial enterprises. Specialisation of industrial production is the concentration of an

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<sup>1</sup> J. V. Stalin, On the tasks of business executives, Works, vol. 13, pp. 33-34.

enterprise on the production of a certain type of product, its individual parts and parts, and on performing individual operations in the production of a product. Specialisation in the USSR expresses the planned use by society of the benefits of the division of labour between individual enterprises. It makes it possible to introduce high-performance equipment, introduce standardisation and mass-in-line production, which ensure a significant increase in labour productivity.

Under socialism, planned co-operation of industrial enterprises is widely developed, that is, the organisation of permanent production links between enterprises that jointly participate in the production of a particular object, but are economically independent in relation to each other. Cooperation of enterprises is organised primarily within the framework of individual economic regions, in order to save transport from long-distance transportation. Planned cooperation of enterprises is an important factor in increasing the productivity of public labour.

The development of industry and its technical re-equipment are accompanied by the growth of the working class and the rise of the cultural and technical level of the workers. In contrast to capitalism, where the introduction of machinery usually leads to the de-qualification of the bulk of workers, under socialism the introduction of new technology leads to an increase in the number and specific weight of workers in skilled mechanised labour, and a decrease in the number and specific weight of workers in unskilled manual labour. The number of engineering and technical employees is steadily growing. Soviet industry has no equal in the world in terms of the saturation of engineering and technical personnel.

In the USSR, a powerful, technically advanced transport system was created, connecting various branches of the national economy and regions of the country. Describing the role of railways, Lenin said that they represent "one of the most striking manifestations of

the connection between town and country, between industry and agriculture, on which socialism is based entirely.”<sup>1</sup>

The concentration of all transport (rail, water, automobile, air) in the hands of the state eliminated the competition of various modes of transport characteristic of capitalism, and opened up the possibility of systematic coordination of their work. In the USSR, a unified transport system was created on a national scale, systematically combining all types of transport equipped with advanced technology.

**Socialist agriculture.** The socialisation of the previously fragmented peasant economy, the creation of collective farms and state farms opened up the possibility of widespread use of machinery, the introduction of advanced agricultural technology in agriculture, and provided a significant increase in agricultural production.

Socialist agriculture of the USSR, conducted on the basis of public ownership, is the largest and most mechanised agriculture in the world. Machine and tractor stations provided the collective farms with a material and technical base for large-scale machine production, and the Soviet state created an extensive system of machine and tractor stations in grain, flax, cotton, beet, and suburban areas. Special machine-breeding stations have been set up for mechanising labour-intensive work in animal husbandry, and meadow reclamation stations have been set up for mechanising land drainage and improvement of meadows and pastures. Electric tractor stations are being created for use in collective farm electricity production. All MTS, depending on the production direction of collective farms, have appropriate agricultural machines and qualified personnel of specialists. In 1952, the USSR had 8,939

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<sup>1</sup> V. I. Lenin, Final Speech on the Report on the Next Tasks and the Establishment of the All-Russian Central Executive Committee on April 29, 1918, Essays, vol. 27, ed. 4, p. 277.

MTS and other specialised stations serving collective farms and ensuring a high level of mechanisation of all branches of agricultural production. In accordance with the peculiarities of farming based on tractor traction, a new system of machines has been created to perform basic agricultural tasks, household works: ploughing, sowing, harvesting, threshing.

During 1946-1951, Soviet agriculture received thousands of tractors (converted to fifteen-mile tractors), 146 thousand grain combines, and many other tillage, sowing, and harvesting machines. In this regard, the level of mechanisation of agricultural work increased dramatically.

The introduction of machines has radically changed the structure of agricultural energy resources. In 1916, working cattle accounted for 99.2%, while mechanical engines accounted for only 0.8% of all agricultural energy resources. In 1940, working cattle occupied 22.3%, and mechanical engines—77.7%, and by the beginning of 1952, respectively—10.5% and 89.5% (including tractors—35.4%, trucks—27.5%; combine motors—14.6%, power plants—3.4%, other engines— 8.6%).

The rapid growth of mechanisation of agricultural production in the post-war period made it necessary to consolidate collective farms, since the sown area on small collective farms did not ensure the effective use of modern agricultural machinery. As a result of the consolidation of collective farms carried out in 1950-1951 by decisions of the general meetings of collective farmers, collective farm production became even more concentrated: in 1952, after the consolidation, there were 97,000 collective farms instead of 254,000 as of January 1, 1950. On average, one collective farm in 1952 accounted for 4,100 hectares of agricultural land and 1,348 hectares of sown area. The amalgamation of collective farms made it possible to ensure more efficient use of agricultural machinery and the labour of collective farmers.

The socialist transformation of agriculture eliminated the primitive three-field system of agriculture that had existed for centuries and created a new, most progressive system of agriculture



in the world. The main features of this system are: widespread introduction of the latest technology and achievements of advanced agronomic science into agricultural production, introduction of correct crop rotations with extensive development of herbage, forage, vegetable and industrial crops, use of artificial and organic fertilisers, irrigation of land in arid areas, drainage of swamps, etc.

In socialist agriculture, a rational combination of individual branches, primarily agriculture and animal husbandry, is carried out; on this basis, the narrow specialisation inherent in agriculture in capitalist countries is eliminated, and the specialisation of socialist agricultural enterprises is expressed in the fact that, in accordance with the natural and economic conditions of individual regions, the leading branches are allocated in a planned manner, and along with them, additional industries, therefore, specialisation does not negate, but implies the development of a multi-industry economy with the right combination of main and additional industries. One of the main advantages of large-scale socialist agriculture is that it has the greatest opportunities for the development of multi-sectoral, integrated agriculture. The motor makes productive use of land and working power.

Along with the strengthening and technical re-equipment of agriculture, new cadres of workers in agricultural production are being created, possessing modern advanced technology and agronomic knowledge. In the USSR, the achievements of agronomic science for the first time in history became the property of the broad masses of the peasantry. The massive introduction of new technology brought to life new professions of mechanised agricultural labour; tractor, combine, chauffeur, mechanic, threshing, flax, cotton-picking, and other machines, the collective farm system has produced hundreds of thousands of qualified managers and organisers of production—collective farm chairmen, brigadiers, agronomists and livestock specialists, farm managers, and others.

Thus, the socialist reconstruction of agriculture has created all the conditions for a systematic increase in productivity and an increase in agricultural output unprecedented under capitalism.

Sown areas of all agricultural crops in the USSR in 1952 the pre-war level was 5.3 million hectares. In 1952 the gross grain harvest amounted to 8 billion poods against 7.3 billion poods in 1940. The production of industrial crops is growing even more rapidly. In 1952, the gross output of raw cotton exceeded the pre-war level by more than one and a half times, and that of sugar beet by more than one third. The pre-war level has been significantly surpassed in terms of the number of livestock socialised in terms of head of livestock on collective farms and state farms and in terms of livestock production.

**Ways of technical progress under socialism.** The main lines of technical progress under socialism are: mechanisation and automation of production, electrification of the national economy, and the widespread use of chemistry in production.

Mechanisation is the replacement of manual labour by machines. Consistent mechanisation of labour processes is an economic necessity under socialism. The continuous and rapid growth of socialist production can be ensured only through the constant improvement of technology and the comprehensive mechanisation of labour processes. The mechanisation of labour processes is the decisive force without which it is impossible to ensure the high rates and vast scales of production characteristic of socialism.

In the USSR, the task of mechanising the main and most labour-intensive processes of production in all branches of the national economy is being consistently carried out. The mechanisation of production takes place in the USSR through the introduction of new, most advanced machines, mechanisms and advanced technological processes.

In the USSR, but in all branches of industry, the mechanisation of production has reached a level unprecedented under capitalism.

In the coal industry, where heavy manual labour completely dominated before the revolutions, mechanisation based on the widespread introduction of coal-cutting machines, electric vehicles and loading mechanisms was already in 1940 94.8% for cutting and breaking, for delivery—90,4 for hauling—58,4, for loading Coal into railroad pens—86.5%. In the post-war period, the mechanisation of cutting, breaking and delivering coal, as well as underground transport and loading coal into railway wagons, was completely completed. Great successes were achieved in mechanisation and other industries. Thus, for example, such outstanding achievements of Soviet technology as new powerful excavators, bulldozers, dredgers, etc. are used in the construction of a hydroelectric plant.

In the kolkhozes in 1952, almost all arable land and more than 80% of the sowing was mechanised; 70% of the area of grain crops was harvested by combines, more than two thirds of sugar beet crops were harvested by beet harvesters and tractor beet lifters. By the end of the fifth five-year plan, mechanisation the main field work in the collective farms will be completed. In state farms, the main agricultural work is almost completely mechanised. Widely developed mechanisation of labour-intensive work in animal husbandry, vegetable growing, horticulture, transportation, loading and unloading of agricultural products, mechanisation of irrigation, drainage of wetlands and development of New Lands.

During the post-war period, Soviet mechanical engineering annually creates and masters the production of 500-550 new types of high-performance machines. If in 1940 mechanical engineering produced 84 types of agricultural machines and implements, then in 1950 there were already 222 types. High-speed methods of cutting metal, stamping instead of free forging, hardening of parts with high-frequency currents, machine forming of parts, etc., are widely introduced into production. other new methods that give a great economic effect.

Under socialism, comprehensive mechanisation is being developed more and more extensively. Complex mechanisation means the mechanisation of all the stages of the production

process, both basic and auxiliary, that are connected with each other, and is based on a system of machines that complement each other. It eliminates gaps in the mechanisation of production. As a result complex mechanisation creates an integral system of machines, covering the entire production process.

So, for example, in the coal industry, the task of complex mechanisation was solved in the post-war period on the basis of the use of coal combines created by Soviet designers, which combine the operations of cutting, breaking and loading coal onto a conveyor and representing a new word in world technology. The mechanisation of the fastening process will make it possible to complete the Integrated Mechanisation of Coal Mining.

The highest degree of mechanisation is the automation of production, that is, the use of automatic machines operating on the basis of self-regulation. Telemechanics is closely connected with automation, i.e. control and monitoring of the operation of mechanisms at a distance (remote control). In cases where the entire system of machines covering the production process as a whole, operates on the basis of self-regulation, there is an automatic system of machines. The automatic system of machines carries out all the production processes necessary for the processing of raw material into a finished product, without human assistance and needs only control by the worker.

At the ferrous metallurgy enterprises of the USSR in 1951, 95% of all pig iron was smelted in blast furnaces with automatic control of the blast temperature, and 87% of all steel production was smelted in open-hearth furnaces equipped with automatic control of the thermal regime. In mechanical engineering, with every goal, a fleet of automatic and semi-automatic metal-working machine tools, automatic forging and pressing machines, as well as automatic control-measuring equipment is crowned. Automatic equipment is widely used in the chemical, paper, oil refining and other industries. Automatic systems of machines exist in the USSR in the form of automated lines of machine tools and other mechanisms or in the form of separate automated enterprises.

The high level of mechanisation and automation of production under socialism is the basis for the rapid growth of labour productivity and leads to an ever closer convergence of physical labour with mental labour.

The restructuring of all branches of the economy on the basis of large-scale machine production and the consistent mechanisation of production processes are closely linked with electrification. Electricity is the technical base of modern large-scale production.

Socialism ensures the planned introduction of electricity into all branches of the national economy. Electrification under socialism is characterised by; firstly, the centralisation of electricity production and the concentration of capacities at large power plants, the rapid development of high-voltage power lines connecting individual stations into powerful district or inter-district systems with the prospect of forming a single high-voltage network for the entire country; secondly, the extensive construction of hydroelectric power stations and the systematic increase in their share in the total electricity generation, which serves as the most important means of improving the country's energy balance; thirdly, the development of district heating in large cities and industrial centres, the use of low-grade and local fuels.

The electrification of industry is changing the appearance of factories and plants. Instead of a central engine with a complex transmission mechanism, almost all enterprises have introduced an individual electric drive. The electrical function of working machines is the energy basis for complex mechanisation and automation of production. On the basis of the use of electricity, new branches of industry arose—the electrometallurgy of ferrous and nonferrous metals, electrochemistry, and also new methods of metal processing.

Of great importance for the further electrification of the USSR is the construction of hydroelectric power stations on the Volga, Dnieper, Don and other rivers during this five-year plan is of great importance. Some of them will be the largest in the world. This construction provides a comprehensive solution to the problems of obtaining cheap electricity on a huge scale, the widespread

development of the electrification of agriculture and transport, the creation of new electrically intensive industries, the improvement of navigation, etc.

In terms of the level of electrification of industry, the USSR was already in first place in the world at the beginning of the second cycle. In 1950, the level of electrical labour in industry increased one and a half times in comparison with 1940. In the post-war period, an intensified introduction of electricity into agriculture began. Mechanisation of threshing, as well as a number of production processes in animal husbandry, on many collective farms and state farms takes place on the basis of the use of electrical energy (forage preparation, water supply, milking cows, shearing sheep, etc.). The widespread introduction of electric energy into agriculture will take place especially in the regions of large hydroelectric stations (electric ploughing, etc.).

The progress of modern technology is also expressed in the ever wider development of chemistry and the application of methods for the chemical processing of matter. Chemical methods ensure the acceleration of production processes, the most complete use of raw materials, and allow the creation of new types of raw materials and materials. The chemical industry has become a powerful factor in the technical development of the entire national economy in the USSR. Modern chemical production, as a rule, is automated, proceeds continuously, in closed equipment with automatic control and regulation, without direct human intervention.

The development of the material and production base of socialism is based on the achievements of Soviet advanced science, which for the first time in the world is successfully solving major tasks in the field of improving and consistently introducing higher technology into production in the interests of the working people. Soviet technical thought occupies a leading place in the solution of a number of new technical problems, in the design of new machines and mechanisms for all branches of production. Soviet designers have priority in the creation of such machines as, for example,

mountain harvesters, many agricultural machines (potato planters, flax harvesters, beet harvesters), new models of modern equipment in the field of energy (high-pressure once-through boiler, the world's largest hydro turbines), powerful mechanisms for construction, new types of metal-cutting machines and others.

**Placement of socialist production.** Under socialism, a new distribution of production and a new system of links between branches of production and regions of the country are taking shape.

In bourgeois society, the pursuit of profit and competition and unrealistic unequal production. Industry is spontaneously concentrated in a few factories, while vast territories, especially the colonial outskirts, are doomed to industrial backwardness. Under socialism, the distribution of production is carried out according to plan, in the interests of increasing the productivity of the social labour, strengthening the might of the socialist state and welfare of workers.

The following principles underlie the permission of production under socialist conditions.

First, every possible approximation of production to the sources raw materials and areas of consumption of industrial and agricultural products. This makes it possible to make better use of natural resources and eliminate irrational transportation, which ensures significant savings in labour on the scale of the whole society and an acceleration in the rate of growth of socialist production.

Secondly, the elimination of the actual economic inequality between peoples, the rapid development of the economy of previously backward national regions, which is the material basis for strengthening friendship and cooperation among the peoples of the USSR.

Thirdly, the planned territorial division of labour between economic regions, combined with the comprehensive development of the economy within these regions. The comprehensive development of the economy of the regions, which meets the needs

of the given region in fuel, building materials, mass products of light industry and foodstuffs, reduces excessive long-distance and other irrational transportation, and facilitates the mobilisation of local sources of raw materials.

Fourthly, the planned distribution of industry throughout the country, ensuring the formation of new cities and industrial centres in previously backward agrarian regions, bringing agriculture closer to industry. This contributes to the destruction of the essential difference between the city and the village.

Fifth, strengthening the defence capability of the country of socialism. The presence of a hostile capitalist environment necessitates a particularly rapid development of industry in the hinterland of the country.

The approach of industry to sources of raw materials was expressed primarily in the accelerated development of the eastern regions of the country and the creation of new fuel and metallurgical bases, new mentor of mechanical engineering, light industry in the Urals, Western Siberia, Central Asia and Kazakhstan. The newly created industrial centres have become economic and cultural centres, transforming the entire appearance of these regions and regions. Creation of a powerful industrial base in the east wounds was one of the most important conditions for the victory of the Soviet Union in the Great Patriotic War.

The total volume of industrial output in the eastern regions of the country (the Volga region, the Urals, Siberia, the Far East, the union republics of Central Asia) increased by 1952 by a factor of 1940 compared to 1940. In 1951, about one third of all industrialist products of the USSR. More than half of the total amount of steel and rolled products, almost half of the total amount of coal and oil, and over 40% of electricity.

In terms of industrial development, the moderately epatetic Soviet republics quickly surpassed the eastern countries bordering on the USSR and advanced far ahead. In five Soviet republics—Uzbek, Kazakh, Kirghiz, Turkmen and Tajik, with a population of about 17 million people, electricity is generated three times more



than in Iran, Iraq, Pakistan, Egypt, Iraq, Syria and Afghanistan, together, with their population of 156 million people.

The Soviet republics are far ahead in their industrial development of the old industrial countries of Western Europe, the Soviet Ukraine smelts much more iron than France and Italy combined, produces more steel and rolled products than France, and more than three times more than Italy, coal will visit one and a half times more than their production produces almost three times more tractors in terms of power than France and Italy together produce. In terms of the technical equipment of agriculture, the Soviet republics of the East are considerably superior to the most developed capitalist countries of Europe. In Soviet Uzbekistan, there are 14 tractors for every thousand hectares of sown area, while in France there are 7 tractors for the same area, in Italy—4 tractors of much lower power.

Cotton is one of the leading industrial crops in the developed diversified agriculture of the Soviet republics of the East. The yield of raw cotton in 1951 in these republics was on average 21 centners per hectare. No other country in the world has such a cotton yield. In the same 1951, the cotton yield in Egypt was 11.5 centners per hectare, in the USA—8.3, in India—3.4, in Pakistan—5.2, in Turkey—7.2, in Iran—4.5 centner per hectare. It should be taken into account that high cotton yields in the Soviet republics of the East are obtained over large areas. The above-mentioned Soviet republics produce as much cotton as Media and Egypt, Iran, Turkey and Afghanistan combined.

Development of socialist industry in a number of regions. which previously had no industry, led to the fact that the old de. The division of regions into industrial agrarian ones has outlived its usefulness. All economic regions of the country began to have a more or less industrial character.

At the same time, important steps were taken in the distribution of agricultural production. A powerful grain base has been created in the eastern regions of the USSR, a new wheat base has been created in the non-black zone, agricultural crops have

been advanced far to the north, and food bases have grown around cities and industrial centres. The pre-revolutionary one-sided specialisation of agriculture was eliminated. In connection with the growth of agricultural production in the industrial regions, the division of regions between consuming and producing regions has become obsolete; areas that in the past had an extremely weak agricultural base, increased the sowing of grain crops, potatoes, vegetables, developed a dairy and meat economy, and thus turned from consuming to producing.

The socialist distribution of production is based on the economic zoning of the country. Economic zoning is the planned division of the entire territory of the country into separate large areas in accordance with their economic and natural features.

The socialist distribution of production ensures the best use of the country's natural resources and labour resources and is an important condition for raising the productivity of social labour, accelerating the rate of production growth, and strengthening the economic might of the USSR.

## BRIEF CONCLUSIONS

1. The material and production basis of socialism is large-scale machine production, covering all branches of the national economy. Under socialism, the machine serves as a means of saving and lightening the labour of the workers and peasants, and of increasing the people's well-being. The socialist industry of the USSR is the most concentrated in the world, technically the most advanced and centralised on the scale of the entire national economy; it serves as the basis for the development of all sectors of the economy. Socialist agriculture is the largest and most mechanised in the world; it is an ever-growing source of food and industrial raw materials.

2. The material and production base of socialism is based on the latest achievements of modern advanced science and technology. Socialism has eliminated the unevenness inherent in capitalism in the application of machine technology between individual branches and processes of production, ensured the consistent introduction of new technology in all sectors of the national economy. The main lines of technological development under socialism are the mechanisation and automation of production, the electrification of the national economy, and the widespread use of chemistry.

3. Socialism ensured the planned and rational distribution of production, bringing it closer to sources of raw materials and areas of consumption, overcoming the economic backwardness of national regions, and bringing industry and agriculture closer together. The socialist location of production makes it possible to rationally use natural resources and labour resources, leads to huge savings in expenditures but the resale of raw materials and products, is an important factor in accelerating the growth of socialist production and strengthening the country's defence capability.

## CHAPTER XXVII. PUBLIC OWNERSHIP OF THE MEANS OF PRODUCTION IS THE BASIS OF THE PRODUCTION RELATIONS OF SOCIALISM

**The necessity of two forms of public property under socialism.** The socialist economic system is characterised by a new way of connecting producers with the means of production. based on public property. Under socialism there is no gap between labour and property, as is the case under capitalism; Under socialism the means of production constitute public property, that is, they belong to the working people in the person of the socialist state or in the person of collective farms and other cooperative associations. Because of this, the means of production ceased to be capital, that is, an instrument of exploitation.

The dominance of social ownership of the means of production also determines the nature of ownership of the products of labour. The material goods produced in a socialist society also constitute public property and are used in the interests of the working people, in contrast to bourgeois society, where the products of wage labour are the private property of the capitalists and are used by them for their own enrichment.

Under socialism, there are two forms of public property: 1) state property, which is the property of the whole people, and 2) cooperative-collective-farm property, that is, the property of collective farms and other cooperative associations. The presence of two forms of social property determines the existence of two main forms, two main sectors of socialist production: state and collective farm.

The existence of two forms of socialist property is due to the historical conditions in which the proletarian revolution and the building of communism are carried out. While the capitalist industry is dominated by large-scale machine and industrial production, in

the agriculture of the bourgeois countries, in spite of the development of capitalism in the countryside, there is a numerous class of small and medium proprietors-owners.

The proletarian revolution treats large-scale property in a bourgeois way, based on the exploitation of the labour of others, differently from the small property of peasants and artisans based on their own work. If large-scale property of the bourgeoisie is expropriated and converted into public property, then small and medium-sized commodity producers voluntarily unite in production cooperatives, that is, collective farms, artels of trade cooperation, and their ownership of the main means of production is transformed into cooperative-collective-farm property. The working class of socialist society works in enterprises that are public property, the collective-farm peasantry in enterprises that are collective-farm property.

The existence of two forms of social property and the corresponding forms of socialist production is an objective necessity and expresses the uniqueness of the paths along which the working class and the peasantry arrive at socialism and then at communism.

“Both of them, out of the two classes existing in the USSR, are building socialism and are entering the system of the socialist economy. But being in the same general system of socialist economy, the working class is connected by its labour with state socialist property (public property), and the collective-farm peasantry with cooperative-collective-farm property that belonged to individual collective farms and collective-farm cooperative associations. This connection with various forms of socialist property primarily determines the difference in the position of these classes. This also determines the well-known difference in the paths of their further development.

What they have in common in their development is that both these classes are developing in the direction of communism.<sup>1</sup>

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<sup>1</sup> V. M. Molotov, *The Constitution of Socialism, Articles and Speeches*, Portizdat, 1937, p. 267.

The two forms of social property, like the two main forms of production, are of the same type in their social nature, since both of them are socialist and exclude the exploitation of man by man. At the same time, there are certain differences between state property and cooperative-collective-farm property, as well as between state enterprises and collective farms.

State ownership of the means of production is public property. State property is cherished as the predominant form of socialist property in the USSR. State property consists of: land, its subsoil, water, forests, factories, mines, railway, water and air transport, means of communication, banks, large agricultural enterprises organised by the state (state farms, machine and tractor stations, etc.), state-owned trading and procurement enterprises, enterprises and institutions for cultural and community purposes, the main housing stock in cities and industrial centres.

State property under socialism is the property of the entire people within the scope of the socialist state of workers and peasants, and thus constitutes the property of the whole people, in contrast to state property in the capitalist countries, which is a variety of bourgeois property.

The state enterprises of the USSR are socialist enterprises, in contrast to the enterprises belonging to the bourgeois state, which are state-capitalist enterprises. The socialist nature of state enterprises in the USSR is determined by the fact that they constitute public property. Under socialism, the working class holds power in its hands, owns the means of production and is therefore free from exploitation. The labour force used in socialist enterprises is not a commodity. The working class, which owns the means of production, cannot hire itself and sell its labour power to itself.

A product produced at state enterprises of the USSR is also a national property. It is administered by the socialist state through its economic bodies. Payment for labour at state enterprises of the USSR is made in the form of wages, the amounts and forms of which are established by state bodies. The socialist state manages its enterprises through managers (directors) appointed by it. The state

directly plans all the economic activities of its enterprises and regulates the main provisions and the field of labour organisation.

State property is the highest and leading form of socialist property, and the state form of production is the highest and commanding form of socialist production. In state enterprises, the means of production, the labour of workers and employees, and the products they produce are socialised on the scale of the whole of society. The state form of production encompasses the leading branch of the national economy of the USSR—large-scale socialist industry. Not only all the means of production used in the state enterprises of the USSR, but also part of the means of production used in collective farm agriculture are the property of the whole people. The state owns land and the main instruments of production—tractors, combines, and other agricultural machines concentrated in machine and tractor stations.

The state owns land and the main instruments of production—tractors, combines, and other agricultural machines concentrated in machine and tractor stations.

On the whole, in 1950 socialist property covered 99.4% of the means of arbitrariness used in the entire national economy of the USSR. including 90.9% in state ownership and 8.5% in cooperative-kolkhoz property, 6.6% of collective-farm property and 1.9% in cooperative-kolkhoz property.

In industry, socialist ownership covered 100% of the means of production, including state ownership - 97.9%, and cooperative ownership—2.1%; and agriculture, socialist property covered 97.4% of the means of production, including state property—74.2% and cooperative-collective farm property—23.2%.

All lands with their riches are public property, the territory of the Soviet Union occupies one-sixth of the earth's land area—22.4 million miles of kilometre. More than a quarter of this territory (over 600 million hectares) is agricultural land, almost one third. (700 million hectares) is covered with forests. The USSR is the richest country in the world in terms of mineral reserves. The sociolinguistic economic system brought to life wealth that

remained untouched in tsarist Russia. In terms of reserves of iron ore, oil, potash salts, peat and a number of other important useful non-digging minerals, the USSR ranks first in the world, in terms of coal reserves—in second place.

The 200,000 enterprises of state industry, the railway network, about 5,000 large state farms, about 9,000 moto-tractor stations, many thousands of trade facilities, and numerous scientific and cultural institutions are the property of the whole people.

The strengthening of state property, the development of the state form of production is a decisive prerequisite for the further growth of the entire national economy of the USSR, the gradual transition of Soviet society from socialism to communism.

Cooperative-collective-farm property, cooperative-collective-farm property is the public property of individual collective farms, artels of industrial cooperation, consumer societies.

The collective farms and other cooperative enterprises of the USSR are socialist enterprises. They work on land that is the property of the socialist state. The main implements of production used on collective farms are concentrated in machine and tractor stations and are state-owned property, Outbuildings, inventory, seeds, working and productive livestock, as well as products, is produced by a collective pile of breeders, .... the eventfulness of collective farms. The main property of collective farms in the USSR is the produce of collective farm production.

Collective farms based on social property and collective labour preclude the exploitation of man by man.

Cooperative-collective-farm property, being socialist property, at the same time differs from state property, and collective farms and other cooperative enterprises differ from state enterprises. Cooperative-collective-farm property is the group property of individual associations of working people, while state property is the property of the entire people. Thus, cooperative-collective-farm property is a less developed, less mature form of socialist property, while co-operative-collective-farm form of production is a less developed, less mature form of socialist production.



Payment for labour on collective farms is carried out in the form of distribution of collective farm incomes by workdays, and not in the form of wages, as is the case in state enterprises. The order of management in the collective farm is determined by the cooperative form of collective farming: all the affairs of the agricultural artel are managed by its highest body—the general meeting of collective farmers, and in the interval between meetings, the board elected by the general meeting and the chairman of the collective farm, production and financial plans of the artel, internal regulations, production standards and prices, the procedure for distributing income is established by the collective farmers themselves on the basis of the Rules of the agricultural artel, guided by existing laws and the planned tasks of the socialist state.

The cooperative form of industrial production in the USSR exists in the enterprises of trade artels, which have arisen as a result of the voluntary union of small producers—handicraftsmen and artisans. Industrial cooperation is designed to develop the production of mainly consumer goods, using primarily local resources of raw materials for this. The means of production used by the enterprises of commercial cooperatives (with the exception of land) and the products produced by mines are the property of the artel. In 1952, the industrial cooperation of all systems numbered more than 16 thousand artels with industrial production. The cooperative form of enterprises in trade is presented in the form of consumer societies, mainly uniting rural population. In 1952 there were 24,000 such societies in the USSR.

Personal property under socialism. Public property under socialism, it extends to the means of production for manufactured products. Part of the output is then used as a means of production, remained public property. The other part of the food produced, consisting of articles of consumption, goes into distribution among the workers in accordance with the quantity and quality of labour expended by each of them, and becomes the tire of conformity of the working people.

Socialist society not only does not abolish personal ownership of consumer goods, but creates a firm guarantee of ever more complete satisfaction of the personal needs of all members of society. In contrast to capitalism, where production is placed at the service of the selfish goals of enriching the exploiters, socialism has subordinated production to the goals of maximising the satisfaction of the continuously growing material and cultural needs of society as a whole.

The right of personal property of the workers of a socialist society extends to their earned income and savings, to a residential building and ancillary households, to household and household items, to items of personal consumption and convenience. Personal property under socialism is inextricably linked with public property as its basis. With the multiplication of social property, with the growth of the people's wealth, ever greater masses of products are used to satisfy the personal needs of the workers of socialist society.

A special type of personal property under socialism is the property of the collective farm household. Each kolkhoz yard owns a subsidiary farm on a personal plot, a dwelling house, productive livestock, poultry and small agricultural implements.

The source of personal property under socialism is exclusively labour, and moreover, personal property cannot be turned into a means of exploiting the labour of others. Right of personal property, as well as the right to inherit the personal property of citizens, is protected by the Constitution of the USSR.

**The nature of socialist production relations.** The relations of production in socialist society are fundamentally different from the relations of production of capitalism and other social formations based on private ownership of the means of production.

Socialist production relations are characterised by: 1) the undivided dominance of public ownership of the means of production, 2) the emancipation of the working people from

exploitation and the establishment of comradely cooperation and socialist mutual assistance; 3) distribution of products for the benefit of the workers themselves.

The basis of the production relations of socialism is social ownership of the means of production (state and cooperative-collective farm) Socialist ownership of the means of production determines completely ....., the nature of the mutual relations of people in the process of production. While private ownership of the means production inevitably separates people, gives rise to relations of domination and subordination, exploitation of some people by others, causes conflict of interests, class struggle and competition, social ownership of the means of production unites people, ensures a genuine commonality of their economic interests and comradely cooperation Under socialism, all workers are united among themselves equal in relation to the means of production and to the product of labour as social means of production and the social product of labour, equal freedom of oppression and exploitation.

The dominance of public ownership of the means of production also determines the completely different nature of the distribution of products under socialism compared to that under capitalism.

Insofar as there are no exploiting classes and no exploitation of man by man in socialist society, there is no division of labour into necessary and surplus labour, nor division of the product into necessary and surplus product. Socialist relations of production determine the objective necessity of a completely different division of labour and its product than under capitalism. Because under socialism the means of production are socially owned, and production itself is designed to meet the needs of the whole society and each of its members, then the labour of workers in production is divided here into the following two parts: labour for themselves and labour for society. Accordingly, the product of labour (minus that part of it which is used to replace the spent means of production) is also divided into two parts: for themselves and a product for society. Labour for itself creates a product that is

distributed among the workers in accordance with the quantity and quality of their labour, which is used to cover the personal needs of the worker and his family. Labour for society creates a product that contributes to social needs: the expansion of production, the development of education, health care, the organisation of defence, etc. In a socialist society, where the working people themselves are in power, labour for society is as necessary for them as and work for yourself. Thus, a product for society that leads to the expansion of socialist production multiplies the material prerequisites for further growth in the well-being of the working people. A product for society spent on the development of education, health care, social security and other the needs of the whole people, it also serves the purposes of satisfying the needs of the working people, as well as a product for itself.

The social nature of the ownership of products and the distribution of products in the interests of the working people signify the greatest advantage of the socialist economic system over the capitalist system. All the benefits of large-scale public innovation, providing a huge increase in the growth of millions of dollars the forces of labour go to society as a whole and to the working masses, and not to the exploiters, as is the case under capitalism.

The dominance of social ownership of the means of production means that socialist production is free from the contradiction between the social character of production and private capitalist form appropriated by the results of production inherent in capitalism. Under socialism, the social character of production corresponds to socialist ownership of the means of production. Because of this, in In socialist society there is a complete correspondence between the production relations and the productive forces.

Describing the socialist system, J. V. Stalin writes:

“Here the relations of production are in full conformity with the state of the productive forces, for the social character of the process

of production is reinforced by the social ownership of the means of production.

Therefore, socialist production in the USSR does not know periodic crises of overproduction or associated with absurdities.

Therefore, the productive forces develop here at an accelerated pace, since the relations of production corresponding to them give them full scope for such a development.”<sup>1</sup>

In contrast to the production relations of modern capitalism, which serve as fetters for the development of the productive forces, socialist production relations ensure the rapid growth of the productive forces. Socialist production relations are the main and decisive force determining the powerful development of the productive forces.

The complete correspondence of socialist relations of production to the nature of the productive forces of society does not mean, however, that there are no contradictions between them. Being the most mobile and revolutionary element of production, the productive forces under socialism go ahead of the relations of production, and the relations of production only after some time are brought into line with the existing productive forces. The present relations of production in the USSR are going through a period in which, fully in line with the growth of the productive forces, they are moving them forward at a rapid pace. But contradictions between them inevitably arise, insofar as the development of production relations lags behind and will lag behind the development of the productive forces. However, under socialism, in contrast to social formations based on exploitation, things usually do not come to a conflict between production relations and productive forces. The social boss will have the opportunity to bring the relations of production in due time in accordance with the nature of the productive forces, since it does

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<sup>1</sup> J. V. Stalin, *On Dialectical and Historical Materialism, Questions Of Leninism*, ed. 11, 1952, p. 597.

not include in its composition classes interested in preserving the outdated forms of the master.

Public property is the foundation of the socialist system, the source of the country's wealth and power, and the source of growth in the material well-being and culture of the working people. It is sacred and inviolable. The Constitution of the USSR obliges every citizen of Soviet society to protect and strengthen socialist property.

## BRIEF CONCLUSIONS

1. In the USSR, public ownership of the means of production reigns supreme. Under socialism, there are two forms of public property: state and cooperative-collective farm. Accordingly, there are two basic forms of socialist production: state enterprises and collective farms.

2. In a socialist society, state property is the common property of the people. In the USSR, it covers the vast majority of the country's wealth. State property is the highest, most developed form of socialist property; it plays the leading role in the development of the entire national economy of the USSR.

3. Cooperative-collective-farm property is the group property of individual collective farms, artels of industrial cooperation, consumer societies. The main property of collective farms is the products of collective farm production.

4. Personal property under socialism extends to consumer goods. A special type of personal property is the personal property of a collective farm household. The personal property of the working people is growing on the basis of the multiplication of public socialist property.

5. The production relations of socialism are characterised by: 1) the undivided dominance of social ownership of the means of production; 2) the freedom of the working people from exploitation, comradely cooperation and socialist mutual assistance between people in the process of producing material goods; 3) distribution of the product in the interests of the workers themselves.

The labour of workers in socialist production is divided into two parts; work for oneself and work for society. By labouring for themselves, the workers create a product that is distributed among them in terms of the quantity and quality of labour, and by labouring for society, a product that goes to social needs.

Under socialism the relations of production are in full conformity with the nature of the productive forces and are the main and decisive force determining the rapid growth of the productive forces of socialist society.



## CHAPTER XXVIII. BASIC ECONOMIC LAW OF SOCIALISM

**The nature of economic laws under socialism.** The socialist mode of production has its own special laws of economic development. As a result of the replacement in the USSR of the old, bourgeois production relations by socialist relations, the economic laws of capitalism, expressing the relations of exploitation of man by man, have lost their force. The laws of surplus value and capitalist profit, the basic economic law of modern capitalism, have left the stage. The universal law of capitalist accumulation, the law of competition and the anarchy of production, and other categories that express capitalist relations have ceased to operate: capital, surplus value, profit on capital, the price of production, wage labour, the cost of labour power, etc.

With the establishment of socialist production relations, on the basis of new economic conditions, new economic laws arose and began to operate: the basic economic the law of socialism, the law of the planned (proportional) development of the national economy, the law of a steady increase in labour productivity, the law of distribution according to work, and others.

Since commodity production is preserved under socialism, the law of value operates in a socialist economy and there are categories associated with it. However, from the old categories, mainly the form has been preserved, but in essence they have changed radically in relation to the needs of development of socialist economy. The new economic conditions that have taken shape as a result of the victory of socialism have changed the nature of commodity production and commodity circulation and have limited their scope. Under socialism, commodity production and commodity circulation exist without capitalists and serve the socialist economy. The scope of the law of value is also placed in a strictly limited framework. money, trade, banks, etc. are used as tools of the socialist construction.

This shows that under socialism economic development occurs in the order of gradual changes: the old is not simply abolished completely, but changes its nature in relation to the new, retaining only its form, while the new does not simply destroy the old, but penetrates with the old, changes its nature, its ..., does not break its form, but uses it to grow and strengthen the new.

The development of the socialist mode of production is also subject to economic laws, which are common to all. of all formations, such as, for example, the law of the obligatory correspondence of production relations to the nature of the productive forces.

The economic laws of socialism express relations of comradely cooperation and mutual assistance of workers free from exploitation, while the economic laws of capitalism express the growing exploitation of labour by capital. The economic laws of socialism lead to the ever greater strengthening of the unity of socialist society, to the flourishing of its economy, the growth of the well-being of the people, and create the conditions for a gradual transition to communism, while the operation of the economic laws of bourgeois society causes an ever greater aggravation of class antagonisms, the impoverishment of the masses, and the decay of the capitalist system. and ultimately his death.

The economic laws of socialism, like the economic laws of any other mode of production, arise and act independently of the will of the people, that is, they are of an objective nature. They cannot be created, formed, transformed or abolished by the will of the people.

Denying the objective nature of the economic laws of socialism would mean the liquidation of the political economy of socialism as a science, would deprive socialist society of the opportunity to foresee the course of events in the economic life of the country and to organise even the most elementary economic leadership. Such a denial is a departure from Marxism to the position of subjective idealism; it inevitably leads to adventurism in full, to arbitrariness in the practice of managing the economy.

The objective nature of the economic laws of socialism does not at all mean that they act as an elemental force dominating people. Considering economic laws of socialism as spontaneously acting laws, this means identifying the socialist economy with the capitalist economy, taking the path of gravity in socialist construction.

If the economic laws of capitalism make their way as a blind, destructive force acting behind the backs of private commodity producers, then with the transition to socialism the anarchy of production disappears and the economic development of society inevitably becomes planned. character. With the liquidation of capitalism and the socialisation of the means of production, people are freed from the oppression of social and economic relations, become masters of their social life. Having learned the objective knowledge, people apply the nebulous tricks of the past of the whole society. This is freedom as a recognised necessity.

Under socialism, by virtue of the replacement of private ownership of the means of production by public ownership, the possibilities of knowing and using the laws of economic development by society are greatly expanded.

Under capitalism, to the extent that the bourgeoisie is able to cognise objective economic laws, it uses them in narrow class interests that are in conflict with the interests of the working masses. Under socialism, since the class interests of the proletariat merge with the interests of the vast majority of society, economic laws are applied in the interests of the masses. The interests of the working class, the working people fully correspond to the objective course of the progressive development of society, leading to the victory of communism. Therefore, the working class, all working people, have a vital interest in learn and use the laws of economic development.

Thus, the objective nature of the economic laws of socialism consists in the fact that these laws exist independently of the will and consciousness of People; they cannot be abolished or transformed by the will of the people; failure to comply with the

requirements of these laws inevitably leads to a breakdown in the economic life of the country.

But a socialist society can learn these laws, master them and use them in their own interests. The economic laws of socialism make it possible to develop and advance the socialist economy. To turn this possibility into reality, it is necessary to learn apply these objective economic laws with full knowledge of the matter. Scientific knowledge of objective economic laws is the basis of the economic policy of the Communist Party and socialist state. The more fully socialist society cognises economic laws, the more accurately it reflects the requirements of these laws in its practical activities, the more successfully it achieves its goals.

**Essential features of the basic economic law of socialism.** Among economic laws. socialism decisive role is heated by the basic economic law that determines all the main aspects and all the main processes of development of socialist production.

The basic economic law of socialism has been discovered and scientifically justified by J. V. Stalin. The essential features and requirements of this law are 'ensuring the maximum satisfaction of the constantly growing material and cultural needs of the whole society through the continuous growth and improvement of socialist production on the basis of higher technology'<sup>1</sup>.

The basic economic law of socialism expresses the scope of social production and the means to achieve it.

If the purpose of production in modern bourgeois society is to ensure the minimum profits of the capitalists, then under socialism, production aims to ensure the maximum satisfaction of the ever-growing material and cultural needs of the whole society.

The purpose of production is determined by the relations of ownership of the means of production. When the means of production belong to the bourgeoisie, production is inevitably

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<sup>1</sup> J. V. Stalin. Economic Problems of Socialism in the USSR, p. 40.

carried on for enrichment of the owners of capital, while the working people, that is, the overwhelming majority of society, serve only as raw human material for exploitation. The consumption of workers is necessary for capitalism only to the extent that it ensures the extraction of profits, therefore man with his needs cannot be the goal of production here and disappears from view. When the means of production belong to the working people and the exploiting classes have been liquidated, production is conducted in the interests of the working people, that is, of the entire socialist society. Therefore, a person with his needs, the most complete satisfaction of his growing material and cultural needs, inevitably becomes the immediate goal of production.

Socialism does not mean the reduction of personal needs, but their all-round expansion, not limiting or refusing to satisfy these needs, but the comprehensive and complete satisfaction of all the needs of culturally developed working people.

Let us consider the relationship between the goal of socialist production and the means of ensuring it.

The satisfaction of the needs of the population depends on the level of the productive forces, on the available resources at the disposal of socialist society. The systematic growth of the needs of the working people of a socialist society necessitates a continuous expansion of production. Without a continuous rise in production, it is impossible to ensure a steady increase in national consumption. In turn, the maximum satisfaction of the ever-growing needs of the working people is a necessary condition without which production cannot grow continuously.

Under socialism, the main contradiction of capitalism is absent—between the social character of production and the private capitalist form of appropriation. Therefore, socialism does not know antagonism between production and consumption. If under capitalism the beggarly level of consumption (purchasing power) of the masses of the people constantly lags behind production, hinders its development, periodically dooms it to crises, then a sympathetic society, thanks to a systematic increase in popular consumption, has

the possibility of a constant expansion of production and is guaranteed against crises of overproduction.

In a socialist society, the growth of consumption (purchasing power) of the masses is constantly outstripping it. Such is the non-antagonistic contradiction between the level of socialist production reached at any given moment and the still more rapidly growing needs of the masses: This contradiction is resolved by raising production, which leads to an increase in the consumption of the working people and to a new increase in needs, causing a further expansion of production. Thus, the constant growth of material and cultural needs. under socialism, it serves as a powerful driving stimulus for the continuous development of production. Unlike capitalist production, which develops intermittently—from crisis to upswing and from upswing to crisis—socialist production grows continuously.

A necessary condition for the uninterrupted growth of socialist production is the predominant, that is, relatively faster, development of the branches producing the means of production as compared with the development of the branches producing articles of personal consumption. The priority development of heavy industry and its core, machine building, is the main source of progress for the socialist national economy as a whole. Without the predominant growth of heavy industry, which supplies all branches of the national economy with equipment, machinery, fuel and energy, it is impossible to expand production in the branches engaged in the production of goods for the population and to ensure the satisfaction of the growing needs of the working people. The predominant development of the production of the means of production under socialism leads to a systematic and rapid increase in the quantity of articles of personal consumption produced.

The continuous growth of socialist production requires its constant improvement, improvement of production methods, and a steady increase in the productivity of social labour. This is impossible without a constant increase in the technical level of production, replacement of obsolete equipment with new and new.

Technology—the latest, Therefore, the development of higher technology is the basis for continuous growth and improvement of socialist production.

Socialist relations of production have opened up unprecedented scope for technical progress, which in bourgeois society is limited by the limits of ensuring maximum productivity. If capitalism is characterised by unevenness and periodic interruptions in technical developments, then socialism is characterised by continuous improvement of technology in all branches of production.

In bourgeois society, labour power serves only as an appendage to the instruments of production belonging to the capitalists; in living labour it is only a means of increasing capital.

In a socialist society, the working people—the main productive power—are themselves the masters of production. Accumulated labour, that is, the growing mass of the means of production, is used by society to ease working conditions and raise popular consumption. Under socialism, arming production workers with advanced technology is the main means of raising labour productivity. The higher the level of technology, the more resources socialist society has to meet the growing needs of the working people. The economic system of socialism creates a direct interest of the working people in an increase in production and in the wide application of advanced technology. In turn, this interest of the masses in the development of socialist production serves as a permanent factor in the development of the creative initiative of the broad masses, aimed at improving production in every possible way, at technical innovation.

Thus, it follows from the goal of socialist production that the development of production has become the vital concern of the working people themselves. This is the greatest source of the uninterrupted advance of the socialist economy.

The basic economic law of socialism plays a decisive role in the process of production and distribution of material goods in a socialist society. All economic laws of socialism are based on the

basic economic law. Their action is determined by the task, which is contained in the basic economic law in the form of its requirements. At the same time, the main economic law is carried out through all other economic laws of socialism.

The basic economic law of socialism and the growth of prosperity standing of workers. Basic economic law of socialism expresses the fundamental advantages of the socialist system over capitalist. The action of the basic economic law of modern capitalism leads to an ever greater inhibition in the development of the productive forces, to their destruction, to a growing impoverishment of the masses of a given country, systematic enslavement robbery of the peoples of other countries, to the militarisation of the economy and bloody wars that exterminate millions of people. The action of the fundamental economic law of socialism to a constant powerful upsurge of the productive forces, a systematic rise in the material and cultural level of the working masses of the socialist country, to the flourishing of its peaceful economy, to the strengthening of peaceful cooperation with the peoples of other countries.

The fundamental economic law determines the uninterrupted character and the high technologies of co-annual production. Based on the basic economic law of socialism, Soviet society from year to year increases the mass of material goods produced throughout the national economy. Soviet industry is steadily advancing along an ascending line on the basis of an increase in peaceful production.

In 1939, the volume of industrial output in comparison with the level of 1929 left: in the USSR—552%, in the USA— 99, in England— 123, in France—80, in Italy—108%. economy during the war years, the pre-war level of production in the USSR was soon significantly exceeded. As a result, the volume of industrial output in the USSR in 1951 compared with 1929 was 1266%. US industrial production from 1929 to 1939 stomped on in one place, then it rose due to an increase in military production and the arms race, and in 1951, it exceeded the level of 1929 by only 100%. The industrial output of



England in 1951 was only 60% higher than in 1959, in France by 4%, in Italy by 34%.

The continuous growth of socialist production constitutes a solid material basis for the constant improvement of the material and cultural standard of living of the Soviet people. In a socialist society, restrictions on the level of consumption of the masses, inherent in the bourgeois system, have disappeared. Under socialism, the mass of the product created by labour for itself invariably increases, which is forced into the personal consumption of the working people. There is also an increase in the mass of the product created by labour for society, which seeks to expand production and satisfy the material and cultural needs of the working people.

In accordance with the requirements of the basic economic law of socialism in the USSR, there is a steady increase in the real wages of the population and a systematic increase in the quantity of consumer goods arriving at the population at declining prices.

The real incomes of the working people of the USSR (that is, incomes taken in comparison real prices) increased, per worker, by the following way: for workers in 1940 compared with 1913, taking into account the liquidation unemployment, more than three times; for the peasants— about three and a half times; in 1951 the incomes of workers and employees grew by about 57% more than in 1940, and the incomes of the peasants—by about 60%.

The volume of production of consumer goods in large industries in the USSR in comparable prices increased compared to 1913; in 1940, 7.6 times, and in 1952, 12 times.

A constantly acting factor in the growth of the real incomes of the working people of the USSR is the large-scale provision of free cultural and everyday services, pensions, allowances, stipends, allowances, etc., to the population by the Soviet state.

Socialism means the continuous improvement of working and living conditions. It transforms the public services of the population from a means of profit for the capitalists into a powerful thread for raising the standard of living of the people. While capitalism

worsens the housing situation of the working people more and more, forcing them to live in slums, socialism ensures a steady improvement, solution of the living conditions of the population. In the USSR, thanks to the society. In addition to massive public housing developments, urban slums have been eliminated and unimproved dwellings are being replaced by new, well-appointed dwellings.

Socialism means the continuous improvement of working and living conditions. It transforms the public services of the population from a means of profit for the capitalists into a powerful thread for raising the standard of living of the people. While capitalism worsens the housing situation of the working people more and more, forcing them to live in slums, socialism ensures a steady improvement. solution of the living conditions of the population. In the USSR, thanks to public ownership of the main housing stock in cities, to huge state housing construction, urban slums have been eliminated, and poorly equipped dwellings are being replaced by new, well-appointed houses.

In the USSR, a multilateral state system for protecting the character of the socialist state is determined by the economic basis of socialism. The property of the working people on the means of production corresponds to the political power of the working people up to the head of the working class. If the policy of the modern bourgeois state expresses the interests of the capitalist monopolies and is aimed at increasing their profits, then the policy of the Soviet state, the state of the workers and peasants, infects the fundamental, vital interests of the working people and enjoys the undivided support of the masses of the people.

The satisfaction of the growing cultural needs of the people is ensured in the USSR by the wide scope of cultural construction, free education and advanced training, and systematic scholarships for students. expansion of the network of schools. cultural and educational institutions, libraries, clubs, an increase in the production of printed publications, etc.

The number ... in the USSR for all medical education became more complicated from ... in 1914 to 49 million in 1940 and 57 million in 1952. About this, the number of students in secondary schools (5-10th grades) and in secondary technical educational institutions increased from 0.7 million people in 1914 to 14.8 million in 1940 to 20.4 million people in 1952. The number of stilettoes in ... factory increased from 117 thousand in 1914 up to 812 thousand in 1940 and a house of 1442 thousand people in 1952. The number of teachers in teaching staff in schools, technical schools in higher educational institutions was summed up from 246.5 thousand in 1914 to 1375 thousand and in 1940 to the post office up to 2 million man in 1952

The operation of the basic economic law of socialism, which determines the continuous rise in production and the steady growth of the well-being and cultural level of the masses, opens up the possibility for Soviet society to successfully build communism.

**The economic role of the socialist state.** The objective economic laws that operate under socialism are recognised and used by the socialist state in the practice of communist construction. In its activity, the socialist state proceeds from economic laws, relies on them, builds its economic watering on the scientific knowledge of these laws. The laws of development of human relations of production are studied by political economy. Economic policy draws practical conclusions from the theoretical propositions established by political economy, concretises them, and builds their daily work on this. The success of economic policy depends primarily on how correctly it reflects the requirements of economic laws in its activities.

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of the Soviet state, the state of the workers and peasants, infects the fundamental, vital interests of the working people and enjoys the undivided support of the masses of the people.

“In accordance with the basic economic law of socialism, the main duty of the socialist state is to best satisfy the ever-growing needs of the masses of the people. In the field of internal politics, our main concern is to steadily achieve further improvement of the material well-being of workers, workers, intellectuals, all Soviet people, it is the duty of our Party and Government to unremittently care for the welfare of the people, and the maximum satisfaction of their material and cultural needs”<sup>1</sup>.

In addition to the set of socialist production relations, a new ecological role of the socialist state, unprecedented before, is flowing. Thanks to public ownership of the means of production, the state has provided the opportunity, relying on the economic laws of socialism and consciously applying them in its activities, to carry out planned management of the national economy, to perform an economic and organisational function. Such a role is inaccessible to the bourgeois state due to private capitalist ownership of the means of production and the spontaneous nature of the economic development of capitalist society.

The socialist state directs the national economy, maintains its economic base and actively influences it, ensuring the building of communism. Proceeding from the basic economic law and other laws of socialism, the state takes into account the diverse needs of society and, in accordance with these growing needs, steadily develops. innovates and improves production. In accordance with real conditions, both domestic and international, it determines at each stage the specific tasks of economic development, sets the direction and pace of development of the national economy. It takes into account not only the results of the past, but also the emerging tendencies of future development, and carries out its

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<sup>1</sup> M. Malenkov, Speech at the Funeral Meeting on the Day of the Funeral of Joseph Vissarionovich Stalin, 1953, p. 10.

economic and organisational fiction on the basis of scientific foresight. Advanced social science—Marxism-Leninism—serves as the theoretical basis for the many-sided activity of the socialist state.

The economic, organisational, cultural and educational work of the Soviet state covers all aspects of the life of socialist society, the Soviet state carries out planned management and management of state enterprises in all sectors of the economy, the state and its bodies appoint heads of state enterprises, their associations and entire industries and control their work. The state plans the national economy of the country: it distributes material, labour, financial resources, determines the domestic and foreign trade turnover of the country, the prices of goods of state and cooperative trade, the level of wages of workers and employees, etc.»

The Soviet state ensures citizens the real exercise of such vital rights as the right to work, the right to education, the right to material security in case of loss of working capacity and old age. It directs all branches of culture: the education of the people, the training of qualified personnel, the development of advanced science and art, and the application of scientific and technological achievements in production.

The most important principle of state management of the economy is the unity of economic and political work. 'In practice, politics in the economy are inseparable. They exist together and act together. And whoever thinks in our practical work to separate economics from politics, to intensify economic work by deviating political work or, conversely, to intensify political work at the cost of diminishing economic work, he will inevitably fall into a dead end.'<sup>1</sup>

The leading and organising force of the Soviet state is the Communist Party. The Communist Party directs the activities of all state organs and public organisations of the working people. The

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<sup>1</sup> J. V. Stalin, *On the Shortcomings of Party Work and Liquidation Measures of Trotskyist and other double-dealers*, 1938, p. 26.

Party issues directives for drawing up national economic plans and develops major economic measures that are of vital importance for the entire country. The Party, strong in its ties with the working masses, mobilises the workers, collective farmers and intelligentsia to carry out economic and political tasks, educates the masses, raises their communist consciousness.

The policy of the Communist Party towards a socialist state, aimed at satisfying the new, urgent needs of the economic development of society, plays an extremely progressive role. The policy of the bourgeois state, aimed at preserving decaying and dying capitalism, is profoundly reactionary.

The development of the socialist mode of production of progressives in the order of the struggle of the new with the old, emerging with the backward, by overcoming contradictions and difficulties. In a socialist society, there are internal, fundamentally non-antagonistic contradictions. As already mentioned, even under socialism the relations of production lag behind the development of the productive forces, enter into conflict with them. These contradictions are not related to opposing class interests and are overcome in the course of the development of a socialist society without social explosions. The socialist state, relying on the economic law of the obligatory correspondence of production relations to the nature of the productive forces, timely adapts the relations of production to the increased level of the productive forces.

Although there are no exploiting classes in the USSR, there are still backward elements, who have no tendencies towards private property, skills that oppose the development of new, progressive tendencies in the socialist economy, there are still vestiges of capitalism in the creation of people, the Soviet state, led by the Communist Party, relying on the working masses, encouraging their initiative, supports progressive tendencies in all areas of social life. The Soviet state carefully supports the sprouts of the new, strengthens them, promotes the attention and dissemination of

advanced methods of production; it is waging a stubborn struggle against all inert forces hindering the rapid development of socialist production.

One of the main forms of struggle between the new and the old under socialism is criticism and self-criticism, which are a powerful driving force in the development of socialist society and its national economy. Criticism and self-criticism make it possible, on the basis of mobilising the activity of the masses, to reveal and eliminate shortcomings and difficulties in work, to identify new reserves for the accelerated pace of economic development and thereby overcome the contradictions of socialist society.

There are antagonistic contradictions between the USSR and the imperialist powers. The camp of imperialism seeks to unleash a war against the USSR and the people's democracies, to carry out subversive work in them through sabotage, sabotage, and terrorist acts. The presence of a capitalist encirclement requires the Soviet state to strengthen in every possible way the economic might of the USSR and its defense capability.

The socialist state, relying on the entire might of the economic basis of socialism, guided by economic laws, directs the development of Soviet society along the road to communism.

## BRIEF CONCLUSIONS

1. The economic laws of socialism are objective laws independent of the will and consciousness of people. Oki express relations of comradely cooperation and socialist mutual assistance of workers free from exploitation. The economic laws of socialism do not act as a blind, destructive force, they are recognised and used by socialist society. The Communist Party, we are a socialist state, in our economic policy proceed from the economic laws of socialism.

2. The basic economic law of socialism determines all the main aspects and all the main processes of development of the socialist mode of production, the goal of socialist production and the means for achieving this goal. The essential features and requirements of the fundamental economic law of socialism are to ensure maximum satisfaction of the growing material and cultural needs of the whole society through continuous growth and improvement of production on the basis of higher technology.

3. Maximum satisfaction of the growing needs of the working people is the mighty engine of socialist production. Under socialism, the growth of consumption (the purchasing power of the masses) outstrips the growth of output and pushes it forward. The continuous growth of socialist production serves as the material basis for a steady rise in people's consumption. A necessary condition for the continuous growth of socialist production is the predominant development of the production of the means of production. Socialism ensures the steady development of advanced technology, which is necessary for the continuous growth of socialist production, which more and more fully satisfies the growing needs of the working people.



4. In accordance with the constant increase in the mass of the product for oneself and the product for society, the size of the real rounds of the working people is systematically increased. Socialism means the constant improvement of the working and living conditions of the people, transforms the household services of the population from a means of profit for the capitalists into a factor in raising the standard of living of the people. Socialism opens up the broadest possibilities for cultural construction, transforming all the benefits of technology, science, and culture into public property.

5. Expressing the vital interests of the people, the socialist state, led by the Communist Party, is increasingly developing its economic, organisational, cultural and educational activities. The development of the socialist mode of production occurs in order to overcome contradictions and difficulties. Relying on scientific knowledge of objective economic laws and using them, the socialist state ensures the victory of the new, progressive over the old in all areas of the economy, directing the development of society along the road to communism.

## CHAPTER XXIX. LAW OF PLANNED (PROPORTIONAL) DEVELOPMENT OF THE NATIONAL ECONOMY

**The need for a planned economy varies under socialism.** The socialist mode of production is characterised by a planned, proportionate development of the national economy. The necessity and possibility of the planned development of the socialist economy follows from the social ownership of the means of production. In contrast to the private ownership of the means of production, which is the rhetoric of producers of goods, gives rise to competition and analysis of strife, social ownership unites numerous enterprises into a single national economic entity, destroys competition and anarchy of production. Large-scale socialised socialist production cannot develop without a general plan that gives unity of purpose and action to the whole of society. Large-scale socialist production in the USSR reigns supreme not only in industry, but also in agriculture (in the form of state farms, machine and tractor stations and kolkhoz). Socialist production in town and countryside constitutes a single national economic whole. Socialism is inconceivable without the systematic linking of industry with agriculture, which provides raw materials and food and consumes industrial products.

In the socialist economy, as a result of the socialisation of the means of production, the law of value has lost its force as a regulator of production, which it has under capitalism. In connection with this, such barometers of the economic life of bourgeois society as spontaneous fluctuations in market prices, the rate of profit, the level of interest, and stock prices, by which the capitalists are guided by directing their capital into certain branches of production, have been eliminated. Spontaneity and spontaneity are incompatible with the disintegration of socialist society. Under socialism, the distribution of the means of production and labour

power between branches of the national economy is carried out in a planned manner. Just as capitalism is unthinkable without competition and the anarchy of production, which entail the waste of social labour, socialism is unthinkable without the planned development of the national economy, which ensures the rational and economical use of social labour and its results.

Thus, public, socialist ownership of the means of production, large-scale socialised socialist production, both in industry and in agriculture, give rise to the objective necessity of the planned, proportional development of the entire national economy.

Planned (proportional) development of the national economy is the economic law of socialism. The law of the planned development of the national economy arose on the basis of the socialisation of the means of production, after the law of competition and anarchy of production had lost its force. It came into action because the socialist national economy can be carried out only on the basis of the economic law of the planned development of the national economy.

The main features and requirements of the law of the planned development of the national economy. Under socialism, the distribution of ideas of production and worker sleep among various branches of the socialist economy is carried out on the basis of the law of the planned development of the national economy. The requirements of this law are that society should lead the people economy in captivity, so that individual branches of production are systematically linked into a single whole, so that all elements of the economy develop proportionally, so that material, labour and financial resources are used most reasonably and efficiently.

However, the law of planned development does not contain a task, to which the proportions in the national economy must be subordinated. The character of proportions in the socialist economy is determined by the requirements of the basic economic law of socialism.

“The law of the planned development of the national economy can give the proper effect only if there is a task for the sake of which the planned development of the national economy is carried out. This task cannot be given by the law of the planned development of the national economy itself. All the more so, national economic planning cannot provide it. This task is contained in the fundamental economic law of socialism.”<sup>1</sup>

Thus, the law of planned, proportional development of the national economy is the regulator of the distribution of labour and means of production in the socialist economy in accordance with the requirements of the basic economic law of socialism.

The basic economic law of socialism determines the need for such proportions in the development of the national economy that ensure maximum satisfaction of the constantly growing material and cultural needs of the whole society through the continuous growth and improvement of socialist production on the basis of higher technology.

These proportions include, first of all, the correct correlation between the production of means of production and the production of consumer goods. As was said above, ensuring the continuous growth of production on the basis of higher technology requires preferential, more rapid development of the branches that produce the means of production, that is, branches of heavy industry. The development of heavy industry and mechanical engineering is a necessary condition for the technical armament and continuous growth of light, food and other branches of industry that produce articles of personal consumption.

Of paramount importance is the establishment of correct proportions between the development of industry and agriculture; these proportions must ensure, on the one hand, the leading role of industry, arming agriculture with advanced technology and supplying the countryside with manufactured goods, supplying the urban population with food, and industry with raw materials.

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<sup>1</sup> J. V. Stalin, *Economic Problems of Socialism in the USSR*, p. 41.

For the uninterrupted development of production, correct proportions are needed between the individual branches within heavy light industry, between the branches of agriculture, primarily between agriculture and the harvest industry.

The condition for the planned, uninterrupted satisfaction of the growing demand on the part of the working masses for products and industrial products is the correspondence between the growth of socialist production and the development of trade, as well as the correspondence between the growing money incomes of the population and the mass of personal consumption goods. Further, a correct balance is needed between the growth of industry, agriculture, and trade turnover, on the one hand, and the development of railroad, water, and other modes of transport, on the other.

The proportions between accumulation and consumption must ensure the continuous growth of socialist production and a steady rise in the well-being of the masses.

Proportional development of the national economy means also the need for a rational allocation of socialist production between the economic regions of the country. At the same time, complex, that is, versatile, development of the economy of these regions on the basis of a correct combination of industries and the most complete and rational use of local resources.

In determining the proportions of the national economy in accordance with the requirements of the basic economic law of socialism and the law of the planned development of the national economy, it is necessary to take into account the specific historical conditions of socialist construction.

Socialism has been built in the Soviet Union and a gradual transition from socialism to the highest phase of communism is taking place. Under these conditions, such proportions of the development of the national economy are required that ensure the further strengthening and development of socialist production, the gradual creation of the material and production base of communism and, on this basis, an abundance of products.

Socialist society in the USSR is developing under conditions the existence of hostile imperialist powers. Hence follows the need for such proportions in the national economy, which ensure the independence of the country of socialism, economic development and a powerful economic base in case of enemy attacks. The rapid growth of socialist industry and collective farm production is the most important condition for strengthening the economic independence and defense capability of the USSR.

The presence of a strong, powerful socialist camp makes it necessary to coordinate the economies of all the countries of this camp in a planned way. Economic cooperation and mutual assistance between the USSR and the countries of people's democracy facilitate the solution of the tasks of socialist construction, lead to the strengthening of the economic independence of these countries from the capitalist world and to the strengthening of their defence capability.

The law of the planned development of the national economy and socialist planning. The requirements of the law of the planned development of the national economy are being put into practice by the Communist Party and the socialist state through Plans that organise and direct the creative activity of the working masses. The planned management of the national economy is the most important feature of the economic and organisational function of the socialist state. Socialist planning is built on a strictly scientific basis. To direct the national economy in a planned manner means to foresee. Scientific foresight is based on the cognition of objective economic laws and new pressing needs for the development of the material life of society.

The condition for correct planning of the socialist economy is, above all, the mastery of the law of planned development of the national economy and its skilful use.

The law of the planned development of the national economy must not be confused with the planned management of the national economy, carried out by the planning bodies of the socialist state, similar to annual and five-year plans for the development of

the national economy. The law of the planned development of the national economy is an objective economic law requiring that the state planning bodies correctly plan social production.

“The law of the planned development of the national economy enables our planning bodies to plan correctly public production. But possibility must not be confused with reality. These are two different things. To turn this possibility into reality, you need to study this economic law, you need to master it, you need to learn how to apply it with full knowledge of the matter, you need to draw up plans that fully reflect the requirements of this law.”<sup>1</sup>

In practice, plans do not always fully reflect the requirements of the law of the planned development of the national economy. When these requirements are violated, the law of the planned development of the national economy makes itself felt by the fact that in some sectors of the national economy, disproportions arise, the normal process of production is disrupted and collapse. If, for example, the production of a certain number of cars is planned, but the required amount of sheet steel is not planned, then this may lead to failure to fulfil the plan for the production of cars.

The task of planning bodies is to correctly take into account the requirements of the law of planned development when drawing up plans and to prevent disproportions, and in the event of disproportions, take timely measures to eliminate them. Material, financial and labour reserves are of great importance for the uninterrupted development of the national economy. The presence of reserves makes it possible to quickly eliminate disproportions that arise in individual sectors of the national economy, or to prevent their occurrence, and provides the possibility of flexible manoeuvring of resources.

Consequently, the planning of the national economy can give a positive result, ensure the proportional development of the national economy and the continuous rise of production, if it correctly

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<sup>1</sup> J. V. Stalin, *Economic problems of socialism in the USSR*, pp. 8-9.

reflects the requirements of the law of the planned development of the national economy and is consistent in everything with the requirements of the fundamental economic law of socialism.

The use of the economic law of distribution according to work is of great importance for the planned management of the economy, since it creates a material interest for workers in raising labour productivity and is one of the engines of socialist production.

Socialist planning is based on the use of economic instruments connected with the operation of the law of value—price, money, trade, and credit. In national economic plans for the production and distribution of products have a monetary value. The tool of planned management is economic accounting, which stimulates the economical conduct of production, the mobilisation of internal reserves, the reduction of production costs and the increase in the profitability of the enterprise.

Proceeding from the requirements of the economic laws of socialism, comprehensively generalising the practice of economic and cultural development, taking into account the totality of the internal and external conditions of life in the country of socialism, the Communist Party and the socialist state establish at each stage the most important economic political tasks of state plans. In accordance with this, the volume of production, the rate of expansion of production in each branch of the national economy, the amount of capital investment, the level of wages, etc. are determined.

Planned leadership of the people's servility in the Soviet Union is carried out on the basis of the directives of the Communist Party by the Council of Ministers of the USSR and the Councils of Ministers of the Union republics. State plans are developed on the scale of the entire national economy as a whole, as well as by sectors and individual departments, by republics, territories, regions and economic regions of the country. The development of plans and control over their implementation are carried out by the State Planning Committee of the Council of Ministers of the USSR



(Gosplan of the USSR), all-Union and republican ministries, as well as local Soviets, which have their own planning bodies.

Socialist planning is built on a combination of long-term plans, which express the basic line of economic development over a number of years, and current plans, which are a concrete program of work for shorter periods. Promising voyages include five-year plans for the development of the national economy and plans for longer periods. Current plans include annual plans. Current plans are developed on the basis of long-term plans. A leather state enterprise (factory, mine, state farm, MTS, etc.) has its own technical and production financial plan (tekhpromfinllan), which is compiled on the basis of state planning targets and is a summary plan for the production and technical financial activities of the enterprise.

The state planned management of collective farms has its own characteristics, arising from the nature of cooperative-collective farm property. The socialist state, in exercising planned management of collective farms, relies on the initiative of the collective farm masses. Collective farm annual production plans are developed by the collective farm boards on the basis of state assignments and are submitted for consideration and approval by general meetings of collective farmers.

The planned management of the national economy requires the determination of the leading links in the economy. The plan singles out the most important branches on which the successful fulfilment of the entire national economic plan depends. These industries are primarily provided with the means of production, labour and financial resources. Other branches are planned in accordance with the leading branches in order to achieve on this basis the development of the entire national economy and the most rational combination of its individual branches.

Economic plans include a certain range of indicators: natural (types of products, assortment of products, etc.) and monetary (amount of output, cost, income and expenses, etc.). Qualitative indicators stand out from among natural and monetary indicators

(increase in labour productivity, cost reduction, profitability, improvement in product quality, efficiency in the use of means of production—equipment, machinery, machine tools, raw materials, etc.).

One of the most important methods for establishing the correct national economy proportions, corresponding to the laws of the planned development of the national economy, is the development of a system of balances. On the basis of balance sheets, the socialist state establishes proportions in the development of the national economy, expressed in natural and monetary form, determines resources and their distribution among individual branches of production and types of products. Comparison of resources with the need for them makes it possible to detect bottlenecks in the national economy, discrepancies in the level and pace of development between individual sectors, and to outline measures to overcome bottlenecks. At the same time, the system of balances makes it possible to unlock additional resources through economical raw materials and better utilisation of equipment. These resources are used to increase production and consumption.

Balances are divided into Material (natural) balances, expressed in monetary terms, and labour force balances.

Material balances reveal the relationship between the production and consumption of a given product or group of products in their natural terms of material balances, they are drawn up for the most important products, for example, balances of machine tools, ore, metal, cotton and other means of production, balances of personal consumption items: mince, sugar, oil, etc.

On the basis of material balances, plans are drawn up for the material supply of means of production for all branches of the national economy by ministries and departments. These plans provide for progressive norms for the use of equipment, raw materials, fuel, etc.

The balance, expressed in monetary terms, includes the balance of foreign trips and expenditures of the population, the balance of national income and its distribution, and others.

The labour force balances determine the needs of the national economy in labour resources and in qualified personnel and sources of covering this need.

The sensationalistic planned, being a reflection of the requirements of the law of the planned development of the national economy, are of a directive nature. State plans are not plans-forecasts, but plans-directives, which are obligatory for the governing bodies which determine the direction of the economic development of the whole country.

State plans, after their approval by the highest bodies of the socialist state, acquire the force of a legal law that is mandatory for implementation. Economic managers are obliged to ensure the implementation of the plan by each the enterprise not only in terms of gross output, but also in terms of assortment, to achieve a systematic improvement in the quality of products and reduce the cost established by the plan.

Collaborative planning has an effective nobility character. The socialist plans direct the labour of millions of people throughout the country, give the working masses a clear perspective, and inspire them to labour exploits. Plan ... .. theoretical ... masses. The reality of production plans is millions of working people creating a new life.

Making a plan is the beginning of planning. This manual is deployed only after the plan has been drawn up, after checking on the ground, during the implementation, correction and refinement of the plan. In the struggle for the implementation of the plan at the factory, plant, state farm, collective farm, the creative initiative and activity of the masses are manifested, socialist emulation develops, and new reserves are opened up for an accelerated economic advance. The task of mobilising the masses is carried out under the leadership of the Communist Party by state and public organisations, trade unions, and the Komsomol. The active participation of the masses in the struggle to fulfil the plans for the development of the national economy leads to the fact that these

plans are systematically overfilled, and as a result, the pace of building a Communist society is accelerated.

Socialist plans can play a mobilising role only if the planning bodies are guided by the new, advanced, which arises in the practice of communist construction, in the creativity of the masses. The plans must be calculated not on average arithmetic norms achieved in production, but on progressive norms for the expenditure of labour, the use of equipment, the expenditure of raw materials, fuel, materials, i.e., norms that take into account the experience of advanced enterprises and advanced workers.

The Communist Party and the Soviet state are waging a resolute struggle against attempts to draw up vague plans that mobilise no one, taking into account bottlenecks, as well as against projections in planning that do not take into account the real possibilities for developing the socialist economy. Socialist planning also presupposes the need uncompromising struggle against anti-state parochial and departmental tendencies, expressed in attempts to oppose the interests of an individual enterprise, region or department to national interests.

One of the most important aspects of the planned management of the national economy is the verification of the fulfilment of the plan, which makes it possible to establish to what extent the plan correctly reflects the requirements of the law of the planned development of the national economy and how it is carried out. It allows you to timely detect existing imbalances, prevent the occurrence new disproportions in the economy, discover new production reserves and make the necessary adjustments to the national economic plans.

To ensure the planned management of the socialist economy, a unified system of national economic accounting. Planned, socialist construction is unthinkable without correct accounting. And accounting is unthinkable without statistics in the social economy, accounting and statistics are organically aligned with the national economic plan. Statistical data on the fulfilment of the plan serve as necessary material in drawing up the plan for the next period of

time. The socialist system of accounting and statistics makes it possible to monitor the progress of the plan as a whole and in its individual parts.

Advantages of a planned economy. The planned development of the national economy gives socialist society enormous advantages over capitalism.

In contrast to capitalism, where proportionality is an accident and the economy develops in an incline, through periodically recurring crises, the socialist economy develops continuously, along an ascending line and at an unprecedentedly high rate on the basis of proportions established by the socialist state in accordance with the requirements of the law of the planned development of the national economy and the basic economic law. socialism, the socialist economy is free from economic crises that destroy the national economy, inflict colossal material damage on society and periodically throw it back.

While the Soviet Union, for the goals of the first three five-year plans, that is, for a period of about 13 years, made a leap that turned the country from a backward to the advanced, from the agrarian to the industrial, the capitalist world during this time experienced two economic crises—1929-1933 and 1937, accompanied by a huge destruction of the productive forces, colossal rising unemployment and a sharp increase in the embrace of the masses. In the post-war period, the socialist economy continued to develop systematically and the basis of a continuous rise in production, and the capitalist countries, and above all the United States, experienced the rhythm of 1948-1949 over the years.

A socialist planned economy eliminates unemployment and ensures the use of the entire labour force of society. The capitalist economy inevitably gives rise to unemployment, and the capitalists use it as a means to provide their enterprises with cheap labour.

A planned economy presupposes such a development of production that is aimed at satisfying the needs of the masses of the people. Capitalists, on the other hand, invest their capital in those branches of the economy where there is a higher rate of profit.

A socialist planned economy ensures the planned development of science and technology in accordance with the needs of the national economy. Under capitalism, the development of technology is subject to the laws of competition and the economy of production, is carried out extremely unevenly, and inevitably increases the disproportionality in the development of production.

A socialist planned economy not only saves society from the colossal waste of social labour inherent in capitalist economy, but also ensures the most economical and efficient use of all resources, opens up ever new sources and reserves for raising production.

The socialist state establishes production links between enterprises in a planned manner. promoting, on the one hand, the specialisation of enterprises, and, on the other hand, organising cooperation between them, it provides the most rational distribution of socialist production.

In contrast to the partial capitalist principle of profitability, which is subordinated to the interests of individual enterprises, the goal of obtaining maximum profit, the law of the planned development of the national economy and socialist planning provide the highest form of profitability, that is, profitability taken from the point of view of the entire national economy in the context of not one year, but several years.

Because of this, under socialism such grandiose scales of construction became possible, which are unthinkable under the conditions of a capitalist economy with its private property, anarchy of production and competition.

## BRIEF CONCLUSIONS

1. The necessity and possibility of the planned development of the national economy stem from social, socialist ownership of the means of production. Planned (proportional) development of the national economy is the economic law of socialism.

2. The law of planned (proportional) development of the national economy is the regulator of the distribution of the means of production and labour power in the socialist economy in accordance with the basic economic law of socialism. It demands that all elements of the national economy develop proportionally, that material, land and financial resources be used most reasonably and efficiently.

3. Socialist planning can give a positive result if it correctly reflects the requirements of the law of the planned development of the national economy and conforms in everything to the requirements of the fundamental economic law of socialism. In the process of planned management of the national economy, economic instruments are used, arbitrarily with... The balance method of planning is of great importance in establishing the correct proportions for the development of the national economy.

4. Planned management of the national economy is an important feature of the prosperity of the song-master function of the socialist state. National economic plans are developed by state bodies on the basis of directives determined by the Communist Party, starting from a scientific generalisation of the experience of socialist construction, from taking into account the advantages of the socialist economic system, the external and internal situation of the country. State plans are guided by everything advanced that arises in the practice of communist construction, in the creativity of the masses, and are of a directive nature. The necessary conditions

for the planned unification of the national economy are the mobilisation of the masses for the fulfilment and overflow of plan targets and the organisation of daily verification of the fulfilment of the plan.

5. Planned, crisis-free development of the national economy constitutes the greatest advantage of socialism over capitalism, assuring savings that are inaccessible to the bourgeois system and opening up every opportunity for a different, rapid and all-round growth of production in the interests of the masses of the people.



## CHAPTER XXX. PUBLIC LABOUR UNDER SOCIALISM

**The nature of labour under socialism. The guiding principle of socialism.** the establishment of socialist production relations signifies a radical change in the nature of labour. Labour under socialism is labour free from exploitation, “For the first time after centuries of labour for strangers, forced labour for exploiters, there is the possibility of working for oneself, and, moreover, work, for all the gains of the latest technology and culture”<sup>1</sup>.

While forced labour under capitalism appears directly as private labour, under socialism labour is only of a mediocre social character. Public ownership of the means of production makes it possible to systematically organise labour on the scale of the whole society.

The position of the maturing person in society has changed radically. In contrast to capitalism, where a person’s position is determined by social origin and wealth, a person’s position in a socialist society is determined only by labour and personal abilities.

Liberation from exploitation and a change in the position of the working person in society give rise to a new attitude towards work: there is a revolution in people’s views on work. While for centuries the exploiting system has created in numerous generations of working people an aversion to work as a heavy and shameful burden, socialism turns labour into a matter of honour, valour and heroism. Labour under socialism acquired a creative character. In a socialist society, a trawler, if he works well, takes the initiative in improving production, and is surrounded by honour.

The guiding principle of socialism is the principle: ‘From each according to his ability, to each according to his work.’ This means the equal obligation of all to work to the fullest extent of their

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<sup>1</sup> V. I. Lenin, How to organise a competition?, Works, vol. 36, ed., 4. p. 368.

abilities and the equal right of all workers to receive remuneration depending on the quantity and quality of the labour expended.

The guiding figured socialism stems from the basic economic law of socialism is one of the most important means of implementing this law.

The work of citizens according to their abilities is an objective necessity in socialism. Maximum satisfaction of the growing material and cultural needs of the working people

can only be achieved on the basis of the comprehensive development and use of their abilities and talents. Satisfaction of the material and cultural needs of citizens, which under socialism are not directly dependent on the contribution that each of them makes to the development of social production. Combining the personal interests of the working people and the interests of developing production, the guiding principle of socialism is a powerful factor in the development of the socialist economy.

All this makes socialist labour much more effective than forced labour under capitalism. Socialism ensures a higher productivity of social labour compared to capitalism.

**Labour as a duty of members of a socialist society.**  
**Ensuring the right to work.** Socialism and labour are inseparable. Socialism put an end to the blatant contradiction of the capitalist system, in which the exploiting elite of society leads a parasitic way of life, and the working masses bear the yoke overwork, interrupted only by periods of forced.

Socialism creates the necessary conditions for the implementation of the principle 'from each according to his ability.' Capitalism stifles people's abilities. Socialism ensures the constant development and free manifestation of the abilities of the working people through the emancipation of labour from exploitation and the free access of all citizens to education and the improvement of their qualifications.

The rise of socialist production is accompanied by a continuous rise in the cultural and technical level of the working people and an

increase in the share of skilled workers in all branches of the national economy.

The growth of the cultural and technical level of the working people is ensured under socialism primarily by the development of public education. In the Soviet Union, universal compulsory seven-year education is being carried out and a transition is being made to universal compulsory secondary (ten-year) education. They received a special secondary and higher education on a wide scale. As a result, the cultural makeup of the working class and peasantry is changing. Illiteracy and ignorance are a thing of the past. Persons with a seven-year or secondary education are becoming an increasing proportion among the workers.

The growth of the cultural and technical level of the working people also takes place through industrial and technical training, which includes both the training of new workers and the upgrading of skills on the job. To meet the demand for qualified personnel in the most important branches of the national economy, the USSR has created a system of state labour reserves, which includes a network of vocational and railway schools and factory training schools. The students in these schools and colleges during the period of study will be chocked up for the maintenance of the state. Along with the system of state labour reserves, an important source of replenishing the cadre of skilled workers is the mass production training of workers through the individual brigade. and coursework in enterprises reaching millions of workers. The number of intelligentsia is growing rapidly, the number of highly qualified specialists who have emerged from the arrow of the workers and peasants.

In ten years (from 1941 to 1950 inclusive), about 6 million young skilled workers of various profiles were trained at the state's expense in craft and railway schools and factory training schools. During the Fourth Five-Year Plan, more than 2,000,000 new skilled workers were trained annually on the average through individual training and advanced training at enterprises, and more than 3,000,000 workers improved their cinematography. In 1952, about 3

million collective farmers were enrolled in agro-zoo-technical courses with a three-year term of study. The system of intensive training of workers and collective farmers is also widely developed. In 1952, 5.5 million specialists with higher and secondary specialised education worked in the USSR, that is, 2.2 times more than 20 years.

The implementation of the guiding principle of socialism requires the correct use of personnel in production in accordance with their qualifications and production experience. Only under this condition, the cultural and technical growth of the members of society can give the proper result in the matter of raising social production.

The socialist system for the first time in the history of mankind realised not only an equal obligation for all able-bodied citizens to work, but an equal right for all citizens to work. Thus, under socialism, the age-old dream of the working masses has been realised. The right to work is the right of every able-bodied member of society to receive a guaranteed job with wages in accordance with its quantity and quality. The right to work, enshrined in the Constitution of the USSR, is actually ensured by the socialist organisation of the national economy, the steady growth of the productive forces of society, and the elimination of the possibility of economic crises.

The right to work, realised in the USSR, means that unemployment—that scourge of the working people under capitalism—is eliminated once and for all, which does not threaten the working people, as it does under capitalism. the danger at any moment of being thrown out of the gates of enterprises and of losing all means of subsistence. The abolition of unemployment and the elimination of uncertainty about the future among the workers, the elimination of impoverishment and pauperism in the countryside, were a great achievement for the Soviet people.

The realisation of the right to work makes it possible to enormously increase the use of the labour resources of society in the interests of production development. The continuous rise in

production under socialism makes the steady increase in the number of workers and employees a natural phenomenon.

The number of workers and employees in the People's economy of the USSR at the end of the year was; in 1928— 10.8 million, in 1932—22.8 million, in 1937—27 million, in 1940—31.5 million, in 1950—39.2 million, and in 1952—41.7 million people.

The elimination of unemployment in the city, agrarian overpopulation and poverty in the countryside, the continuous growth of socialist production is fundamentally the condition for ensuring the enterprise's workforce. If under capitalism the demand for labour power is satisfied spontaneously, at the expense of the reserve army of the unemployed and agrarian overpopulation, then under socialism the provision of the front workforce occurs in a planned manner, through organised recruitment, organised training and distribution of labour power.

In order to create a permanent cadre of workers at enterprises, the improvement of the working and living conditions of working employees, the correct construction of wages, as well as the consistent mechanisation of production, which facilitates work, are of paramount importance.

**Distribution according to work is the economic law of socialism.** In a socialist society, the part of the social product created by labour for itself and placed at the personal disposal of the working people is distributed according to the quantity and quality of labour expended by each worker. Distribution according to work is one of the forms in which the basic economic law of socialism is implemented. It is an important factor in the advancement of socialist production and the improvement of the well-being of the working people.

The distribution according to work is conditioned by the socialist mode of production. In the first phase of communism, when labour has not yet become people's first vital need, it is necessary to use economic incentives to attract workers to work, to ensure the full use of their abilities in social events. Distribution

according to work creates a decent material interest for each worker in the results of his labour and stimulates arbitrariness. Material interest induces each worker to breastfeed better, to increase labour productivity. By stimulating an increase in labour productivity, distribution according to work at the same time contributes to an increase in the well-being of production workers. Those who work more and better receive greater rewards from society. This is the difference between socialism and the higher phase of communism; when labour becomes the first vital necessity of every person, and the productive forces grow to such an extent that society will be able to proceed to the distribution of products according to needs.

The distribution of labour is connected with the need to strictly take into account the difference between skilled and unskilled labour that exists under socialism. Higher pay for skilled labour pays tribute to the qualifications of the employee, opens up the prospect for unskilled workers, for their promotion up to the category of qualified. This creates a powerful incentive to raise the cultural and technical level of workers and eliminate the essential distinction between mental and physical labour.

The distribution of labour is determined by the socialist mode of production. In the first phase of communism, when labour has not yet become the first vital need of people, it is necessary to apply economic incentives to attract workers to work, to ensure the full use of their abilities in public life, Distribution by labour creates a formal material interest of each employee in the results of his work and encourages the development of arbitrariness. Material interest encourages each employee to do better and increase labour productivity. By stimulating an increase in labour productivity, the distribution of labour at the same time helps to raise the welfare of production workers, Who work more and better, he receives more remuneration from society. This is the difference between socialism and the highest phase of communism: when labour becomes the first vital need of every person and the productive forces grow so

much that society can move on to the distribution of products according to needs.

The distribution of labour is connected with the need to strictly take into account the difference between skilled and unskilled labour that exists under socialism. Higher pay for skilled labour pays tribute to the qualifications of the employee, opens up the prospect for unskilled workers, for their promotion up to the category of qualified. This creates a powerful incentive to raise the cultural and technical level of the working people and eliminate the essential difference between mental and physical labour.

Distribution by labour contributes to the localisation of turnover by production of agricultural land, creation of permanent goats, which is of combat importance for improving the organisation of labour in enterprises, for increasing the qualifications and production experience of employees. Without a permanent staff of employees who have mastered technology and accumulated production experience, it is impossible to successfully develop socialist production.

Thus, the distribution of labour is an objective necessity, an economic law for the development of socialist society.

The economic law of distribution by labour requires the distribution of products in direct relation to the quantity and quality of labour of each employee, equal pay for equal work, regardless of the gender, age, race and nationality of citizens of a socialist society. Labour remuneration in both industrial and agricultural sectors is based on the requirements of this law.

The economic law of distribution by labour is carried out in a resolute struggle against the ragged tendencies of backward elements, against petty-bourgeois egalitarianism, that is, equal remuneration for labour regardless of its quantity and quality, of the qualifications of employees, and of labour productivity. Egalitarianism is an expression of the petty-bourgeois conception of socialism as a universal equation in the sphere of consumption, living conditions, tastes, and needs. It causes great damage to production, leads to staff turnover, reduced labour productivity, and

failure to meet plans. Exposing the petty-bourgeois conception of socialism, J. V. Stalin explained the Marxist-Leninist understanding of equality.

“Marxism does not understand equality as equalisation in the sphere of personal needs and everyday life, but as the abolition of classes, i.e. (a) the equal emancipation of all working people from exploitation after the capitalists have been overthrown and expropriated; (b) the equal abolition of private ownership of the means of production for all after they have been transferred to the ownership of the whole society; and (c) the abolition of a) the equal duty of all to work according to their abilities and the equal right of all workers to receive for it according to their work (socialist society), d) the equal duty of all to work according to their abilities and the equal right of all workers to receive for it according to their needs (communist society)”<sup>1</sup>.

**Socialist Co-operation of Labour.** Socialism marks a new and higher stage in the historical development of co-operation ... Co-operation of labour is the co-operation of workers free from exploitation, bound together by relations of comradely co-operation and mutual assistance; it is based on the most advanced technology, the co-operation of which creates an immeasurably more powerful productive sphere of labour than the capitalist one. The methods of increasing the productive power of social labour inherent in co-operation—the application of the division of labour and machine technology, the saving of the means of production as a result of their joint use, etc.— are most developed only under the conditions of socialism.

In contrast to private ownership of the means of production, which limits the scope of labour cooperation, public ownership of the means of production widely expands the boundaries of labour

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<sup>1</sup> J. V. Stalin, Report to the XVII Party Congress on the work of the Central Committee of the CPSU (b), Essays, vol. 13, p. 355.



cooperation and makes it possible to use the joint labor of many people on a scale that is inaccessible to capitalism. This is reflected in the degree of concentration of production, both in industry and in agriculture, which is not expected for capitalism, and in the implementation of huge works on a national scale.

Socialist cooperation is characterised by a new discipline of labour, fundamentally different from all previous formations. The capitalist organisation of social labour is based on the general principle of famine, and under capitalism the vast mass of working people remains a dark and downtrodden mass of wage slaves or peasants crushed by poverty, exploited by a handful of capitalists and landlords. Socialist labour discipline is the conscious, comradely discipline of the working people who pretend to be masters of their country. Under socialism, maintaining the necessary labour discipline is in the fundamental interests of the working masses. Educating the working people in the spirit of socialist labour discipline is one of the most important tasks of a socialist State.

Any joint work of many employees requires management that coordinates the actions of these employees, establishing the necessary production links between them. Socialist co-operation of labour presupposes the firm and unswerving implementation of unity of command in all parts of the production and administrative apparatus. Unity of command is a method of managing state-owned socialist enterprises, their associations and branches of the national economy, based on the subordination of the masses to the unified will of the head of the labour process. It is combined with the broad creative initiative of the masses in the production process.

With the abolition of capitalist exploitation, the despotism of management, which is independent of it, is also eliminated, which means the omnipotence of capital, the arbitrariness of the entrepreneur and the workers' guild, and the justice of the working masses. In a socialist society, the heads of enterprises, trusts, general departments, and ministers are trusted people and servants of the people, the socialist state. Under capitalism, the people treat the economic managers—the directors, the managers of the young

ladies, the heads of the shops, the foremen—as enemies, because they manage the economy in the interests of the capitalists, for their own profit. Under Stalinism, economic leaders have every reason to enjoy the confidence of the people, since they manage the economy not for the sake of the profits of a handful of capitalists, but for the sake of the interests of the entire people.

The elimination of exploitation fundamentally changes the relationship between people of intellectual and physical labour. The antithesis of interests characteristic of capitalism between the workers and the management personnel of enterprises has disappeared. Under socialism, the workers of physical labour and the management personnel of enterprises are comrades, members of a single economic collective, who are vitally interested in the success and improvement of production, hence the creative community of workers of physical and mental labour, whose goal is to constantly improve production.

While under capitalism the labour of the workers is increasingly deprived of spiritual content and the gap between mental and physical labour is growing, in socialist society there is an increasing enrichment of physical labour in spiritual content, a convergence of Physical and mental labour, and the gradual elimination of the essential difference between them. This is reflected in the continuous rise of the cultural and technical level of the working class and the peasantry, in the development of socialist competition, which is an essential feature of labour cooperation under socialism.

**Socialist competition.** Socialist competition is a communal method of socialist construction on the basis of the maximum activity of the toiling masses. The activity of the masses is aimed at performing and exceeding plans by increasing labour productivity and improving production.

Socialist competition is fundamentally different from the competition that prevails in bourgeois society.

'Socialist emulation and competition represent two very different principles.

The principle of competition: defeat and death of some, victory and domination of others.

The principle of socialist competition: comradely assistance to the laggards on the part of the advanced, in order to achieve a general upsurge.

Competition says: finish off the stragglers to assert your dominance. ... others are good, others are better,—with a few of the best and a general rise”<sup>1</sup>.

Socialist emulation expresses the comradely co-operation of the working people, their joint struggle for a general rise in production.

Instead of such engines of production as the pursuit of profit and competition, socialism gave rise to new, more powerful driving forces. First of all, it is the deep interest of the masses in the development of social production, which indulges from the basic economic law of socialism. The fact that people under socialism work not for the exploiters, but for themselves, for their society, is an inexhaustible source of the rise of socialist production. On this basis, labour enthusiasm and a communist attitude to work grow. An important role in the time of socialist competition is played by the economic law of distribution by labour. By making the employee's pay dependent on the quantity and quality of his labour, this law stimulates the creative initiative of the masses in the production process.

Socialist competition plays a huge role in increasing the productivity of labour. A characteristic feature of the competition is the creative initiative of innovators and production leaders—Stakhanovites, who perfectly embittered advanced technology, discarded old, outdated norms and methods of work and put forward new ones. Many workers not only mastered the technical

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<sup>1</sup> J. V. Stalin, *Emancipation and the Labour Upsurge of the Masses*, vol. 12, p. 19.

minimum, but also became on a level with technical personnel, began to correct technicians and engineers. In the fight against the destruction of all the old, obsolete advanced people are paving new paths for the development of production, opening up new reserves for the growth of labour productivity.

The creative initiative of the workers does not allow production to stagnate, to get stuck in place, it is the thread of its constant movement and improvement. The best work methods used by innovators are based on fundamental improvements in the organisation of work (for example, division of labour, combination of professions, etc.), organisation of production (for example, work on a schedule), in the field of technology and production techniques (for example, intensification of technological processes, improvements in tools, devices, machine tools, etc.)

Socialist emulation presupposes the rapid and wide dissemination of advanced experience. Under socialism, for the first time, the force of example exerts a mass effect, serving as a means of continuous advancement and improvement of production. This is achieved, firstly, as a result of the active comradely assistance of innovators to all working people in mastering advanced labour methods, which takes various forms (personal instruction, patronage of cadre workers over newcomers, Stakhanov schools, etc.), and secondly, as a result of aspirations of the working masses catch up with advanced people, master their experience in order to achieve a general upsurge, thirdly, by ensuring wide publicity of competition and comparability of the results of the work of enterprises. Based on the advanced experience of innovators in production, the Soviet state determines progressive cost rates labour, the use of the means of production, which form the basis of production plans. Distribution of advanced experience, the mastery of new norms and methods of work by the majority of workers ensure the achievement of a new, higher level of labour productivity.

The Communist Party and the Soviet State lead the socialist emulation of the Masses and give it all possible support. For success

in work, workers not only they receive financial incentives, but they are awarded orders and medals, and for outstanding innovative activity they are awarded the titles of Heroes of Socialist Labour and laureates of the Stalinist Prize.

Socialist emulation in the USSR acquired a nationwide character. Along with individual competition, competition between brigades, workshops, relays, which are fighting for the title of advanced Collectives, is increasingly unfolding. Competition for the highest quality of products, for the best use of production capacities, for reducing the cost of production, for saving material and money beyond the plan has become widespread. In 1951, 91.2% of all workers took part in socialist competition in industry. The share of the Stakhanovites of the average industrial workers was 36%.

Socialist emulation in the city and countryside is of paramount importance for the development of the socialist economy, for building communism.

**Steady growth of labour productivity is an economic law of socialism.** Steadily improving productivity labour is the most important condition for the construction of communism, "Communism is the highest, against capitalist, labour productivity of voluntary, conscious, united, workers using advanced technology"<sup>1</sup>.

As you know, labour productivity is measured by the number of products produced by a worker per unit of time, or by the amount of working time spent per unit of time. products. The increase in labour productivity is expressed in terms of the amount of living labour in the product is reduced, and the field of past labour increases relatively, while the total amount of labour per unit of output decreases. An increase in labour productivity means an increase in purge output to the working time station.

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<sup>1</sup> V. I. Lenin, Great Initiative, Works, vol. 39, ed., 4, p. 394.

From the social point of view, the productivity of labour also increases with its economy, including here the economy of both living and materialised labour on the scale of the whole society. Socialism eliminates the enormous waste of labour inherent in the anarchist system of capitalism, and ensures the planned and most rational use of the means of production and the labour resources of society. The working people of the USSR are interested in the maximum economy of production, which finds expression in the mass movement for the economy of raw materials, fuel, materials, for the best use of machinery, equipment, Marx points out that the real economy consists in saving working time and this saving is identical with the development of the productive force labour.

The need for a systematic and rapid increase in labour productivity is determined by the basic economic law of socialism. The continuous growth of socialist production takes place, firstly, by raising the productivity of labour and, secondly, by increasing the number of employed workers. If the growth of production due to an increase in the number of employed workers has its limits, then an increase in labour productivity is an inexhaustible source of an increase in production under socialism.

The main part of the increase in the output of the small economy is obtained by increasing the productivity of labour. Thus, in the period from 1940 to 1951, 70% of the increase in industrial output was obtained from this source.

The systematic increase in labour productivity, while ensuring a rapid growth in production, creates an opportunity both for the growth of consumption and for the expansion of production.

Due to the characteristics of capitalism contradictions, the growth of labour productivity in bourgeois society is slow and unstable. Marx pointed out that “for capital, the law of the increasing productivity of labour has an unconditional significance”.<sup>1</sup> Together with the liquidation of private capitalist property, all the barriers that stand in the way of the growth of labour productivity

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<sup>1</sup> K. Marx, *Capital*, Volume III, 1951, p. 273.

are destroyed. Under socialism, the economic law of the steady growth of labour productivity exists and operates.

Socialism opens up ways and methods of raising labour productivity that are inaccessible to capitalism. Under socialism, the growth of labour productivity is ensured primarily through the systematic development and consistent use of advanced technology that facilitates the work of people, while under capitalism intensification of labour, exhausting the worker.

Under socialism, a powerful factor in the growth of labour productivity is the continuous rise in the material well-being of the workers, the improvement of their qualifications and cultural level, while under capitalism the growth of labour productivity is carried out due to the deterioration of the living and working conditions of the worker and is accompanied by the impoverishment of the working people.

Enormous opportunities for increasing the productivity of the trawl are opened up by the socialist organisation and wages. The socialist organisation of labour is based on conscious discipline and comradesly cooperation of workers, and wages, depending on its quantity and quality, create a personal material interest of the working people in raising labour productivity.

The most important driving force behind the growth of labour productivity under socialism is the development of the workers' creative initiative in improving the technique and organisation of production, which finds expression in socialist emulation.

Thus, the socialist economic system necessitates and creates the possibility of a steady increase in labour productivity.

During the years of the first five-year plan, labour productivity in the industry of the USSR grew by 41%, and during the years of the second five-year plan by 82%. The average annual increase in labour productivity in the first five-year period was 9%, and in the second five-year period, 12.7%. Such growth rates of labour productivity capitalist industry knew no more. In 1940, labour productivity in the industry of the USSR increased 4 times, and taking into account the reduction of the working stump, 5.2 times compared with the level

of 1913. In the postwar period, further technical re-equipment of the national economy, advanced training and creative initiative of workers and engineering personnel led to an increase in labour productivity. Labour productivity increased in 1951 compared with 1940 in industry by 6%, and in construction by 36%.

In 1951, labour productivity in industry was more than 6 times higher than in 1913, and 7.6 times higher, taking into account the reduction in working days. Labour productivity in railway transport in 1951, was 3.4 times higher than in 1913, and taking into account the structure of the working day—4.7 times. Labour productivity in the grain economy of collective farms in 1950 was 4.4 times higher than in the individual peasant farm before the revolution, and taking into account the reduction of the working day— more than 5 times.

Steady growth in labour productivity, providing creating an abundance of commodities is a necessary precondition for the transition from socialism to communism.



## BRIEF CONCLUSIONS

1. Socialism liberated labour from exploitation and carried out the replacement of forced labour by exploiters of free labour, not even themselves, for all things. ... .. is creative and systematically organised on the scale of society. In the socialist system of popular servility, unemployment has been abolished, and the right to work has been realised for every member of society. The steady growth of production under socialism is accompanied by a continuous growth in the number of employed workers and an increase in their cultural and technical level.

2. The guiding principle of socialism is the principle: to each according to his abilities, to each according to his work, which combines the personal material interests of the working people with the development of social production. This principle, on the one hand, requires the members of society to work according to their abilities, on the other hand, it determines the method of distributing products. is the economic law of socialism.

3. Socialist cooperation of labour is the cooperation of workers free from exploitation, bound by relations of comradesly cooperation. It is characterised by conscious discipline and a new type of management that combines one-man command with a broad development of activity and initiative among the masses. The most important feature of socialist cooperation is socialist emulation. Socialist emulation is the driving force behind the development of the socialist economy. In emulation, the fundamental interest of the masses in the growth of production and labour productivity arises, which follows from the basic economic law of socialism.

4. Socialism has created a higher productivity of social labour than capitalism. Labour productivity is the main source of continuous growth in socialist production and the well-being of the people. The steady growth of labour productivity is the economic law of the development of society under socialism.

## XXXI. COMMODITY PRODUCTION, THE LAW OF VALUE AND MONEY UNDER SOCIALISM

**The necessity of commodity production under socialism and its features.** The necessity of commodity production under socialism stems from the existence of two main forms of socialist production—state (national) and collective farm. In state enterprises, the means of production and products constitute the property of the whole people. On the collective farms, although the main means of production (land and machines) belong to the state, the products produced by the collective farms are their property. is an exchange through purchase and sale. Here, as with any purchase and sale, the commodity owner loses the right of ownership of the commodity, and the buyer becomes the owner of this commodity.

Substantiating the need for commodity production under socialism, J. V. Stalin wrote: “The state can only dispose of the products of state enterprises, while collective farm products, as their own property, are disposed of only by collective farms. But the collective farms do not want to alienate their products except in the form of commodities, in exchange for which they want to obtain the commodities they need. At the present time, the collective farms do not accept other economic ties with the city, apart from commodity ones, except for exchange through purchase and sale. That is why commodity production and commodity circulation are as much a necessity for us at the present time as they were, say, thirty years ago when Lenin proclaimed the need for an all-round development of commodity circulation.”<sup>1</sup>.

Thus, foodstuffs and agricultural raw materials coming from the collective-farm sector to the state and co-operatives in the order of

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<sup>1</sup> J. V. Stalin, *Economic Problems of Socialism in the USSR*, pp. 16-17.

procurement and purchases, as well as agricultural products sold on collective-farm markets, are commodities. In exchange for agricultural goods, collective farms and collective farmers buy industrial goods, mainly articles for personal consumption. Since, therefore, consumer products are commodities, they also reach the urban population through purchase and sale.

In the presence of two main forms of socialist production, commodity production and commodity circulation are a necessary and very useful element of the national economic system. Commodity production and the collapse of commodities are necessary for the establishment of economic ties between town and country, between state industry and collective-farm agriculture, and for bringing articles of personal consumption to the population.

Commodity production under socialism is not ordinary commodity production, but is commodity production of a special kind. This is commodity production without private ownership of the means of production, without capitalists. It is basically. It is carried out by united socialist producers (the state, collective farms, cooperatives). Owing to such decisive economic conditions as social ownership of the means of production, the abolition of the system of wage labour and the exploitation of man by man, commodity production under socialism has been placed within strict limits. It cannot turn into capitalist production serves the cause of developing and strengthening socialist production.

Commodity production in socialist society does not have such an unlimited and all-embracing distribution as under capitalism. Under socialism, the sphere of commodity production and commodity circulation is limited mainly to articles of personal consumption. In a socialist society, labour power is not a commodity. The land with its subsoil is state public property and cannot be the subject of sale or lease. State enterprises—plants, factories, mines, power plants with their main production assets (tools of production, buildings, armaments, etc.)—cannot be sold and bought, but can be transferred from one state organisation to

another only by decision of the government and, therefore, are not goods, the object of sale.

The means of production produced in the state sector—machines, machine-tools, metal, coal, oil, etc.—are distributed by the state among preliminaries. The national economic plans provide for the allocation of certain material resources to each enterprise in accordance with its production program. These funds are supplied by manufacturers to enterprises and consumers on the basis of contracts concluded between them. When transferring the means of production to one enterprise or another, the socialist state retains in its entirety the ownership of these means of production. The directors of the disputes, who have received the means of production from the socialist state, by no means become their owners, but are authorised by the state to use the means of production in accordance with state plans. The main agricultural machines, tractors, combines, etc., are not sold to collective farms, but are concentrated in state enterprises—machine and tractor stations, which serve the collective farms with the help of these means of production. Only the simplest machines and implements, which play a secondary role in agriculture, come to the collective farms through purchase and sale. But they retain the outer shell of the goods. This finds its expression in the fact that they are taken into account and calculated in the form of money and, when distributed, they are paid in money.

In the field of foreign trade, the means of production sold to foreign countries are commodities. Angry, there is a Purchase and sale, there is a change of ownership of goods.

**Use value is the value of a commodity in a socialist economy.** Those products that are produced and sold as commodities in a socialist society have a use value created by concrete labour and a value created by abstract labour. In other words, under socialism. The product has a dual character, determined by the dual nature of the laboratory or enterprise that produces the product.

The dual nature of labour under socialism differs radically from the dual the nature of labour in a simple commodity and capitalist economy, in the conditions of commodity production based on private property dual the nature of the labour that produces the commodity reflects the contradiction between private and social work. The socialist economy does not know this contradiction. As has already been said, in a socialist economy, labour is not private, but directly social labour. Society plans in advance the work of workers in the production process. The distribution of labour between the various branches of the national economy and individual enterprises is proceeding according to plan. Because of this, commodity fetishism has been overcome in the socialist economy, and the social relations of people do not accept the deceptive semblance of relations between things.

However, under socialism there are differences between direct social labour in state enterprises, where labour is socialised in the public sector. scale, and by immediate social labour on collective farms, where labour is socialised only within the framework of this agricultural artel. In addition, the collective farmer uses his labour in his personal subsidiary plots, having a subordinate meaning. These differences in the degree of socialisation of labour and the existence of commodity relations between the state industry and collective farms are not given the opportunity to express social labour spent on the production of industrial collective farm products, directly during working hours. From this follows the need for an indirect commensuration of social labour through the use of wealth and its forms. This comparison is based on a mixture of various concrete types of labour of workers and collective farmers to abstract labour that has created the value of a commodity.

The socialist state, in the process of planned management of the national economy, takes into account both aspects of the commodity, both their use-value and their value. The state demands from its enterprises the production of a certain yield of products—determined use-values. If the capitalist is interested in use value only as a carrier of value and surplus value, then in the

socialist economy the creation of use values and the improvement of the quality of products are of the utmost importance, since they are deliberately carried out in the interests of the most complete satisfaction of the growing needs of the whole of society.

In a socialist economy, the value of a commodity is also essential. The state plans production not only in physical terms, but also in terms of money. At the same time, a systematic reduction in the cost of manufactured goods and, on this basis, a reduction in prices plays an important role in ensuring the maximum satisfaction of the needs of society.

In the socialist economy there is no antagonistic contradiction between use-value and value, which poses the possibility of crises of oversupply. The socialist economy ensures the full possibility of fulfilling production plans both in monetary and physical terms.

However, in the practice of socialist construction, when the requirements of economic laws, in particular the law of planned development of the national economy, are violated, contradictions may arise between the use value and the value of the commodity. This happens, for example, in cases when managers of individual enterprises, in pursuit of meeting the cost plan, intensively produce individual products that are more profitable for the customer, without fulfilling the production plan for the entire range. But such contradictions do not have an antagonistic character and do not generate crises. They are resolved in the order of planned management of the farm.

In a socialist economy, there is a distinction between complex (skilled) and simple labour, and there is a reduction of complex labour to simple labour. The ratio between complex and simple labour is taken into account when planning production, determining output standards, as well as when planning wages, when remuneration for labour of various qualifications is established, and so on.

The value of products produced and sold as commodities is determined by the amount of socially necessary working time spent on their production. Working time refers to the average working

time spent by enterprises that produce the bulk of the products of a given industry. The socially necessary working time spent on the production of a unit of a commodity determines the social value, or value, of the commodity. The time actually spent on the production of a unit of goods in individual enterprises is individual working time, which forms the individual cost of goods for each of these enterprises.

Socially necessary time spent on the production of goods is an objectively existing quantity. Under capitalism, socially necessary time develops spontaneously, behind the backs of commodity producers. In a socialist economy, the state, based on objective economic conditions and the requirements of the economic laws of socialism, plans to increase labour productivity and reduce the cost of production, sets norms for labour and material costs for enterprises; thus, it systematically ensures a reduction in socially necessary time.

An important tool for the planned influence of the socialist state on the amount of socially necessary time is the progressive norms of labour and material costs established on the basis of the experience of advanced enterprises. Progressive norms are norms that still need to be applied at will during the planned period of change. They are lower than the actual level of labour and material costs per unit of production. Progressive norms are of great mobilising importance, as they encourage business managers and the masses of workers to find ways to rationalise production, introduce advanced technology, increase labour productivity and reduce the cost of production. After progressive norms are adopted by the majority of enterprises that produce the largest mass of products, they begin to coincide with socially necessary labour costs and cease to be progressive. On the other hand, during this time, advanced enterprises achieve a new reduction in labour costs for production. Based on the experience of advanced enterprises, new progressive norms of labour costs are established, the implementation of which leads to a new reduction in socially necessary time.

Under capitalism, the contradiction between individual and socially necessary labour time has an antagonistic character. Enterprises that use higher technology and earn super profits keep their technical improvements secret and beat their competitors, leading them to ruin and death. In a socialist economy, the contradiction between socially necessary time and individual time spent in individual enterprises is not of an antagonistic nature. socialist economy does not know the so-called 'trade secret'; technical achievements of advanced enterprises are quickly becoming common knowledge of all enterprises in a given branch, as a result of which the development of the entire socialist economy as a whole is ensured. Everything this accelerates technical progress and contributes to the rapid rise of the productive forces of socialist society.

... Insofar as commodity production and commodity circulation exist under socialism, the drive of value continues to act.

The economic system of socialism puts the operation of the law of value within strictly limited limits. The role of the law of value is limited by the absence of private ownership of the means of production, the socialisation of the means of production in town and country, the narrowing of the sphere of commodity production and commodity circulation, the operation of the economic laws of socialism, and above all the law of the planned development of the national economy. The scope of the law of value under socialism is also limited to annual and five-year plans and, in general, to the entire economic activity of the socialist state. Because of this, the law of value under socialism cannot play the role of a regulator of production.

If the law of cost were to play the role of a regulator of production under socialism, then in a socialist society, in the first place the most profitable branches and enterprises would flutter in turn, and enterprises of heavy industry, which are very important from the point of view of the interests of the national economy, which may be temporarily unprofitable, would be closed. Meanwhile, in the USSR, unprofitable or low-profit enterprises



needed for the national economy are by no means closed down, but are preserved and supported, and measures are being taken to make them profitable. The socialist state can cover the temporary unprofitability of some branches or enterprises at the expense of income received by other branches and enterprises.

The socialist state builds enterprises and creates new branches of production guided not by the pursuit of profit, but by the requirements of the basic economic law of socialism and the law of the planned development of the national economy.

The scope of the law of value under socialism extends primarily to commodity circulation, to the exchange of commodities—mainly articles of personal consumption. In this area, the law of value retains its role as a regulator within certain, limited limits.

The regulating effect of the law of value in the field of commodity circulation is manifested in the fact that the state, in establishing a certain price ratio between various personal consumption goods, takes into account their value in monetary terms, as well as the demand for these goods and their supply. Ignoring the state of supply and demand would lead to the fact that for goods with excessively high prices, there would be a sharp decline in demand, and for goods with excessively low prices, demand would be artificially diversified. The regulating role of the law of value affects the collective-farm market to the greatest extent, where prices are formed on the basis of supply and demand, and the movement of prices affects the size and structure of the turnover of the collective-farm market. But the socialist state renders an enormous economic contribution to the collective-farm market, inasmuch as the bulk of goods are sold in the system of state and cooperative trade at fixed planned prices.

The effect of the law of monetisation is not limited to the sphere of commodity circulation. The law of value affects socialist production, and this influence is not regulating.

“The fact is that the consumer products necessary to cover the expenditure of labour power in the production process are produced in our country and sold as commodities subject to the

operation of the law of value. It is precisely here that the influence of the law of cost on production is revealed. In connection with this, such questions as the question of economic accounting and profitability, the question of cost, the question of prices, etc., are of current importance at our enterprises. Therefore, our enterprises cannot and must not do without taking into account the law of value"<sup>1</sup>.

Consumer goods, which are commodities, have a value. The value of industrial consumer goods includes the value of raw materials produced by the collective farms as a commodity. Part of the newly created value of consumer goods is used to reimburse the costs of money wages, and the other part forms the income of the enterprise, acting as in the form of money. Along with this, in the process of production of industrial consumer goods, the means of labour wear out: machine tools, machines, factory buildings that are not goods. Inasmuch as all other elements included in the value of industrial consumer goods have a monetary form, the instruments of labour must also be calculated in money.

The impact of the law of value on the production of means of production is carried out through consumer goods, which are necessary to compensate for the cost of labour. Consumer products, being commodities, can be bought by workers only with money, at the expense of money wages. From here the need arises in the production of means of production to use the monetary form to account for all other elements, forming, along with wages, the cost of industrial production.

If consumer products, which are commodities, have a value, then the means of production, which are not tabors, have only the outer shell of a commodity and value used for the purposes of calculation, accounting and control.

Together with the adoption of the law on production, socialist enterprises cannot do without taking into account the law of value.

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<sup>1</sup> J. V. Stalin, *Economic Problems of Socialism in the USSR*, p. 20.

In the socialist economy, the operation of the law of cost of downtime is ugly and unsustainable by the state in the practice of planning the national economy, in contrast to capitalism, where the law of value operates as an elemental force dominating people. Knowledge of the operation of the law of value and the ability to use it help business executives to rationally manage production, systematically improve working methods, carry out economic accounting, and find and use hidden reserves to increase output.

The socialist state takes the law of value into account when planning prices. Price in the socialist economy is the monetary expression of the value of a commodity, which is fixed in a planned manner. When planning prices for means of production, derivatives in the public sector, only the external form of value is used to take into account in money the social labour expended on their production. In setting prices, the state proceeds from the social costs of production, which are in the waste of those producing. commodities represent the value of those commodities. Accounting for the operation of the law of value is important for establishing the correct ratio of prices for various commodities. It is impossible, for example, to establish the same procurement price for a ton of cotton and a ton of grain, without taking into account the fact that the cost of cotton is much higher than the cost of grain, as evidenced by world prices for cotton and grain. Such an artificially low price of cotton would ruin the cotton growers and disrupt cotton production.

However, the law of value is not a regulator of state prices, but only one of the factors influencing these prices. There is no 'free play' of prices in state and cooperative commodity turnover.

The socialist state plans the prices of commodities with various deviations from the social costs of production, from their value. At the same time, it proceeds primarily from the requirements of the basic economic law of socialism, the need to ensure continuous growth of production based on higher technology and meet the growing needs of the entire society. The State uses the price mechanism to establish such proportions in the distribution of funds

between industries that are determined by the needs of the planned development of the national economy.

So, for example, the state, with the help of an appropriate price policy, uses part of the income created in some industries for the rapid growth of other industries that are less profitable, but are of great national economic importance. By setting low prices for the means of production, the state encourages the introduction of advanced technology in state-owned industrial enterprises, and also equips MTS with high-tech equipment for collective farm production. The State consistently pursues a policy of lowering prices for consumer goods in the interests of improving the welfare of the people. The state sets prices based on the need to ensure a certain profitability (profitability) of enterprises, takes into account the quantity of certain goods, their importance in the economy. With the help of prices, it stimulates the production of certain products, regulates the demand for them.

By virtue of all these limitations of the law of value, its operation under socialism is not accompanied by those destructive consequences in the form of crises, unemployment, and the destruction of productive forces, which are the inevitable accompaniments of this law under capitalist conditions. This is precisely why, despite the continuous and rapid growth of socialist production, the law of value in the U.S.S.R. does not lead to crises of overproduction, whereas under capitalism the law of value, despite the low growth rates of production in capitalist countries, leads to periodic crises of overproduction.

### **Money and its functions in the socialist economy.**

The various concrete forms of operation of the law of value and its use by the socialist State in the process of planned management of the national economy are carried out through money.

Money belongs to those economic categories that exist under socialism, which, while retaining the old form, radically change their nature in relation to the needs of the development of the socialist economy. Unlike capitalism, where money is transformed into

capital and is a means of collecting other people's unpaid labour, in a socialist economy money serves as an instrument of economic construction in the interests of the masses, an economic tool for planning the national economy, and a means of accounting and controlling the production and circulation of goods.

In a socialist economy, the content and purpose of the functions of money change radically in comparison with the functions of money under capitalism.

Money in a socialist society primarily serves as a measure of the value of commodities, that is, it serves as a measure of the social labour embodied in them. The means of production, not being commodities, retain the outer shell of the commodity and value, and therefore money, in its function as a measure of value, also serves as a means of accounting for social labour spent on the means of production. As is well known, the function of a measure of value can only be performed by a monetary commodity that itself has a value, Such a monetary commodity is gold. In the Soviet Union, as in other countries of the socialist camp, money has a gold content and is therefore a measure of value.

... The Soviet state during the monetary reform of 1922-1924. established the gold content of the ruble. Subsequently, the gold content of the ruble was fixed indirectly through the establishment of the exchange rate of the Soviet ruble, first in the franc, later in the dollar. the content of the ruble is 0.222168 grams of gold. Correspondingly with the gold content of the ruble, the ruble was raised in relation to foreign currencies.

If under capitalism the function of the measure of value, i.e., accounting for social labour, is carried out behind the backs of commodity producers by means of spontaneous fluctuating market prices, then in the socialist economy, money in its function as a measure of value is systematically used by the state as means of accounting, calculation, for determining the profitability and unprofitability of enterprises, etc. As a measure of value, money is used by the socialist state in planning prices.

Under socialism, in the presence of two main forms of socialist production, the results of the economic activity of an enterprise, a comparison of the results of the work of enterprises and industries producing various products, the volume of output of the sectors of the national economy and the entire brewing industry in ashes can only be expressed. In cash, Soviet the state uses monetary accounting as a means of planned management and control over the course of production. For example, comparison of the planned and actual cost of production makes it possible to find out the reasons for the excess of the actual cost over the planned one, to outline the measures necessary to reduce the cost and increase the profitability of the enterprise.

Money in the socialist economy is also the standard for prices. In the Soviet Union, the standard for prices is the ruble.

Money under socialism performs the function of a means of circulation of goods. Money functions as a medium of circulation when the population buys goods for personal consumption and when the collective farms and collective farmers sell their products. Money in its function as a means of circulation is used to expand commodity circulation.

Money in the socialist economy performs the function of a means of payment. How money works as a means of payment when paying wages to workers and employees, when socialist enterprises pay off their debts banks and other enterprises, when paying taxes, etc. The socialist state uses the function of money as a means of payment for control over activities of socialist enterprises. So, for example, funds are released by the bank to enterprises, depending on the fulfilment of the production plan by them. By requiring the timely repayment of loans, the bank stimulates the implementation of the plan by the enterprise, since without this it will not be able to accumulate the funds necessary to repay the loan, etc.

Money under socialism performs the function of a store of value and socialist accumulation. As a result of the increase the well-being of the working people grows in their shareholding. These savings are kept in savings banks. State enterprises and collective

farms keep money in banks. Cash income and temporarily free funds of enterprises and organisations are used in the socialist economy for the needs of socialist accumulation, for the expansion of production, the formation of reserves, and the maintenance of material resources and cultural needs of the population.

In a socialist society, gold acts as a treasure and world money, the gold reserve is mainly the state reserve fund of world money, gold is the state's means of international settlements in the field of foreign trade.

The Soviet currency is the hardest currency in the world. The stability of Soviet money is ensured not only by the gold reserves, but above all by the huge amount of goods concentrated in the hands of the state and put into circulation at fixed planned prices. In no other capitalist country does money have such a reliable backing as in the Soviet country.

## BRIEF CONCLUSIONS

1. The necessity of commodity production under socialism is conditioned by the existence of two main forms of socialist production: state (national) and collective farm organisations. Commodity production and circulation are mainly limited to personal consumption items. The means of production are not commodities; Commodity

production in a socialist society is commodity production of a special kind, without private ownership of the means of production, without capitalists. It serves socialist production.

2. A commodity in a socialist economy has a use value created by concrete labour and a value created by abstract labour. Socialist society knows no contradiction between private and public labour. Socialist labour has a direct social character. In the socialist economic system, the creation of use values and the improvement of product quality are of the utmost importance. At the same time, there is a systematic reduction in the cost of goods based on a systematic reduction in the societal time spent on their production.

3. The scope of the law of value under socialism is limited. The law of Value is not a regulator ..., but it affects production through consumer goods, which are necessary to cover labour costs in the production process. The law of value is used in the process of planning management of the national economy. The actions of the law of value are taken into account when planning prices.

4. Money in a socialist economy serves as an economic instrument that is used in the planning of the national economy and is used as a tool for accounting and controlling the production and circulation of goods. They perform the following functions: measures of value, means of circulation, means of payment, means of saving, and socialist accumulation. Soviet money is provided not



only with gold reserves, but above all with an enormous amount of goods concentrated in the hands of the state and sold at state planned prices.

## CHAPTER XXXII. WAGES UNDER SOCIALISM

### **Wages and the economic law of labour distribution.**

In a socialist society, employees of state-owned enterprises receive wages for their work. Under socialism, wages are fundamentally different in their essence from wages under capitalism. Since the system of wage labour has been abolished in socialist society, and labour power has ceased to be a commodity, wages are not the price of labour power. It does not express the relation between the exploiter and the exploited, but the relation between society as a whole, represented by the socialist state, and the individual worker who works for himself, for his society.

Under capitalism, wages, which are determined by the value of labour power, do not always allow workers to meet their needs even within the extreme minimum. Under socialism, with the abolition of the wage system, the law of the value of labour, the wage regulator, completely lost its force. The basic economic law of socialism makes it necessary to ensure maximum satisfaction of the constantly growing material and cultural needs of the entire society. The emancipation of wages from capitalist restrictions makes it possible "to extend it to the amount of consumption that, on the one hand, is allowed by the available productive power of society... which, on the other hand, requires the full development of the individual"<sup>1</sup>. With the growth and improvement of socialist production on the basis of higher technology, real wages are steadily increasing, and the requirements of the basic economic law of socialism in the area of ensuring the growth of the welfare of workers are implemented through the law of distributed labour. According to this law, the share of each employee in the social

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<sup>1</sup> K. Marx, Capital, vol. III, 1951, pp. 889-890.

product is determined by the quantity and quality of this employee's work.

Wages serve as one of the most important economic instruments by which, in a socialist society, the absolute material interest of each worker in the results of his work is achieved: those who work harder and better receive more.

Thus, wages are a powerful factor in the growth of labour productivity, they make it possible to correctly combine the personal material interests of the employee with state (national) interests.

The existence of commodity production and the law of value under socialism necessitates the monetary form of wages. Consumer goods necessary to cover the costs of labour in the production process are produced and sold under socialism as commodities subject to the law of value. The monetary form of wages allows the most flexible and differentiated determination of the employee's share in the social product, depending on the results of his work.

Thus, under socialism, wages are the employee's monetary share of that part of the social product that is distributed by the state in accordance with the quantity and quality of labour and goes to meet the constantly growing material and cultural needs of the employee and his family.

Relying on the growth of production, the socialist state establishes a general wage fund and its level for various categories of workers in a planned manner. the wage fund is the total amount of money systematically established by the state for the payment of labour for a given period of time (five years, a year, a month, etc.) for the national economy as a whole, individual industries and enterprises.

The monetary salary received by each worker or employee is their individual salary. The source of individual wages of workers in a socialist society is a self-created product that is distributed according to their labour. The standard of living of workers and employees under socialism is determined not only by individual

monetary wages. It is supplemented by large sums released by the state and public organisations for the social and cultural needs of workers at the expense of the product created by labour for society. This is an important factor in the growth of national consumption. The standard of living of workers and employees under socialism is determined not only by individual monetary wages, It is supplemented by large sums released by the state and public organisations for the socio-cultural needs of workers at the expense of the product created by labour for society. This is an important factor in the growth of national consumption.

In accordance with the requirements of the basic economic law of socialism and the law of distribution according to work, the socialist state in each given period, in a planned manner, sets the level of wages for various categories of workers. The policy of the state in the field of wages, in accordance with the law of distribution according to work, is based on the principles of all-round differentiation of wages. The equalisation of wages, which ignores the differences between skilled and unskilled labour, heavy and light, is deeply hostile to the socialist economic system. Skilled labour, as labour of a higher quality, requires training and gives a greater production effect than unskilled labour. Because of this, he is paid more than unskilled labour. Such a system of wages stimulates the improvement of the qualifications of workers. Within the limits of equal qualifications, heavier labour is paid more than less difficult labour, while under the capitalist system, workers employed in especially heavy physical trawling are, as a rule, paid much lower than other workers. Thus, miners who receive very low wages in capitalist countries are highly paid in socialist society. Moreover, in a socialist society, heavy physical labour is increasingly facilitated by the use of machines.

In accordance with the economic need for greater promotion of labour in the leading sectors of the national economy, higher wages are set for workers in such heavy industry sectors as metallurgy, coal, oil, mechanical engineering, etc. All other things being equal, workers and engineering and technical workers of enterprises and

construction projects in economic regions that are of particular importance are also paid more highly. importance in the economic life of the country, as well as remote and sparsely populated areas. Due to this, wages are one of the economic instruments for the planned distribution and redistribution of skilled labour among enterprises and branches of public production in accordance with the requirements of the law of planned development of the national economy.

The policy of the socialist state in the field of wages is carried out in the struggle against petty-bourgeois equalisation of wages, with backward, anti-state tendencies, which are expressed in the desire to correct the narrow, low standards of production, to overspend the established wage funds, etc.

Trade unions play a major role in implementing wage policies. Trade unions actively participate in the work of state bodies to prepare measures in the field of organisation and remuneration of labour, directly implement social insurance, promote the development of socialist competition, increase labour productivity, improve cultural and consumer services and working conditions for workers and employees. Collective agreements concluded annually between the enterprise administration and the factory committees of trade unions oblige both parties to take the necessary measures to ensure the correct system of remuneration for employees, appropriate conditions for high-performance work and to meet the cultural and household needs of workers.

**Forms of salary. Tariff system.** The various forms of wages under socialism are concrete ways of implementing the requirements of the economic law of labour distribution.

The main form of payment for labour in state-owned socialist enterprises is the piecework form of wages. In 1952, 77.5% of all industrial workers in the USSR were on piecework payments.

The piecework form of wages under socialism creates the greatest interest of the employee in the results of his work. It is fundamentally different from capitalist trade, which is based on a

monstrous intensification of labour and leads to an increase in the rate of surplus value, and with an increase in the intensity of labour, the worker's wages decrease.

In a socialist society, the amount of earnings of each worker is directly dependent on the quantity and quality of his labour, so that piecework payment stimulates an increase in labour productivity and ensures on this basis a steady increase in wages. Piecework pay, which increases earnings as output increases per unit of time, encourages the full and rational use of machinery, equipment, raw materials, working time, and the best organisation of labour and production. Piecework payment contributes to the development of socialist competition, since high labour productivity leads to high earnings.

The most common is the direct piecework wage system. Under this system, each item is paid for at the same rate, regardless of the degree of completion or overfulfilment of the established order. The amount of a worker's salary increases in direct proportion to the increased number of products produced by him.

Under the piecework-progressive system of wages, the worker is charged for fulfilling the norm at one constant rate, and that of the corresponding norm—at other rates raised in the progressive Tax. So, in some enterprises of heavy engineering of the USSR, if the worker exceeds the established norm from 1 to 10%, the price for overfilling the output is increased by 30%. if the norm is exceeded from 11 to 25%, it increases by 50%, and so on. The most increasing progression in prices is set for leading professions, for workers engaged in underground work, in hot shops, and for workers of other types of heavy labour.

Under the piecework-premium system of wages, the last payment is filled with bonuses for certain indicators for saving fuel, electricity, reducing the cost of production, reducing scrap, for increasing the grade of endowing, etc. In some enterprises, bonuses for certain qualitative indicators of applicability are also valid. a progressive wage system.

In cases where, according to the production conditions, it is impossible to have the name of individual piecework payment (for example, simultaneous maintenance of a large machine or a large unit by several workers), brigade or group piecework payment is applied, Individual members of the team receive their share of collective earnings, taking into account the time worked by each worker and the qualifications of the employee.

The time-based form of salary is used for those jobs where piecework cannot be applied or the use of piecework is economically impractical due to the nature of work (the work of a timekeeper, security personnel of the enterprise, the manufacture of unique devices, control and brokerage work, etc.).

Time-based wages are calculated differentially, depending on the duration of work and the employee's qualifications. To increase the material interest of employees who are on time-based pay in the results of their work, a time-based bonus salary system is used. Under this system, in addition to the rate per unit of time worked, a worker is paid a premium for certain quantitative or qualitative indicators; for reducing the repair time of equipment, saving raw materials, fuel, electricity, energy, trouble-free operation of mechanisms; reducing the scrap rate, etc.

The time-based bonus system of wages is widely used in relation to senior economic and Engineering workers. The basis of the salary of this category of employees (directors of production, chief engineers, heads of milestones, foremen, etc.) is their monthly salaries which are differentiated depending on the size of the enterprise (shop, shift, etc.), its national economic significance, the length of service and education of the employee, etc., In addition to the basic salary, managers and engineering and technical employees will receive a certain percentage of the premium allowance for the fulfilment and overfulfilment of the monthly production plan for commodity products by the enterprise, provided that the established plan for the production of gross products, compliance with the specified product range and implementation of the plan at the cost of production.

The salary of teachers, medical workers, employees of state institutions is also differentiated depending on the nature of work, education, length of service and a number of other indicators.

Comprehensive differentiation of wages in accordance with the requirements of the economic law of distribution according to work, taking into account the qualifications of the employee, labour productivity and the quality of the products produced by the pits is carried out with the help of regulation of labour in a certain tariff system.

The rationing of labour is the establishment of time for the performance of a certain work (norm of time) or the amount of output in pieces per unit of time (Norm of output). Proper rationing of labour is one of the most important conditions for managing the production process, improving the organisation of labour and raising its productivity, overcoming the equalisation of wages and developing socialist competition, innovations. "Without technical norms, a planned economy is impossible. Technical norms are needed, moreover, in order to draw the lagging behind the masses to the advanced ones. Technical standards are a great regulating force that organises in production the broad masses of workers around the advanced elements of the working class."<sup>1</sup>

Socialist methods of management require a focus on progressive, technically sound production standards, which are established taking into account the specific conditions and capabilities of the enterprise (industry) at the average level between those standards that have already been achieved in production by the majority of workers and those achieved by the best innovators. In contrast to the capitalist standards of output, which are a means of unrestrained intensification of labour, destroying the health of workers and shortening their lives, the standards of output in socialist enterprises are set in such a way that they are progressive

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<sup>1</sup> J. V. Stalin, Speech at the First All-Union Conference of the Stakhanovites, Questions of Leninism, ed. 11, 1952, pp. 540-541.



and at the same time quite feasible for the entire mass of workers. Due to the rapid growth of labour productivity based on improved technology and improved labour organisation, the output standards in socialist industry are periodically revised upward, while the wages of workers increase from year to year.

The assessment of each type of work, based on the qualifications of the employee, the nature of the work, the conditions and characteristics of the given branch of production, is established on the basis of the tariff system. Through the tariff system, the level of wages in various sectors of the national economy and for various categories of workers is determined.

The most important elements of the tariff system are tariff scales, Tariff-qualification reference books and tariff rate.

Wage differentials depending on the qualification of employees are set on the basis of the tariff grid. According to their qualifications, workers are divided into several categories. A worker who is not qualified belongs to the first category, but his payment is accepted for gross. The higher the qualification of the worker, the higher the category he belongs to, and the higher his salary, respectively.

Production characteristics of various works performed in this industry are described in tariff and qualification reference books, which serve as the basis for determining the qualification of a worker and assigning him to one or another category in the tariff grid.

The tariff rate determines the amount of an employee's salary per unit of time in relation to various categories. Tariff rates allow the socialist state to set differentiated remuneration for labour, taking into account the national economic significance of each branch, the degree of labour mechanisation achieved, the characteristics of certain economic regions, and so on. Thus, in the coal and mining industries, higher rates are set for workers engaged in underground work than for workers working on the surface. All other things being equal, hot shop workers receive higher rates.

The tariff system allows you to organise wages in such a way that it strengthens the crucial links of production and moves people to the highest qualifications.

Steady growth of real wages under socialism. In accordance with the requirements of the basic economic law of socialism, real wages are steadily increasing.

The most important economic basis for the growth of real wages is the continuous rise of socialist production based on higher technology, and the increase in labour productivity.

In order for a socialist society to live and develop, the growth of labour productivity must outstrip the increase in wages. If continuously growing production is a stable basis for further increases in real wages, then an increase in real wages leads to an increase in the purchasing power of workers, which in turn serves as a permanent engine of social production.

The continuous rise of socialist production leads to a systematic increase in the number of workers and employees. The number of workers and employees in the USSR increased from 10.8 million at the end of 1928 to 41.7 million at the end of 1952, or 3.8 times, with a significant increase in real wages. Under capitalism, the need to maintain a reserve army of unemployed people places a heavy burden on working families and reduces the real wages of the entire working class. The absence of unemployment in a socialist society frees the working class and society as a whole from the need to maintain a reserve army of unemployed people. Growing production provides an opportunity for all able-bodied family members to work, which significantly increases its total income.

The working people of a socialist society are free from the enormous wage losses incurred by the working class of capitalist countries due to various restrictions on payment based on the recognition of sweat, age, nationality, and race.

In a socialist society, the principle of equal pay for equal work was implemented for the first time—without distinction between gender, age, nationality, or race. Under socialism, child labour is prohibited. Real equality between women and men is ensured by

equal pay, social insurance, provision of maternity leave with maintenance, a wide network of maternity hospitals, nurseries and kindergartens, and payment of State benefits to large and single mothers. Any direct or indirect restriction of the right to pay for work, based on race or nationality, is punishable as a serious crime.

The steady increase in wages in a socialist society is further conditioned by an increase in the cultural and technical level of the workers and an increase in their qualifications. Under the capitalist system, with the development of industrial technology, a significant number of skilled workers are replaced by machines and pass to poorly paid unskilled labour. At the same time, crippled by the capitalist intensification of labour, workers are being pushed out of production and into the ranks of the unemployed and replaced by healthier and stronger workers.

In a socialist society, the growth of production is based on rapid technological progress. The old professions of heavy manual labour are being replaced by new professions of skilled and higher-paid labour based on the latest technology. By encouraging long-term and perfect work in the same field of labour, the socio-genetic state pays large amounts of money annually as a reward for long service to employees of the metallurgical, coal, chemical industries and other branches of the national economy, as well as to a number of categories of cultural workers and the state apparatus.

A major factor in the steady growth of real wages is the policy consistently pursued by the socialist sovereign to reduce prices for consumer goods. The strengthening of the exchange rate of money and the lowering of prices for personal consumption goods in a socialist society are a constant factor in improving the welfare of the working people. From 1947 to 1953, the USSR saw a six-fold reduction in retail prices for mass-consumption goods, which led to a 2.2-fold decrease in the overall level of these prices and gave the population a gain of several hundred billion rubles.

With the nationalisation of land, the enormous tribute that the owners of urban land under capitalism levy on society in the form of land rents has disappeared. In the budget of the working family in

capitalist countries, rent consumes about a third of earnings, which is distributed to landowners, homeowners, and monopolistic companies that own the main branches of urban economy. In a socialist society, due to public ownership of land, urban housing stock, public utilities, rent, and other public services, the budget of the working family is very small. In the USSR, they average only 4%, which is an essential condition for raising the level of real wages.

In the Soviet Union, a huge scale of housing construction was provided. It also supports the steady improvement of workers' housing conditions.

In 1945-1952 alone, State villages, institutions and local councils, as well as the population of cities and working-class settlements, built and restored residential buildings with a total area of 157 million square meters using state loans. In addition, about 3.5 million residential buildings have been restored and built in rural areas.

The workers and employees of socialist society are free from the heavy burden that the working masses of capitalist countries are forced to bear in connection with the tax policy of bourgeois states. In capitalist countries, high taxes on the population sharply reduce the minimum wages of workers. In the USSR, taxes on population make up a small part of all budget revenues and go to the needs of the national economy and social and cultural events.

The socialist state, concentrating in its hands all the levers that determine the material well-being of workers, pursues a policy of systematic increase in real wages. Already in 1930, the dual wages of workers, including social insurance and deductions from the Net income of enterprises (profits) to the fund for improving workers' living conditions, increased in relation to the level of 1913 to 167%. In 1951, the real wages of workers in the USSR were more than ten times higher than before the revolution.

A steady increase in real wages leads to an improvement in the nutrition of the working people of socialist society, to an increase in the consumption of industrial goods by them, and to an increase in national savings. Workers' deposits in savings banks increased from

7.3 billion rubles in 1941 to 26.4 billion rubles by the end of 1952. In a conditional socialist society, which guarantees the right to work, to rest, to material security in old age, as well as in the event of illness and disability, the growth of savings is a direct indicator of the growth of the population's well-being.

A very important addition to individual monetary wages is the ever-increasing funds spent by the socialist state on national social and cultural activities.

From 1940 to 1951, expenditures from the state budget of the USSR on co-integral and cultural measures increased almost 3 times. State allocations for public education have increased from 22.5 billion rubles to 57.3 billion rubles, for public health, including social insurance expenditures, from 11.2 billion rubles to 26.4 billion rubles, and for social security—from 3.1 billion rubles to 22.3 billion rubles; in addition, huge funds are spent on the payment of benefits to large families and families. to single mothers; for example, in 1951, the state paid such benefits in the amount of 4.1 billion rubles.

In a socialist society, social insurance for workers and employees is mandatory and is carried out at the expense of the state, while in the capitalist world, social insurance exists only in a few countries, and workers are forced to pay a significant part of insurance premiums out of their wages. In the first five-year plan, the Soviet state spent 8.9 billion rubles on social insurance, in the second five—year plan-32.1 billion rubles, and in the fourth five—year plan-79.1 billion rubles.

Workers and employees of the USSR are paid social security pensions at the expense of the state, free medical care is provided, free or preferential prices are provided for trips to sanatoriums, rest breaks for children's institutions, allowances for large and single mothers, free training and advanced training, scholarships for students, all workers and employees receive holidays paid at the expense of the state for at least less than two weeks, and employees of a number of professions - for long periods of time. In 1952 alone, the population of the USSR received these payments

and benefits at the expense of the state in the amount of about 129 billion rubles.

Thus, many material and cultural needs of workers and employees are met at the expense of expenditures of the state and public organisations for social and cultural needs, which is an important factor in the steady growth of real wages. Thanks to this, the real incomes of the workers and employees of the U.S.S.R. increase by about one-third over and above what they receive in the form of annual individual monetary wages.

## BRIEF CONCLUSIONS

1. In a socialist society, wages are the employee's monetary share of that part of the social product that is distributed by the State in accordance with the quantity and quality of labour and is used to meet the ever-growing material and cultural needs of the employee and his family. Proceeding from the requirements of the basic economic law of socialism and the law of distribution by labour, the socialist state systematically sets wages for various categories of workers during each dacha period, so that along with the growth of the national economy and the increase in labour productivity, the level of wages will systematically increase.

2. Wages are a powerful engine of production; they encourage workers to improve their skills, continuously improve their equipment, improve the organisation of production, and increase the productivity of social labour.

Piecework payment under socialism most fully combines the personal material interests of the employee with national economic interests. In a socialist society, the following systems of piecework remuneration are used: direct piecework, piecework-progressive, piecework-purposeful. Time-based wages depend on the duration of work and the qualifications of the employee. The work of employees who receive time-based pay is encouraged by various types of bonuses.

3. The tariff system in a socialist economy is intended to organise wages in such a way that it strengthens the crucial links of production and encourages advanced training. Progressive, technically sound standards correspond to the socialist principles of economic management. The policy of the socialist state in the field of remuneration of labour is carried out in the struggle against petty-bourgeois egalitarianism on the basis of a comprehensive differentiation of wages; higher wages for skilled, as well as for hard

labour, the labour of workers in leading professions and branches of the national economy.

4. The basic economic law of socialism determines a steady increase in real wages. The most important factors for raising real wages are: the continuous growth of socialist production in the absence of unemployment; the systematic decline in prices for consumer goods and services. stability of Soviet money; growth of the cultural and technical level of workers and their qualifications; improvement of housing conditions of workers. Individual monetary wages of workers and employees are supplemented by large allocations of the state and public organisations for social and cultural events, which is an important source of steady improvement in the standard of living of workers.



## CHAPTER XXXIII. ECONOMIC CALCULATION AND PROFITABILITY. COST AND PRICE

**The economy regime and its role in the development of the socialist national economy.** The economic system of socialism is free from the contradictions of capitalism, which give rise to enormous waste of material and labour resources. The socialist planned system of the national economy opens up possibilities for the greatest economy of the means of production and labour in comparison with all the methods of production that preceded it.

All kinds of manifold economy in society ultimately come down to the saving of labour time, to the economy of living and past labour, that is, they signify an increase in the productivity of society. "The less time a society needs for the production of wheat, livestock, etc., the more time it plays for other production, material or spiritual. Both for the individual and for society, the comprehensiveness of his development, his consumption and his activity depends on the saving of time"<sup>1</sup>.

The economy of working time is one of the factors ensuring the continuous growth of production in a socialist society. The saving of working time is achieved primarily through consistent compliance with the economy regime. The economising regime is the method of socialist economic management, aimed at achieving the best production results with the least expenditure of labour and means of production. The regime of economy requires a careful attitude to public property, a systematic reduction in the cost of living and materialised labour for the production of products, the improvement of technology, and the rational use of labour, material and monetary resources. Observance of the austerity regime is a

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<sup>1</sup> J. V. Stalin, Economic Problems of Soviet Union, p. 56.

necessary condition for the growth of socialist accumulation and the correct use of accumulated funds. By helping to save social labour, the austerity regime serves as a powerful lever for boosting socialist production.

In accordance with the basic economic law of socialism, the austerity regime is aimed at raising the material well-being and cultural level of the masses in every possible way. In contrast to the capitalist system, where the economy of production costs is achieved at the expense of the working people, by worsening their working conditions and intensifying exploitation, under the socialist system the regime of economy serves the interests of the whole society, leads to an improvement in the condition of the working people, and is therefore a matter of the whole people. The implementation of the strictest regime of economisation in all stages of the national economy and in all branches of government constitutes a wave of the task of the economic and organisational activity of the socialist state.

The Communist Party and the Soviet State, deriving from the objective necessity of saving labour, mobilise the masses for the struggle for economy and ensure that every hour the expenditure of social labour, every unit of equipment, fuel, energy, raw materials, would give an ever greater arbitrary result. All this ensures the steady growth of the economy of social labour under socialism.

**Economic calculation and profitability of the enterprise.** In state socialist enterprises, the regime of economy is ensured through economic accounting. Economic accounting is a method of planned management of the economy in state socialist enterprises, based on comparing the costs and results of production in monetary terms, reimbursement of expenses incurred by the enterprise with its own income and ensuring the profitability of production. its economic activities are reimbursed from the funds received from the sale of its products by the enterprise at prices established by the state.

Economic accounting is a means of implementing the requirements of the law for the planned development of the national economy. It is aimed at the fulfilment and overfulfilment of state plans.

Economic accounting is based on the use of the law of value. As mentioned above, under socialism the costs of production, the revenues and expenditures of state enterprises are measured and expressed in monetary form. Under these conditions, economic accounting ensures the fashionability of calculation, accounting and control over the activities of enterprises. It reveals the profitability or unprofitability of each individual enterprise. Economic accounting educates economic managers in the spirit of rational management of the economy, disciplines them, teaches them to accurately calculate production quantities, increase the permissibility of labour, reduce the cost of production and increase the profitability of production.

One of the requirements of economic accounting is to ensure the profitability of the enterprise. Profitability (profitability) of the enterprise means. That the funds received by the enterprise from the sale of its products compensate for the cost and provide, in addition, income, Profitability characterises the economic efficiency of the enterprise for a certain period of time. "The profitability of individual enterprises and branches of production is of great importance from the point of view of the development of our production. It must be taken into account both in planning construction and in planning production. This is the ABC of our economic activity at the present stage of development"1.

In addition to the profitability of individual enterprises and branches of industrial production in the socialist economy, higher profitability, inaccessible to capitalism, on the scale of the entire national economy, is ensured. This means that profitability is taken not from the point of view of individual enterprises or branches of production and not from the point of view of one year, but from the point of view of the entire national economy and from the point of

view of a long period of time. Such profitability of production gives socialist society a colossal economy of resources.

Under these conditions, the profitability of individual industries and enterprises is of subordinate importance in relation to national economic profitability. As already mentioned, in a socialist economy, along with profitable enterprises, there may also be temporarily unprofitable enterprises, but all of them operate on the basis of economic calculation, take measures to manage the economy more economically, to increase the profitability of production. the entire national economy.

Economic accounting expresses the relationships between the socialist state and its enterprises, as well as the relationships between individual enterprises.

Economic accounting presupposes a certain economic and operational independence of the enterprise. It is expressed in the fact that the enterprise receives at its disposal state means of production and has the opportunity to show the necessary initiative in their most rational use for the best fulfilment of planned targets.

To this end, the state distributes the means of production among its enterprises and assigns to each of them the material and financial resources necessary to fulfil the plans. An enterprise, as a legally independent economic unit, enters into economic relations with other enterprises and organisations, recruits its personnel, organises its production, supply and marketing activities. The enterprise has a current account in the State Bank for keeping its funds, receives the right to use a bank loan and has an independent balance sheet.

In socialist society, the economic and operational independence of state enterprises is exercised within the framework of popular ownership of the means of production. Enterprises belong to a single master, the socialist state, which systematically organises communication between individual enterprises, taking into account their role in the general system of the national economy. Relations between socialist enterprises are

not relations of competition, as it is in the case of mega in the hospital, but relations of cooperation in the cause of national tasks.

The calculation assumes the responsibility of the policeman, his boss of the Persian state for the implementation of the plan and the rational use of resources.

In particular, the company is responsible for the timely and full fulfilment of obligations on payments to the state budget, for the correct use of the received budget funds and bank loans. It is financially responsible to other enterprises and economic organisations for the fulfilment of its obligations. The company is responsible for the timely and correct payment of wages to workers and employees.

Thus, economic calculation provides the necessary combination of centralised management of state socialist enterprises with the operational independence and responsibility of each individual enterprise.

The economic calculation is based on the material interest of the enterprise, the entire team of employees and management personnel in the continuous and rapid growth of production, in economical and rational management, in ensuring profitability.

The company is interested in fulfilling and exceeding the plan, as this ensures the growth of its income, strengthens the financial position and increases the earnings of workers and employees. The distribution of labour creates a personal material interest in increasing labour productivity, in saving resources, and leading to a strengthening of economic calculation. In turn, economic calculation contributes to the consistent implementation of the law of distribution by labour. To improve the welfare of workers, The higher the income of the enterprise, the more opportunities it has to encourage its employees by improving their material situation and cultural and living conditions. The more developed the economic calculation, the more widely the issuance of bonuses for saving resources is used.

One of the forms of systematic organisation of economic relations between enterprises is economic agreements. Enterprises,

in accordance with the national plan, receive the necessary means of production and sell their products under contracts. Strict compliance with contractual discipline by enterprises is the most important requirement of economic calculation.

The contract defines: terms of delivery, volume, assortment, product quality, delivery time, price, terms and payment procedure, forms and amount of liability for violation of the terms of the contract, the Contract establishes material sanctions: penalties for violation of delivery terms, a fine for violation of product quality, penalties for non-performance of the contract.

Economic settlement requires constant control of the ruble over the activities of the enterprise and its individual colours. Control of the ruble consists, first, in the following: that through the monetary indicators of the economic activity of the enterprise (cost-effectiveness, profitability, etc.), the quality of its work is revealed, secondly, in the fact that the receipt of funds by the enterprise depends on the quality of work, on the degree of implementation of its plan h, and thirdly, in the fact that enterprises are required to pay money on time for mandatory payments (repayment of loans to the bank, contributions to the budget, etc.), regardless of the fulfilment of general planned tasks. Ruble control of the work of enterprises is carried out by business organisations, financial authorities, and the banking system. Mutual control of the ruble is carried out by enterprises bound by business contracts. Within the enterprise, ruble control is carried out by accounting and comparing in monetary form the costs and results of production and production.

The rational organisation of socialist labour production requires the application of elementary economic calculation in the workshops, in the production areas of the enterprise. A shop or land plot is considered to be a part of an enterprise that has some independence in production and technical terms, but they do not have the economic efficiency inherent in the enterprise! productive independence. Therefore, economic calculation is used here only to a limited extent. Elements of economic calculation in workshops

and production sites are: accounting for costs in monetary terms, comparing these costs with planned tasks, and providing financial incentives to employees who have achieved the best indicators in the field of resource savings.

The cash flow of the enterprise, the sources of its income and the direction of expenses are determined by the financial plan (balance of income and expenses) of the enterprise and are carried out within the framework of this plan.

The introduction and strengthening of economic calculation in enterprises contributes to the growth of production activity and socialist competition among the masses for the full and rational use of resources, for a lean and prudent greener economy. Economic calculation is aimed at steadily improving the use of all funds at the disposal of enterprises.

**Enterprise funds. Fixed and revolving funds.** The funds available to state—owned enterprises—material and monetary—constitute its funds, which are the national property.

Although the means of production of state-owned enterprises in the U.S.S.R., as has been shown, are not commodities and are outside the scope of the law of value, yet they retain the outer shell of commodities in the economic circulation within the country. This makes it possible to use such categories as prime cost, cost, and price of means of production for the purposes of calculating financial calculations and performing self-financing. In effect ... both in kind and in monetary form.

Means of production make up the production funds of enterprises. Production funds of enterprises make a continuous turnover in a planned manner, consistently reach the stage of production and the stage of circulation. Accordingly, they change their form: the money form becomes productive, the productive form becomes commodity, the commodity form becomes money, and so on. Depending on the nature of turnover, the company's production funds are divided into fixed and current assets.

Fixed assets serve production for a long time, while maintaining their natural shape. The cost of fixed assets is included in production costs gradually, in parts, as these funds wear out. Working capital assets are consumed entirely in the production process during one production period, and their cost is fully included in the cost of producing the product.

The main production assets of the enterprise include means of labour: industrial buildings, structures, machinery, tools and durable equipment, vehicles. Fixed assets represent the production apparatus of a socialist society. The volume and degree of use of fixed assets is an important factor determining the size of production.

The socialist system of economy ensures the continuous growth of fixed assets and makes it possible to use them much better in comparison with capitalism.

Fixed assets of the crypto-currency industry are used in the USSR about 2 times more efficiently than in bourgeois countries. At the enterprises of the USSR ferrous metallurgy industry, the efficiency of using blast furnaces already in 1940 was almost 2 times higher than the level of their use in 1913. In 1952, the use of blast furnaces increased by 35% compared to 1940, and in open—hearth furnaces-by 41%.

To compensate for depreciating fixed assets at the enterprise, there is a depreciation fund. It is formed by including in the costs of production of each unit of output a certain part of the value of fixed assets corresponding to their depreciation. Part of the depreciation fund of enterprises in the amount determined by the state is used in a planned manner to compensate for retired fixed assets, while the other part remains at the disposal of the enterprise to spend on the overhaul of existing fixed assets.

The circulating production assets of the enterprise include: raw materials, materials, fuel, semi-finished products and other objects of labour. In addition to funds that are in the sphere of production, enterprises have funds that operate in sphere of circulation, or funds of circulation. The circulation funds consist of funds for the



sale of products and financial enterprises necessary for the purchase of raw materials, fuel, payment of wages, etc. Production circulating funds and production funds in their totality constitute the working capital of an enterprise.

The socialist system of economy has decisive advantages over the capitalist system in the use of more than just the basics. funds, but also the working capital of the enterprise. The planned nature of production and circulation, the rational placement of enterprises in relation to the sources of raw materials and fuel, to the place of sale of products, the planned organisation of transport and supply give huge savings in working capital.

An important factor in increasing the use of fixed and current assets is the establishment by the state of progressive technical and economic standards for the use of machinery and equipment, norms for the consumption of raw materials, fuel and other elements of current assets per unit of finished products (iron ore and coke per ton of pig iron, sugar output per ton of beet, etc.) and working capital and finished products.

The company's working capital is divided into its own and borrowed funds. Formation of own and borrowed working capital is carried out in a planned manner.

Own working capital is allocated to the enterprise in the amount of the minimum of its needs. The additional or temporary need of the enterprise for working capital, related, for example, to the need to form seasonal reserves of raw materials, fuel, and finding goods on the way, is covered by borrowed funds —State Bank loans provided to the enterprise for a certain fee—a percentage. Such a procedure for allocating working capital encourages the most rational use of them by the enterprise, speeding up its turnover.

The rate of turnover of an enterprise's funds depends, firstly, on the time of production, that is, on the duration of the production cycle, and, secondly, on the time during which these funds are in the sphere of collapse (in the form of stocks of ready-to-sell products, etc.).

Reducing the production cycle is achieved by speeding up production processes based on the use of advanced technology, applying the latest scientific achievements, and improving the organisation of work. The circulation time of working capital is crushed by Improve the operation of transport, more rational organisation of supply of enterprises and marketing of their products.

The speed of turnover of funds is one of the main indicators of the quality of economic activity of the enterprise, the acceleration of turnover of funds is an important factor for the enterprise to complete the production plan and increase savings. It ensures the implementation of the plan with a smaller amount of working capital.

... strengthening business accounting and accelerating the turnover of working capital has socialist competition. As a result of the shortening of the production cycle, the improvement of the supply chain for the sale of products and the improvement of financial discipline, the use of working capital of state enterprises has improved significantly. in 1950—by 6% and in 1951—by 86%.

In addition to production assets and circulation funds, enterprises also have fixed assets for consumer purposes—residential buildings, clubs and other public and cultural buildings with their equipment.

The economical and efficient use by socialist enterprises of fixed and circulating funds not only makes it possible to increase the volume of output, but also leads to a reduction in its cost.

**Product cost.** In a socialist society, all the costs of social labour for the manufacture of this or that product are social costs of production. The social cost of producing commodities constitutes the value of those commodities. Cost of production of means of production are also measured in monetary terms. The social costs of production consist of the following three parts: the value of the means of production expended, the value of the product created by

labour for itself, the value of the product created by labour for society.

The first two private social costs of production form the cost of production in state socialist enterprises. The cost of production is the monetary expression of the spent means of production created by past labour and the product created by labour for itself, acting in the form of wages.

The category of production costs of socialist enterprises must not be confused with the category of capitalist production costs, which express capital outlays. If the economy of capitalist production costs is carried out through the predatory use of labour power and increased exploitation, then the reduction in the cost of production under socialism expresses the saving of social labour in the interests of society as a whole.

In a socialist economy, the cost price shows how much it costs to manufacture and sell products to each state enterprise. In practice, in accordance with the requirements of economic accounting, the cost of production is composed of from the costs of raw materials, materials, fuel, electricity used in production, from depreciation charges. from the wages of workers and employees with accruals on it and from various monetary expenses for administrative and managerial needs. The benefits of earning a living are a monetary expression of a private product for society, which is placed at the disposal of the social insurance authorities.

There are two types of cost of industrial products: factory cost and full (so-called commercial) cost. Factory cost includes the costs of the enterprise associated with the production of products. The full cost price consists of the factory cost and expenses associated with the sale of products (maintenance of sales offices, bases, payment for transport, and economic expenses of enterprises and combines).

In 1951, about three-fourths of the cost of industrial production in the USSR was brought in for material costs (costs for raw materials, fuel, electricity, metalisation, etc.) and about one-fourth for wages.

The cost of production is the most important generalising indicator of the quality of the entire work of the enterprise. All arbitrary, supply, marketing activities of the enterprise is reflected in the level of production costs. The lower the cost, subject to the fulfilment of the plan for the production of products and ensuring the proper quality of products, the higher the level of economic activity of the enterprise. The state, in a planned manner, systematically sets targets for reducing the cost of production, based on progressive norms for labour costs and the means of production used.

The cost of production is reduced as a result of the growth of labour productivity, the rational use of fixed and velvet funds, the acceleration of the turnover of funds and the reduction in the cost of maintaining the administrative apparatus. The active participation of the masses in the implementation of the austerity regime is of great importance for reducing costs. Reducing costs means saving living and past labour, it leads to an increase in accumulation and is one of the central tasks of socialist management.

The cost of production of the state industry of the USSR is systematically reduced. Thus, the cost of production decreased in comparison with the previous year: in 1948—by 8.5%, in 1949—by 7, in 1950—by more than 5, in 1951—also by more than 5%. %. In 1952, the cost reduction, taking into account the reduction in prices for raw materials, materials, fuel and tariffs for electrical and thermal energy and freight transportation, amounted to more than 8%. According to the Fifth Five-Year Plan for the Development of the USSR, the cost of industrial production should be reduced by approximately 25%.

**Net income of a state-owned enterprise. Centralised net income of the state.** Created by the labour of workers in global production, the product for society is the total income of society. In the public sector, all clean income acts in monetary form and represents the difference between the social costs of producing

a product, or the value of a commodity and its cost. A clean campaign in the government sector is public property. It takes two main forms: the net income of the state enterprise and the centralised net income of the state.

The net income of a state-owned enterprise is that part of the product created by labour for society that is accumulated by the enterprise in monetary form. The centralised net income of the state is that part of the product created by labour for society, which remains with individual enterprises, and is concentrated in monetary form in the hands of the state for use for national needs.

The necessity of these two forms of net income is due, on the one hand, to the system of economic calculation, and on the other hand, to the need of the socialist economy to centralise a significant part of net income. Thanks to this, the socialist state ensures the interest of workers in increasing the profitability of each enterprise individually and meeting the needs of society as a whole.

In practice, the net income of state-owned enterprises is called "profit". However, in essence, it is not a profit. In a socialist society, the category of profit expressing the relations of capitalist exploitation disappears; the net income of a state enterprise is the difference between the monetary revenue for the products sold by a given enterprise at the prices set for it by the state, on the one hand, and the cost of these products, on the other hand. The amount of net income of the enterprise depends on the degree of fulfilment of production and sales plans, on the implementation of the cost reduction plan. The net income of the enterprise are closely related to each other: a decrease in cost leads to an increase in the net income of the enterprise.

The net income of enterprises is used by the state in a planned manner: part of it remains at the disposal of the enterprise in the form of a director's fund for material incentives for employees of the enterprise and for other needs, the other part is directed to the expansion of production in this enterprise in this branch of production (for capital investments and an increase in its own working capital). Part of the net income of the enterprise, which

remains to cover these needs, is withdrawn to the state budget in the form of so-called deductions from profits.

A different percentage of the amount of net income of the enterprise is deducted to the director's fund for different industries: from 1 to 5% of the planned amount of income, depending on the value of individual industries, the number of workers and the size of net income. To encourage over-fulfilment of the net income savings plan, it is established that from the amount of income received in excess of the plan, the director's fund will receive from 15 to 45%.

These deductions can be made subject to the fulfilment by the enterprise of the state plan for the production of marketable products in accordance with the established organisation, filling the assembly system and a plan to accumulate income. Half of the fund's directors are entitled to the maintenance of children's institutions, to equip rest homes, sanatoriums, canteens, clubs, to purchase vouchers to rest homes and sanatoriums, to cur and clinical bonuses to workers, engineering and technical workers for employees, also to provide them with one-time assistance, the other half—in the expansion of production, for the construction and repair of the housing stock of the enterprise.

The total amount of net income (profit) of enterprises and economic organisations of the USSR in 1932 was 6.6 million rubles, in 1940 - 31.8 million rubles.

The amount of net income of the state benefit directly depends on the work of the enterprise itself, on how much it will reduce the cost of a unit of production and how it will fulfil the plan for the production and marketing of products. The growth of the company's net income allows to increase the amount of deductions to the director's fund, provides an increase in working capital and capital investments. Consequently, the net income of a state-owned enterprise is inextricably linked with economic calculation and serves the immediate stimulus for improving the quality of work is obstructed.

The socialist state plans the level of net income of enterprises, establishes the norm (level) of profitability for individual goods and

enterprises, the norm of profitability of the enterprise is the ratio expressed in percentage terms of the amount of net income of the enterprise to the total cost of products sold.

The rate of profitability of a socialist enterprise is fundamentally announced from the rate of profit under capitalism. In a socialist economy, the law of the average rate of profit and the price of production does not apply. The rate of profitability here is determined by the state not in the order of the equation of net income between enterprises, and based on the specific conditions of the enterprise, taking into account its interest in obtaining a net

Income, on the one hand, and ensuring control by the ruble over the activities of the enterprise, on the other. To this end, the enterprise is established such a rate of profitability that does not allow excessive accumulation of funds from it and constantly encourages it to strengthen economic calculation and reduce the cost of production. Since net income is an integral part of the price, an excessive increase in the rate of return can serve as an obstacle to lower prices. Practically the majority of state-owned enterprises in the USSR have a rate of profitability from 3 to 7%. Thus, in accordance with the principles of economic calculation, every state is interested in obtaining net income, but this circumstance stimulates the development of production and cost reduction.

The main part of the centralised net income of the state is now in the form of the so-called 'turnover tax'. The turnover tax does not go to the disposal of enterprises, but immediately after the sale of products, it goes entirely to the state budget. Value added tax is included in the wholesale price in an amount fixed in advance by the state. In view of this, in contrast to the net income of enterprises, the value of the turnover tax established for a given period, attributable to from a unit of production, does not directly depend on the implementation of the plan by the enterprise at cost.

Although part of the centralised net income of the state is called the 'turnover tax', but in fact it is not a tax or any deduction from the income of workers. Thus, the amount of wages is determined by the socialist state on the basis of the need to

systematically raise its real level, taking into account the prices of consumer goods, including the turnover tax.

In the process of distribution, part of the net income of state enterprises goes into the centralised net income of the state in the form of deductions from profits, payroll for social insurance needs, etc. In addition, a part of the net income of cooperative-collective farm enterprises goes into the centralised net income of the state.

**Price in the state production sector.** The cost price, net income of the enterprise and part of the centralised net income of the state in the form of the so-called oriole from turnover are included in the prices of industrial products.

In the state industry of the USSR, there are two main types of prices: the factory price (the so-called enterprise price) and the wholesale price of industry. The factory price for industrial products is the price at which some state enterprises sell their products to other state enterprises or supply and marketing organisations. The factory price, as a rule, is equal to the planned cost of production plus the net income of the enterprise. Thus, the factory price provides the enterprise with the reimbursement of its planned costs and the receipt of net income.

The wholesale price of industry is the price at which industry sells commodities to state and co-operative trade enterprises. The wholesale price includes the factory price and that part of the state's centralised net income that acts as a turnover tax.

The net income of society is created in all branches of production. However, the turnover tax is received by the state through the target mechanism mainly from the sectors of the economy that produce consumer goods. The supply chains of the industries that produce the means of production, as a rule, do not contain value added tax. This ensures a relatively low level of prices for the means of production used both in industry, agriculture and agriculture, helps to accelerate the pace of mechanisation of production and ultimately leads to an increase in production and a reduction in the cost of consumer goods.



The price of a commodity produced at a state socialist enterprise, as has already been said, is the monetary expression of the value of this commodity and is fixed in a planned manner. From the requirements of the basic economic law of socialism follows the need for a systematic reduction in the cost of industrial production and, on this basis, a reduction in the prices of industrial goods.

The socialist state is pursuing a consistent policy of lowering prices. The decline in wholesale prices for industrial products leads to greater control of the ruble over the work of enterprises. By reducing wholesale prices, the state thereby forces the heads of enterprises to reduce costs in order to ensure the profitability of production, improve the organisation labour, to identify and use the reserves hidden in the economy. Thus, the reduction in wholesale prices strengthens economic accounting, strengthens the economy regime, and creates a material basis for lowering retail prices. The reduction in retail prices for personal consumption goods raises the real wages of workers and employees and the real incomes of collective farmers and improves their financial situation.

## BRIEF CONCLUSIONS

1. Socialism ensures the economy of all production resources, inaccessible to capitalism, which ultimately comes down to a steadily growing economy of labour time, that is, living and past labour. The austerity regime is a method of socialist economic management, consisting in a careful attitude to social property, the rational use of labour, material and monetary resources, and the elimination of mismanagement.

2. Economic accounting is a method of planned management of the economy in state socialist enterprises, based on the comparison of costs and results of production in monetary terms, the reimbursement of incurred expenses with one's own income, and ensuring the profitability of production. It involves economic and operational State independence of the enterprise, responsibility for the economical use of the assets at its disposal and material interest in the best results of work.

3. The production assets of state socialists are divided into fixed and circulating enterprises. The socialist economic system ensures the most rational use of fixed assets and working capital.

4. The cost price is the monetary expression of the spent means of production, created by past labour, of the product created by labour for itself, acting in the form of wages. The price of production is set by the state and is used by it to strengthen economic accounting. Systematic cost reduction and prices is one of the basic principles of socialist economic management, arising from the requirements of the basic economic law of socialism.

5. The product of labour for society is the net income of socialist society. Net income in the state production sector appears in two main forms: in the form of net income of the state enterprise

and in the form of centralised net income of the state. The net income of a state enterprise is a part of the product created by labour for society, accumulated by the enterprise in the form of money. The centralised net income of the state is the monetary expression of that part of the product created by labour for society, which does not remain with individual enterprises, but is concentrated in the hands of the state to be used for public needs. Such a division of the net income of society is due to the need, on the one hand, for the implementation of economic accounting, and on the other, the centralised use of a significant part of the net income of society.

## CHAPTER XXXIV. PUBLIC ECONOMY OF COLLECTIVE FARMS

**State ownership of land and collective farm land use.** The role of MTS in the development of collective farms ' social economy. The main form of collective farms based on the jelly of socialism is the agricultural artel. The main and decisive factor in the agricultural artel is the collective farm's social economy. It is conducted by collective labour of collective farmers, and the most important means of production used on the collective farm are State, national property. The products of the collective farms ' social economy, as well as some means of production, are collective farm property. The social economy of collective farms is the basis for the growth of the welfare of collective farmers.

Collective farms operate on land that is the property of the whole people in the USSR. The land occupied by collective farms is assigned to them for free and indefinite use, that is, forever, This land is actually disposed of by collective farms as their own property, although they cannot sell or lease it.

The transfer of land to collective farms for free and perpetual use is of great importance for the material situation of the Soviet peasantry.

In pre-soviet Russia, the poor and middle-class had about 135 million hectares of agricultural land. As a result of the October Socialist Revolutions and the victory of the collective-farm system, the collective-farm peasantry already in 1937 had over 370 million hectares of agricultural land in its use, that is, almost three times as much. At present, taking into account the collective farms of the western regions of the Ukrainian SSR and the Byelorussian SSR, the Moldavian SSR and the Baltic Soviet republics, the collective farm peasantry has 397 million hectares of agricultural land in its use, and in total, taking into account forests and other lands that are not yet used for agriculture, 578 million hectares of land are assigned to collective farms in perpetuity. In addition, collective farms have free long-term use of 180 million hectares of the state land

fund and the State forest fund, of which 126 million hectares are agricultural land.

Under the rule of private land ownership, the peasant saves money for years and goes into debt to buy a piece of land. Collective farmers are spared the need to spend unproductively on buying and renting land. As a result, the production of agricultural products on collective farms is much cheaper than in capitalist enterprises, and even more so in small-peasant farms.

Collective farm land use is one of the most important conditions for large-scale collective farming. Large tracts of land allow the most productive use of tractors, combine harvesters and other complex agricultural machines, introduce correct crop rotations with extensive development of grass cultivation, carry out work on watering and irrigation of land, etc. Thanks to this, agriculture is becoming more skilled, soil fertility is increasing.

The development of collective-farm production depends primarily on a powerful socialist industry, which supplies agriculture with machinery, spare parts, fuel and fertilisers, and so on. Agricultural machinery is constantly being improved. Without this, the progressive course of socialist agriculture is unthinkable, neither high yields nor an abundance of agricultural products are unthinkable. Replacing tens of thousands of old cars with new ones, creating numerous new cars requires huge capital investments that pay off after a number of years. Only a socialist state can provide an ethno-cultural investment. Collective farms, even if they are millionaires, cannot do this.

Collective farms cultivate the land with the help of state-owned machine-tractor stations, which contain the main tools of agricultural production: tractors, combine harvesters and other complex agricultural machines. Machine and tractor stations are the production and organisational and economic centres of the socialist state in the collective farm village. Thanks to MTS, the development of collective farms takes place on the basis of higher technology, which makes it possible to mechanise labour processes in

agriculture. By the beginning of 1952, machine-tractor stations accounted for 80% of the total power of mechanical engines (including electric ones) located in MTS and collective farms. This made it possible to perform three-quarters of the main field work on collective farms in 1952, including almost all ploughing.

“The concentration of the main instruments of agricultural production in the hands of the state, in the hands of machine and tractor stations, is the only means of ensuring a high rate of growth in collective farm production.”<sup>1</sup>

A high level of mechanisation of collective farm production is the most important condition for increasing labour productivity in collective farms. Mechanisation greatly facilitated the work of collective farmers and made it possible to carry out agricultural work in accordance with the rules of agronomy terms, widely apply the achievements of advanced agricultural technology in the collective farm fields. Consistent use of MTS machines in collective farm production results in huge labour savings for collective farmers.

If we compare the labour costs of the works performed by the MTS with the labour costs of the corresponding works carried out before collectivisation in individual peasant farms in the USSR, it turns out that in 1951 MTS, with the help of tractors and combine harvesters, saved the labour of 16.5 million annual employees. Under socialism, the labour pool released on collective farms as a result of mechanisation is fully used in socialist industry, transport, construction, and agriculture itself.

MTS gradually covers all aspects of collective farm production, including animal husbandry. The Soviet state, through its machine-tractor stations, plays a significant role in the organisational and economic strengthening of collective farms. MTS. they provide permanent agronomic and zoo-technical services to collective farms, assist them in all areas of their economic and cultural life, in

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<sup>1</sup> J. V. Stalin, *Economic Problems of Socialism in the USSR*, p. 90.

planning the social economy, in the proper organisation of labour, and in training personnel.

Freed from the necessity of spending large sums of money on the purchase of the most important instruments of production, the collective farms direct their growing incomes to the development of their social economy. All this puts the collective farms in a favourable economic position.

The Soviet State invests considerable and ever-increasing resources in agriculture. Thus, during the fourth five-year plan, the total amount of funds allocated by the state directly to finance agriculture amounted to 115 billion rubles. In addition, large sums of money are spent annually by the State on socio-cultural measures, such as education and health care.

Capital expenditures of collective farms are spent on the construction of farm buildings, animal husbandry facilities, irrigation and drainage channels, water basins, uprooting of land from shrubs, construction of collective farm power plants and other structures necessary for the successful development of the collective farm social economy and increasing the income of collective farms. Capital investments of collective farms in their social management at the expense of the collective farms' own funds and the collective farmers' labour, without taking into account the costs of expanding the herd, amounted to 2.7 billion rubles in 1929-1933, 15.5 billion rubles in 1934-1938, and about billions of rubles in 1946-1950. In addition, the collective farms spent 1946-1950 on increasing the number of public livestock and Birds over 11 billion rubles.

Collective farm means of production consist mainly of seeds, livestock, simple machinery, inventory, outbuildings, and so on. In accordance with the nature of the agricultural artel as a cooperative enterprise, the socialised means of production on the collective farm are included in the indivisible fund, the indivisible fund of the collective farm includes: collective farm tools, working and productive livestock, buildings, vehicles, subsidiary enterprises, perennial plantings, irrigation structures, materials and funds intended for the development of the social economy. The undivided

fund also includes buildings for cultural and domestic purposes (collective farm clubs, reading huts, kindergartens, etc.). An increase in the undivided fund is an essential condition for the development of the collective farm's social economy and the growth of collective farm wealth.

Collective farms, as large socialist enterprises, require planned management of the economy; they cannot exist and develop by themselves. State planning of agriculture directs the development of collective farms along the path of increasing the yield of all agricultural crops, increasing the number of livestock while increasing its productivity, and introducing the achievements of modern technology and advanced science into agriculture.

Along with the social economy of collective farms, which is crucial, there is a subsidiary personal farm of collective farmers on the household plot. The development of the agricultural artel can be successful only if the social economy of the collective farms grows steadily, meeting the needs of the whole society and the collective farmers themselves more fully, and the personal economy of the collective farmers becomes more and more narrow, subsidiary in nature. This does not mean narrowing and crushing the personal ownership of consumer goods by the collective farmers. Moreover, the rapid development of the social economy, which is the main force of collective farms, ensures a further increase in the welfare of collective farmers. Combining the personal interests of collective farmers with the public interests of collective farms is the key to strengthening collective farms.

### **Collective labour of collective farmers. Workday.**

Collective farmers are free from exploitation and work for themselves, for the collective farm, for the socialist society, ensuring a prosperous and cultured life. Conscious, comradely labour discipline is developing and growing stronger in the collective farms. They are armed with first-class equipment, which not only facilitates the work of collective farmers, but is also an important factor in their education in the spirit of collectivism. Collective farms



have created conditions for a planned division of labour, advanced training of collective farmers, and their cultural and technical level. In contrast to the competition between private commodity producers, which means the enrichment of some and the ruin of others, in collective farms the creative activity of the collective-farm peasantry, which is clearly expressed in socialist competition, is a powerful force for raising production. All this creates a solid foundation for the systematic growth of labour productivity in the collective farms' social economy and the improvement of the material and cultural level of collective farmers.

As already mentioned, the advantages of collective labour have significantly increased due to the enlargement of small collective farms. Large collective farms, which have large tracts of land, use tractors, combine harvesters and other MTS machines more efficiently, and large collective farms receive large savings in labour costs for the production of collective farm products, in the cost of maintaining administrative, managerial and maintenance staff. The economic advantage of a large collective farm is that it has large labour resources and has the greatest opportunities for conducting a multi-sectoral economy.

.. use the labour force on collective farms and get the largest amount of output from each hectare of public land on the collective farm. In collective farms that correctly combine the production of grain, technical and vegetable crops, and animal husbandry, depending on the economic and agricultural conditions of the country's saddle regions, the use of collective farmers' labour is more uniform throughout the year. Funds in multi-branch collective farms are also received more evenly throughout the year, which makes it possible to finance activities carried out on collective farms in a timely manner.

Collective farms, as large socialist enterprises with a diversified economy and large labour resources, require a planned distribution of labour among individual branches of the social economy, as well as the rational use of labour by all able-bodied members of the artel

in accordance with their qualifications, production experience, age, etc.

The main form of labour organisation in collective farms is a permanent production team, created by the collective farm board to perform work in a particular branch of the social economy.

Production teams can be: field cell, animal husbandry for foraging, horticulture, gardening, construction, etc.

The field-growing brigade will be provided with land plots in the crop rotation fields of the collective farm, the size of which should ensure the highly productive use of tractors, combines and other MTS machines in carrying out all agricultural work. Days are created within the field-growing brigade for the more productive use of manual labour in the cultivation of labour-intensive agricultural crops (sugar beet, vegetables and some row crops). The links are directly subordinate to the foreman of the field-breeding brigade. As the mechanisation of all cultures increases, the need for links will disappear. In grain production, where all the most important concerns are mechanised, links are not created.

Livestock brigades are organised to work on collective farms. Each collective farm, as a rule, has cattle, pig, sheep, poultry and other farms. Each livestock-breeding brigade is usually assigned one farm with the necessary equipment for maintaining the means of production.

For proper and efficient use of the means of production of machine and tractor stations, it is necessary to ensure a well-coordinated joint work of MTS and collective farmers. This is achieved by combining the work of the MTS tractor team with the permanent production teams of the Collective Farm. For example, each MTS tractor team serves one or several collective farm teams for a number of years.

In accordance with the nature of cooperative-collective farm ownership, the requirements of the economic law of labour distribution are implemented in collective farms through the workday. The labour day is a measure of the collective farmers' labour expenditure in the social economy, including the part of

collective farm income that is distributed according to labour. Workdays take into account the labour costs of collective farmers in the ...; according to workdays, the collective farm distributes among the collective farmers a part of its income, which goes for personal consumption.

In collective farms, the rate of output during the working day is set for each job, which is accessible to a conscientiously working collective farmer, taking into account the condition of working livestock, machinery, and soil quality. For each rate of output, a price is set in workdays, depending on the required qualification of the employee, complexity, severity and importance of this work for the artel. The average daily production rate for relatively simple field work is estimated at one workday. All other types of work on the collective farm are rated lower or higher than this. During the working day, a collective farmer may be charged one workday, part of a workday, or several workdays-in accordance with the type of work performed and the degree of performance or overfulfilment of the output norm, the workday, therefore, differs from the working day.

Types of work on the collective farm and their prices in workdays are divided into a maximum of nine groups. The first group includes the simplest jobs that do not require any qualifications from the employee. For the performance of the established daily rate of output for such works, the collective farmer is charged 0.5 work days. The ninth group includes works that require the highest qualification; for them, 2.5 work days are charged for completing the daily output rate.

The state sets approximate standards for the production of collective farmers and their prices in workdays. The board of each collective farm, in relation to local conditions, develops certain production standards and prices (but not lower than those recommended by the government), which are approved by the general meeting of collective farmers. Production standards should be progressive, that is, they should be equal in the direction of advanced collective farmers. At the beginning of the year, collective farms plan the cost of labour days for individual branches and agricultural crops, and exercise strict control over the correctness of calculating labour days in accordance with the work completed by the team, link, or individual collective farmers.

Thus, the workday takes into account both the quantity and quality of work of collective farmers in various jobs. The workday makes it possible to measure various types of work on a collective farm. Skilled labour is rated higher in workdays. Than unskilled, more intensive work—higher than less intensive. The workday also provides an opportunity to measure the work of different productivity in the same jobs. If the collective farmer exceeds the production rate, a correspondingly larger number of workdays is charged. Workday gives a public assessment of the personal work of each collective farm worker in collective farm production. In the workday, the labour of an individual collective farmer is expressed as part of the total direct social labour on the collective farm. The workday expresses the socialist production relations between collective farmers within a given collective farm and is an important economic tool for organising collective farm production. Since the existence of two main forms of socialist production leads to the existence of commodity production and circulation, collective farms cannot limit themselves to taking into account the costs of producing collective farm products in workdays. They run their own financial economy: they take into account the products of collective farm production and income in monetary terms, have monetary savings, pay for work days on collective farms is carried out not only in kind, but also in cash, and so on.

The workday expresses the principles of equality under socialism: the liberation of all working people from exploitation, the duty of each to work according to his ability, and the right to receive for his work in accordance with its quantity and quality. The workday reflects the equality of pay for male and female labour. The collective farm system put an end to the centuries-old economic inequality of the peasant woman. Only on the collective farm did peasant women get the opportunity to stand on an equal footing with men.

Thus, the workday is a new category generated by the collective farm system, troupe, cooperative-collective farm property.

**Collective farm products. Collective farm income.** All output produced in the public economy of the agricultural artel constitutes group, cooperative-collective-farm property. At the same time, inasmuch as the machine and tractor stations, assisted by the main implements of agricultural production and qualified mechanisation and agronomic personnel, carry out the most important work on the collective farms, not only the collective farm but also the state, represented by the MTS, participates in the creation of collective farm products and the generation of income.

The gross output of the collective farms embodies, firstly, the expenditure of past labour contained in the spent means of production of the MTS and collective farms, and secondly, the newly expended, living labour of collective farmers and workers of machine and tractor stations.

The Soviet state maintains machine and tractor stations at the expense of the state budget. In accordance with the contracts concluded by the MTS with the collective farms, the collective farms pay for the work performed for them by the machine and tractor stations in kind—agricultural products, and for some works—money. Payment in kind for the work of the MTS is a part of the gross output of the collective farm, which reimburses the expenditures of state machine and tractor stations for the production of collective farm products. She embodies the past labour, which consists in the spent means of production of the MTS, as well as the newly spent labour of MTS employees, consisting of labour for themselves and labour for society. Rates of payment in kind for the work of machine and tractor stations are installed depending on the yield and the timing of MTS work on collective farms; the higher the yield of agricultural crops on the plots cultivated by the MTS, the higher (subject to the observance of the terms of work) the level of payment in kind.

..., ..., the state receives funds that are spent on reimbursement of the costs of MTS means of production, on the wages of MTS employees. Through the sale of agricultural products received by way of payment in kind, the state also receives income that is not

used for the expansion of existing and construction of new MTS and to meet other national needs.

The collective farms replace the means of production spent on the production of collective farm products, mainly in kind, reproducing them in their own social economy. Such means of production include: seeds, fodder for livestock, working and productive livestock, natural fertilisers, etc. The collective farms compensate for a certain part of the spent means of production by purchasing them from state and cooperative organisations. Such means of production include: small implements, small engines, some simple machines, artificial fertilisers, breeding stock, building materials, etc.

The labour of the collective farmers, again spent on the production of collective farm products, creates the gross income of the collective farm. Gross income is created by the labour of collective farmers for themselves and their labour for society. That part of the gross income of the collective farm which is created by labour for themselves, spent by the collective farmers in their social economy, forms the personal income of the collective farmers, distributed according to workdays. In addition, collective farmers receive personal income from their subsidiary plots. That part of the gross income created by the labour of collective farmers for society (for the public economy of the collective farm and for society as a whole) forms the net income of the collective farm. The net income is used by the collective farms for socialist intra-collective farm accumulation, mainly for the development of the social economy, for social and cultural measures on the collective farms, to meet the needs of the collective farmers. A certain part of the net income of the collective farm, mainly through the price system and income tax, goes to the disposal of the state, i.e., thereby turns into a centralised net income of the state and is used for public needs (including the needs of collective farm production and collective farmers).

Collective farm incomes are divided into natural and cash. Collective farmers receive the bulk of their wages in kind (grain,

vegetables, fruits, meat, milk, etc.). There is an increase in the seed and fodder funds in natural form, and so on. At the same time, the collective farms are highly marketable enterprises and receive cash income by selling their products.

A part of the gross output of the collective farms is marketable, that is, it is sold by the collective farms to the state and the cooperatives through the procurement system and to the population on the collective farm market.

The main part of the marketable output of collective farms is placed at the disposal of the state in the form of state centralised procurement of agricultural products, which include: obligatory deliveries and contracting. Procurement in the order of obligatory deliveries is carried out for grain crops, livestock products, potatoes and a number of vegetable crops; procurement in the order of contracting is carried out mainly for industrial crops. Some of the collective farm products are purchased by the state and the cooperatives in a decentralised manner.

In the USSR, state procurements in the form of obligatory deliveries of agricultural products by collective farms are carried out on the basis of the hectare principle, that is, in accordance with the amount of land assigned to the collective farm. Each collective farm is obliged to sell to the state a certain amount of field crops per hectare of arable land, and livestock products per hectare of land. Per hectare norms of obligatory deliveries are constant. They are established taking into account the economic and natural characteristics of individual regions, and within the boundaries of an administrative region, by groups of collective farms. The progressive significance of this order of compulsory deliveries of agricultural products lies in the fact that it increases the interest collective farmers in the development of public crop farming and animal husbandry in the fullest use of public lands collective farm. Compulsory deliveries of agricultural products by collective farms to the state, having the force of a tax, are not a tax in the economic sense of the word, since the state pays for these products.

The Soviet state establishes, in a planned manner, fixed procurement prices for agricultural products coming in through centralised procurement. In planning these prices, the state takes into account, as one of the factors, the cost of this or that agricultural commodity, the importance of this commodity for the national economy, and the economic profitability of its production for the collective farm. At the same time, procurement prices are set at a level that ensures that part of the net income of collective farms enters the state fund to meet national needs. State revenues from the sale of products obtained through procurement are used for public needs: the development of a socialist industry that supplies agriculture with machinery, fertilisers, for education, health care, etc. For a number of agricultural products, the state, in addition to the procurement price, issues cash bonuses-surcharges, organises the counter sale of bread, industrial and food products at preferential state prices, lower than usual.

In addition to obligatory deliveries and contracting, the state procures agricultural products from the collective farms and collective farmers at purchase prices slightly higher than the procurement prices. For these so-called decentralised procurements, the state sets the maximum purchase prices, which cannot be exceeded by procurement organisations.

Finally, the collective farms sell some part of their marketable output on the collective farm market at prices that are this market is influenced by supply and demand.

State procurements are the most important source of cash income of collective farms, which are used for replenishment indivisible fund, payment for the workdays of collective farmers and for other purposes.

The amount of in-kind and monetary income varies on individual collective farms and is determined by the level of labour productivity achieved. The productivity of labour on collective farms depends on various economic conditions. The main ones are: the level of mechanisation of collective farm production carried out by machine and tractor stations, additional investments of means of



production and labour of the collective farms themselves on the same land area, advanced training and the correct organisation of labour of collective farmers and MTS workers, the development of socialist competition in collective farms and MTS, the introduction latest achievements. agronomic, zoo-technical science and advanced workers of agriculture into collective farm production. Labour productivity also depends on natural factors - on the natural fertility of the land, on the climate. The decisive force in increasing labour productivity is the mechanisation of labour processes.

**Differential rent under socialism.** In collective farms. there are economic and natural conditions for the formation of differential rent.

The existence of differential rent on collective farms is connected primarily with the existence of collective farm property and commodity production under socialism. The lands of the collective farms differ from each other in terms of fertility, location, and the degree of productivity of their use, which is connected mainly with the mechanisation of agriculture. Since the number of the best lands limited, socialist society, in order to satisfy its needs for agricultural products, is forced till the worst pieces of land. The labour of collective farmers employed under different conditions of production differs in various ways. Collective farms with different levels of labour productivity receive from each hectare a different amount agricultural products. This means that they spend an unequal amount of labour per unit of output.

In accordance with the different levels of labour productivity, the amount of income on individual collective farms varies. Collective farms employing their labour on better lands, under more favourable production and marketing conditions, generate additional income compared to collective farms working on poorer lands, under less favourable conditions. This income in its natural form consists of a variety of agricultural products: grain, cotton, meat, milk, wool, etc. One part of this additional income is spent in kind, the other part is realised in cash.

By virtue of the fact that all the output produced by the collective farms is collective farm property, the results of higher labour productivity, for example, on better, more fertile plots of land, are the property of individual collective farms.

Additional income of collective farms, realised in cash, is associated with the peculiarities of pricing in agriculture. The entire additional income created on the collective farm and expressed in value, in money form, is the difference between the social costs of producing an agricultural product, in other words, its social value, on the one hand, and the individual costs of production on an individual collective farm, in other words, the individual value of the agricultural product; on the other hand: To what extent this difference is realised by the collective farms depends on the level prices.

The limited amount of the best land cannot but affect the determination of the level of prices for agricultural products. Price planning takes into account the need to ensure the profitability of cultivating one or another crop not only under the best, but also under the worst production conditions.

The products produced on the collective farms under different conditions of labour productivity are sold by them at the same price of this zone at the procurement and purchase price, or at the same price on the collective farm market. As a result, collective farms with more high labour productivity receive additional cash income.

Differential rent of collective farms is an additional net income in kind or in cash, created by collective farms that have better or more conveniently located plots of land, as well as more productive using the land. compared to collective farms using poorer plots of land, more remote lands, or less productive land users.

Differential rent under socialism is radically different from differential rent under capitalism. It is not the fruit of exploitation, but is the result of collective labour of collective farmers working for themselves, for their own household, as well as the labour of MTS rubles serving collective farms. Under socialism, it does not take the form of rent for land, and it goes not to the class of large

landowners, but to the collective farms, collective farmers, and the socialist state.

It is necessary to distinguish between two forms of differential rent—the first and the second.

Differential rent I is the additional net income generated by collective farms that have the best land assigned to them, as well as by collective farms located closer to the points of sale of products, All other things being equal, with the same level of mechanisation, under the same system of agriculture, collective farms that apply their labour on the best land receive more output from each hectare than collective farms located on poorer lands. As a result of the higher productivity of labour in collective farms located on better land, these collective farms also receive higher incomes.

Collective farms located closer to railway stations, wharves, procurement points, cities and other points of sale of products, spend less labour and money on transportation of products. As a result, production costs are reduced. the number of units of production in these collective farms is lower than in collective farms located at a long distance from the points of sale. Call centres that have advantages in location also receive additional income.

Differential rent I is an additional net income generated in collective farms that lead a more intensive social economy, thanks to additional investments in the means of production and labour of collective farms and MTS.

The main line of development of collective farm production and the main way to increase collective farm incomes is the intensification of agriculture. Machine and tractor stations play a decisive role in the intensification of collective farm production, increasing the culture of agriculture, the yield of collective farm fields, the marketability and profitability of collective farms. Collective farms that have a higher level of mechanisation, invest more labour and fertilisers in each hectare of land assigned to them, have a large number of highly productive livestock, increase fertility by carrying out land reclamation works, that is, conduct more intensive farming, receive more products from each hectare of land

than collective farms with less intensive farming. As a result of higher labour productivity, an intensive economy spends less labour per unit of output and receives higher natural and monetary incomes. This is an important incentive for collective farms to intensify agriculture.

Part of the differential rent remains on the collective farms and is used to develop their social economy, to raise their material and cultural level of life of collective farmers. The other part of the differential rent comes at the disposal of the state, firstly, through the payment in kind of the MTS, since the latter embodies the additional net income created by the labour of the workers of the MTS, and since the rates of payment in kind are fixed depending on the yield; secondly, through the system of state procurements, insofar as procurement prices presuppose a redistribution of part of the frequent income of the collective farms to the general income. public expenses, as well as since the norms of mandatory deliveries of products to the state by collective farms are different, depending on the conditions of production of individual regions and collective farms; thirdly, in some part, through the income tax on collective farms, since its size depends on the amount of collective farm income.

**Distribution of products of collective-farm production and collective-farm incomes.** In accordance with the characteristics of co-operative-collective-farm property, collective farms have different forms of product distribution than state enterprises.

Collective farms are an integral part of the socialist national economy. The collective-farm peasantry is vitally interested in the flourishing of the economy and culture of socialist society, in strengthening its might. The state provides the collective farms with enormous material assistance both in servicing collective-farm production and in the all-round development of the culture of the collective-farm village. Because of this, the primary task of collective farms is the timely fulfilment of their obligations to the state.

According to the Charter of the agricultural artel the collective farms sell part of the harvest of agricultural crops and livestock products to the state at fixed, planned prices in the manner of mandatory deliveries and contracts. For the work performed by the MTS, the collective farms pay in kind to the state. Collective farms return money loans to the state and pay interest on them out of the cash income they receive. Collective farms also pay a small income tax and make property insurance payments. The timely and complete fulfilment by the collective farms of their obligations to the state ensures the correct combination of the interests of the piecework collective farms with the interests of the state and the people as a whole.

Collective farm public funds, which are created in kind and in cash, are of great importance for ensuring a continuous rise in collective-farm production and the growth of the living standards of the collective farmers.

Public funds intended to compensate for spent collective farm means of production are formed in the form of the guilty seed and frontier funds. As has already been said, part of the spent means of production of the collective farms is compensated directly by the outlays of the labour of the collective farmers, and some of the means of production are bought with money.

After reimbursement of the spent means of production, the collective farms bring down their remaining gross income on education of public funds and for distribution among collective farmers according to workdays. Public accumulation funds on the collective farm are formed from net income. The most important accumulation funds include, first of all, deductions to an indivisible fund, with the exception of that part of them that comes from depreciation. The main sources of growth for indivisible funds are; first, hedgehog suitable deductions from the cash income of the collective farm and, secondly, the direct investment of the labour of collective farmers in the construction outbuildings, for the manufacture of agricultural implements for the needs of the collective farm, for the construction of ponds and reservoirs, to

increase the public number of livestock, improve its quality, etc. Part of the net income goes to accumulation in kind. This includes seeds and fodder allocated to increase the seed and fodder funds in connection with the expansion areas under crops, the growth of the socialised livestock, etc. an increase in its productivity, as well as insurance funds (seed and fodder), created in case of crop failure and lack of fodder.

Of great importance for raising the well-being of the collective farmers are also social consumption funds created on the collective farms at the expense of net income; food background in case of crop failure: Fund for assistance to disabled people who have temporarily lost their ability to work, needy families of military personnel, allocation of funds for the maintenance of nurseries and orphans; the cultural fund, that is, theirs, spent on serving the cultural needs of the collective farm village (training collective farm personnel, building clubs, etc.)

After the fulfilment of all obligations to the state and the formation of established public funds, the collective farm distributes all other products and cash income among the members of the artel according to workdays. Income received by collective farmers on workdays is not subject to any taxes.

The income of each collective farmer, received from the social economy of the artel, depends on two quantities: 1) on the number worked out by the collective farmer workdays, 2) from the amount of payment for labour. Number of workdays worked during the year determined by the work of each collective farmer. The amount of payment for a workday, that is, the amount of food and money that a collective farmer receives for one workday, also depends on the work of all the members of the collective farm. The better the collective farm works as a whole, the more its social economy develops, the higher both the total amount of collective farm income and the size of its share going to distribution among the workers. The part of the net income of the collective farm, which remains after the fulfilment of obligations to the state and the formation of established public funds, also enters the distribution

according to workdays. Thus, for example, the collective farmers of the advanced collective farms receive a certain part of the differential rent for distribution according to workdays. In addition, the income of the collective farmers from the social economy is also increased at the expense of the said social consumption funds. All this creates a material interest for every collective farmer in the development of the social economy of the collective farm.

Brigades, units, or individual collective farmers that produce the same number of workdays usually do not provide the same amount of output to the collective farm's public economy. The experience of collective farm construction has shown that if income is distributed according to workdays, regardless of the quantity and quality of agricultural products received by teams, links or individual collective farmers, then elements of equalisation in remuneration are preserved. Therefore, for a more consistent implementation of the requirements of the economic law of distribution of labour in collective farms, such a payment procedure has been established, in which wolf farmers who have achieved higher production results receive higher pay compared to collective farmers who have achieved relatively lower results.

On the collective farms there is additional payment in kind (or in money) for exceeding the plan set for the brigades and units in terms of crop yields and the productivity of public animal husbandry. For example, collective-farm field-growing brigades for overfulfilment of the yield plan on the entire area of grain crops assigned to the brigade receive as an additional payment from  $1/4$  to  $3/2$  of the grain harvested by the brigade in excess of the planned harvest set for it.

Additional payment does not completely resolve the issue with the license of equalisation in the main payment. For a more consistent implementation of the economic law, the labour-assigned one is paid to the reins and links of the additional number of working days for exceeding the plan for exceeding the plan for the yield of agricultural crops and locksmithing a certain part of the working days for not fulfilling this plan.

For a more consistent implementation of the economic law of distribution according to work, an additional number of workdays accrued to the brigades and units for overfulfilment of the plan for crop yields and a certain part of the workdays for underfulfilment of this plan are paid.

The remuneration of the labour of collective farmers working on collective-farm livestock farms has been established as substitutable for milk yield, wool shearing, obtaining and raising young animals, gain in live weight of product weaving, etc.

Thus, the interests of the collective farmers and the social interests of the collective farms find the right combination in labour and its payment.

The growth of the welfare of the collective farm peasantry. In accordance with the basic economic law of socialism, there is an indispensable increase in the quality and cultural standard of living of the cultured peasantry. The material well-being of the collective farmers depends on the social economy of the collective farm, which is the main source of income for every collective farmer. The higher the yield of agricultural crops and the productivity of socialised animal husbandry, the higher the level of cash income in kind of the collective farm, as well as the personal income of the collective farmers received for workdays.

The development of collective farm production ensured the steady growth of the collective farmers' well-being. In pre-revolutionary Russia, the middle and poor peasants produced 2.5 billion poods of grain. The collective farms in 1952 pierced 7.1 million poods of grain, that is, 4.6 billion poods more. The production of industrial and vegetable crops has increased enormously. Collective farms have acquired large livestock farms, which are an important source of collective farm income. In addition, each collective farm yard owns a cow, small livestock, and poultry.

The growth of collective farm wealth is also expressed in an increase in cash income. The cash incomes of the collective farms rose from 5.7 billion rubles in 1933 to 20.7 billion rubles in 1940 and



38.6 billion rubles in 1951. There are thousands of collective farms. In addition, collective farmers receive cash income from their subsidiary plots on their personal plots. With their cash incomes received from public and private farming, the collective farmers buy industrial goods at the planned prices of state and cooperative trade, which are systematically decreasing. The real incomes of collective farmers, calculated per worker, were in 1951 about six times higher than the incomes of the working peasantry before the revolution. According to the Fifth Five-Year Plan, the monetary and natural incomes (in monetary terms) of collective farmers will increase by at least 40%.

On the basis of the collective farm system, the face of the Soviet countryside changed radically. In place of the old village with dilapidated peasant huts, a new village appears with its public and economic buildings, power stations, schools, library books, clubs, radio, and nurseries. The Soviet peasant is a peasant of a new type, attached to the achievements of science and culture. Numerous cadres of Soviet intelligentsia—engineers, doctors, agronomists, livestock specialists, teachers, and organisers of large-scale socialist production—grew from the ranks of the collective-farm peasantry. Millions of collective farmers have mastered the most advanced agricultural techniques and have become masters of high crop yields and highly productive animal husbandry.

The following facts testify to the profound cultural revolution that engulfed the Soviet countryside. The total number of students in primary, seven-year and secondary schools in the countryside increased from 6.1 million in 1914/15 to 21.1 million in 1951/52. Teachers of mass professions, specialists, etc., 29 million people studied in the countryside. As of January 1, 1952, there were 257,000 cultural and educational institutions in the village: houses of culture, clubs, reading huts, and libraries. In the Soviet countryside, not only universal elementary education, but the problem of compulsory seven-year education is being successfully solved.

## BRIEF CONCLUSIONS

1. Collective farms, as socialist cooperative enterprises, are run by the collective labour of collective farmers with the help of the main means of production owned by the socialist state and certain means of production owned by the collective farms. In the USSR, the land occupied by collective farms has been transferred to them by the state for perpetual free use. The collective farms cultivate the land with the help of state machine and tractor stations, which play a major role in the development of collective farm production. The Soviet state allocates large funds to finance agriculture and to meet the cultural needs of the collective farm peasantry.

2. The main form of labour organisation on collective farms is a permanent production brigade, which makes it possible to make the most productive use of tractors, combines and other complex agricultural machines of the MTS, to eliminate the impersonality in the use of land and weapons of labour. On the collective farms, the requirements of the economic law of distribution according to work are carried out with the help of the workday. The workday is a special measure of labour and consumption, peculiar only to collective farms, which combines the personal material interest of the collective farmers with the development of the social economy of the collective farm.

3. The social economy of the collective farms is the main source of the growth of collective farm wealth and the well-being of the collective farm peasantry. Large collective farm ensures the receipt of high incomes. Additional incomes received on collective farms located on the best lands or most productively using the land, forming a differential rent. The differential rent of the collective farms goes to the collective farm and the collective farmers, and part of it comes from the order of the state.

4. When distributing gross output and income, the collective farms, in accordance with the Rules of the Agricultural Branch, fulfil their obligations to the state, create public funds, and distribute the rest of the harvest and livestock products, as well as the entire remaining amount of money income, among the collective farmers on workdays. In accordance with the basic economic law of socialism, the collective-farm system ensured a steady improvement in the material and cultural standard of living of the collective-farm peasantry.

## CHAPTER XXXV. COMMODITY CIRCULATION UNDER SOCIALISM

**Economic turnover under socialism.** In a socialist society, on the basis of a continuous rise in production and the breakdown of the social division of labour, the economic turnover of manufactured products increases. The economic turnover of products within the socialist national economy of the USSR has the following basic forms. First, the distribution of the means of production by the state among the enterprises it owned; second, the trade turnover between the city and the countryside, between the united socialist producers (the state, collective farms, cooperatives) and the population buying personal consumption items from them; and third, the MTS in-kind payment, which is the delivery of agricultural products to the state by collective farms in exchange for on the work done by machine and tractor stations on these collective farms. A special sphere of economic turnover of the socialist country is its foreign trade with foreign countries. Thus, in contrast to capitalism, where economic turnover appears only in the form of purchase and sale, under socialism, a significant part of economic turnover does not represent commodity circulation.

As already mentioned, the means of production created in the public sector—tools of production (machinery, machine tools, various equipment), fuel and raw materials (coal, oil, ore, steel, etc.) are not commodities, since they remain state property all the way from production to consumption. The State distributes these means of production among enterprises according to plans for material and technical supply outside and outside of market relations. Consequently, under socialism, the distribution of economic turnover also forms the sphere of State distribution of the means of production.

If the economic turnover of fixed means of production in the USSR occurs within the state sector, then the economic turnover of personal consumption items and agricultural raw materials belongs

to the sphere of relations between the state and collective farm sectors. Because of this, the economic turnover of personal consumption items and agricultural raw materials under socialism inevitably occurs through purchase and sale, forming the sphere of commodity circulation. Collective farms and collective farmers sell their products to the state, cooperatives, and the urban population, but buy goods from the state and cooperatives, and the urban population purchases consumer goods from the state, cooperatives, collective farms, and collective farmers.

**The nature and role of trade under socialism.** Trade under socialism, which in the U.S.S.R. received the name of Soviet trade, is inherently different from all other types of trade that took place in history, and has decisive advantages over them. Soviet trade is trade without capitalists. In the USSR, goods are sold by state-owned and cooperative enterprises and organisations, collective farms, and also—in a relatively small proportion—by collective farmers. Private trade in the U.S.S.R. has been liquidated, and there is no place in the U.S.S.R. economy for such categories as commercial Capital with its trade profits and the capitalist market.

The funds of the enterprises of Soviet trade are socialist property; If trade in bourgeois society, being a function of commercial capital, is conducted for the profit of the capitalists, then under socialism trade is put at the service of the people and is conducted in accordance with the requirements of the basic law of the economic law of socialism—in order to fully meet the growing needs of the working people.

Soviet trade is based, on the one hand, on the continuous expansion of socialist production, and, on the other, on the steady growth of the needs and purchasing power of the masses. Soviet trade knows no sales crises. In a socialist economy, there are no difficulties inherent in capitalism in selling goods. Under socialism, a steady increase in the welfare of the population, an increase in the monetary income of workers, and a systematic decline in the price

of goods expand the demand for industrial and agricultural products.

With the increased purchasing power of the masses, their needs are becoming more versatile and their demand for them is growing ... socialist production. On this basis, the USSR is constantly growing trade turnover and improving its structure: the share of goods of higher quality and valuable varieties is rising, the range of goods is expanding and enriching.

Sales of manufactured goods increased in 1951 against 1940 by 64% (in comparable prices), In 1951 more people were sold in state-owned and cooperative stores than in 1940; meat and meat products—by 80%, fish and fish products—by 60%, animal oil—by 80%, vegetable oil and other fats—by almost 2 times, sugar—by 70%, fabrics—by 80%, including wool fabrics by 2.2 times, silk fabrics—by 2.8 times, footwear—by 50%, watches—by almost 4 times, sewing machines—3½ times, bicycles—almost 6 times, radios—8 times. According to the fifth five-year plan, the volume of goods received by the heritage from the state and cooperative trade network will increase by 70% in 1955 compared to 1950.

The division of labour between production and trade organisations, the assignment of the function of commodity circulation to trade and procurement organisations, give socialist society enormous savings, contributing to the acceleration of the economic turnover of the social product and the reduction of funds employed in the sphere of circulation. This allows you to increase the funds needed to expand the social network.

In addition to the function of commodity circulation, trade and procurement organisations also carry out transportation, storage, sorting, packaging of goods, which is a continuation of the production process in the sphere of circulation.

Based on socialist production, Soviet trade is at the same time a necessary condition for its development. The growth of industrial and agricultural production and the increase in population demand are not in themselves sufficient to ensure a steady rise in the socialist economy. "In order for the country's economic life to be in

full swing, and for industry and agriculture to have an incentive to further increase their output, we must have one more condition, namely, an expanded trade turnover between the city and the countryside, between the country's districts and regions, and between the various branches of the national economy. It is necessary that the country should be covered with a rich network of trade bases, shops, and shops. It is necessary that the channels of these bases, stores, and shops should be used to continuously circulate goods from the places of production to the consumer"<sup>1</sup>.

Trade provides a regular flow of funds to the state and collective farm sectors necessary for the resumption and expansion of production. Through Soviet trade, socialist industry, which produces goods according to its requirements, receives money that reimburses all costs and makes up the net income of enterprises, the centralised net income of the state, and the uninterrupted sale of goods through Soviet trade is of the greatest importance: it is necessary for timely receipt of funds intended for use in the entire national economy into the national fund. The sale by collective farms and collective farmers of their marketable products serves as a source of their monetary income, which is used to strengthen and develop the social economy of collective farms and meet the personal needs of collective farmers.

The commercial link between town and country, between industry and agriculture, while complementing the link of production, is of vital importance for a socialist society. It is a necessary condition for meeting the needs of the urban and rural population for consumer goods and providing the industry with agricultural raw materials.

The trade turnover connects the regions of the country in accordance with the division of labour between them. The movement of goods in the country is determined by the location of production, the level and structure of consumer demand by region.

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<sup>1</sup> J. V. Stalin, Report to the XVII Party Congress on the work of the Central Committee of the CPSU (B), Works, vol. 13, pp. 340-341.

In this regard, the work of transport is of great importance, which largely depends on the speed of commodity circulation.

Thus, the trade turnover serves as a connecting link between socialist production and national consumption. Trade brings the growing demand of the population to socialist production, and the increasing output of industry and agriculture to consumers.

While capitalist trade is based on the law of competition and anarchy of production, under socialism the state plans the volume and structure of production of goods, determines the sources and size of commodity funds in accordance with the requirements of the basic economic law of socialism and the law of planned development of the national economy. When planning trade turnover, government agencies take into account the purchasing power of the population, the composition of its monetary income and expenses by region of the country. The Soviet state plans a retail network and its placement, determines rational ways of moving goods, and requires trade organisations to be able to quickly adapt to changes in demand and best meet the needs of the population. Avoid mechanical distribution of goods. The very essence of Soviet trade implies the need for comprehensive consideration of the population's demand, the development of consumer tastes, national and local characteristics, climatic and seasonal conditions, etc.

Actively acting on industry arbitrariness, Soviet trade encourages an increase in the production of goods necessary for the population, improving their quality, expanding and improving the range. The most important levers of influence of Soviet trade on production are: economic contracts concluded between trade and industrial organisations for the supply of products of a certain range and quality, the widespread use of a system of pre-orders, careful acceptance of goods and the application of sanctions for violating the terms of the contract. Trade organisations contribute to the mobilisation of local resources for the development of trade turnover. Soviet trade actively influences the formation of consumer demand, contributing to the introduction of new goods



into everyday life. At the same time, it uses advertising as a means of honestly informing consumers about the quality and purpose of certain goods, in contrast to capitalist advertising, which pursues the task of profit at the expense of the consumer.

Soviet trade is a necessary condition for the implementation of the economic law of distribution according to labour. The monetary income of the working people is realised by purchasing their means of consumption through Soviet trade. The development of Soviet trade and the quality of customer service largely determine the satisfaction of workers' needs in accordance with the income they receive.

The development of Soviet trade, the increase in the mass of goods sold at state planned prices, is the most important condition for strengthening Soviet money.

Thus, trade plays a very important role in the socialist national economy, exerting a huge influence on the processes of production, distribution and consumption of the social product.

**The main forms of trade under socialism.** Trade under socialism has three forms: 1) state, 2) cooperative and 3) collective farm trade.

State trade plays a decisive role in both wholesale and retail trade in the USSR. In the hands of the socialist state, the overwhelming mass of the country's commodity resources that flow into Soviet trade is concentrated. Trade organisations receive the bulk of their goods from state-owned industry. Having passed, as a rule, through wholesale trade, these goods then arrive in retail trade and are sold to the population.

State procurement of agricultural products from collective farms is the main source of raw materials for industry that produces personal consumption items, and the basis of food supply for the urban population, as well as for that part of the rural population that does not produce food crops. Harvesting of agricultural products is a form of trade turnover planned by the socialist state between the city and the countryside. A large source of food and

agricultural raw materials is also the produce of state farms and payment in kind for the work of the MTS.

State trade in consumer goods is carried out by the trade network of the Ministries of Internal and Foreign Trade of the USSR and the Union Republics, specialised trade enterprises of a number of industrial and other ministries (light and food industry, food industry, etc.), state procurement bodies.

Cooperative trade is carried out by trade enterprises of consumer and industrial cooperation. Funds of cooperative organisations are cooperative, group property of their members-shareholders. Cooperative trade organisations enjoy large credits from the Soviet state. The vast majority of the turnover of cooperative trade falls on the share of consumer cooperation, which mainly serves the rural population.

Consumer cooperation participates in centralised procurement of agricultural products, and also produces procurement of agricultural products through decentralised way to sell them in your trading network.

The state and cooperative trade turnover includes the turnover of public catering enterprises—kitchen factories, canteens, restaurants, buffets. and so on—to sell their products to the public. The development of public catering leads to significant savings in working time in the national economy; it replaces unproductive labour in the household with more productive socialised labour. Public catering frees up millions of women employed in the household to participate in socialist production and social life. Public catering makes it possible to use food resources more efficiently and economically, and to organise meals on a scientific and hygienic basis.

State and cooperative trade is an organised market directly planned by the socialist state. The organised market occupies a dominant, determining position in the trade turnover of the USSR. In addition to the organised market, the trade turnover of the USSR includes an unorganised market in the form of collective-farm trade.

Collective-farm trade is a form of Soviet retail trade in which collective farms and collective farmers act as sellers, selling agricultural goods to the population at prices that take shape in the market under the influence of supply and demand. Collective farmers sell on the market a certain share of the products they ... on the workday, part of the production of their household plots. Collective farm trade not directly planned by the state: the state does not give collective farms and collective farmers plan targets for the sale of their produce at collective farm bazaars and does not set prices for the agricultural goods sold there. But collective-farm trade will be filled under the economic influence of state and cooperative trade. The price level at collective-farm markets depends on the prices of food products in state and cooperative trade. The systematic reduction of retail prices in state and cooperative trade entails a reduction in the level of prices on the collective-farm market as well.

In the collective-farm markets, within certain limits, there is a market element. With the weakening of the economic regulatory influence of the state on certain collective farm markets, speculative elements may become more active. Taking advantage of the temporary shortage of individual goods in a given market, speculative elements inflate market prices. With the growth of the marketable output of the collective farms, which comes through procurement and purchases, and at the disposal of the state, with the development of state farm production, with the expansion of vegetable, potato and livestock bases around large cities and industrial centres, the economic impact on the unorganised market on the part of the state is increasingly intensifying.

Collective-farm trade is an additional means of stimulating agricultural production and supplying food to cities and industrial settlements, delivering to the population a significant part of such products as vegetables, potatoes, meat, dairy products, etc. The share of collective-farm trade in 1950 was approximately 1/3 of the total retail turnover, and for food products—about 1/5.

**Prices and distribution costs in state and cooperative trade.** The predominance of public property in the sphere of production and in the sphere of commodity circulation provides the socialist state with the opportunity to plan prices in all branches of the national economy. In the USSR the flails of the organised market are established by the state in a planned manner, namely: procurement and purchase prices for the marketable products of collective farms and collective farmers, which they sell to state and cooperative organisations; wholesale prices for industry and trade organisations; retail prices in state and cooperative trade, that is, the final prices at which the population buys consumer goods. Prices are divided into all-Union (single for the whole country) and zone prices (differentiated by regions).

The systematic reduction of retail prices is one of the main instruments for raising the well-being of the masses. The six-fold reduction in prices carried out in the post-war years greatly increased the purchasing power and real incomes of the working people of towns and villages. The reduction in retail prices is based on a reduction in production and trade costs, as well as an increase in the mass of goods sent by the state for sale to the population.

In the USSR in 1953, retail prices for bread, meat, butter were almost three times lower, and for sugar 2.3 times lower, four at the end of 1947. At the same premium in the USA, in England, France and In most other bourgeois countries, the prices of these commodities have risen considerably.

Goods enter the trade network at wholesale prices of the industry. Trade organisations sell these goods to the public at retail prices. The difference between the retail price and the wholesale price of the industry is the trade mark-up. Due to this trade cape, the costs of circulation of trade organisations are reimbursed and their net income is formed. Thus, the retail price of trade organisations is equal to the wholesale price of industry plus the trade mark-up. Trade mark-ups are planned by the state, and their reduction pushes trade organisations to improve their work and reduce distribution costs.

The costs of circulation in Soviet trade are the monetary expression of the costs of trade enterprises in bringing goods of socialist production to consumers. The composition of distribution costs includes: the cost of depreciation (premises, inventory), the cost of storage, sorting and packaging of goods, transport, wages of sales workers, etc.

There are two things of distribution costs in Soviet trade. Firstly, there are costs associated with the continued process of production in the sphere of circulation (transportation, storage, packaging of goods); these costs dominate. Secondly, there are costs associated with the commodity form of products (servicing the processes of purchase and sale, the costs of maintaining the money management of trade enterprises, etc.). These two types of distribution costs have different sources of compensation.

The source of compensation for the first type of circulation costs is the labour of trade workers aimed at continuing the production process in the sphere of circulation. This labour increases the cost of goods, which provides coverage of transportation and storage costs, packaging and other functions performed by trade organisations. The second type of conversion costs, that is, the costs associated with the commodity form of products, are reimbursed at the expense of net income generated in manufacturing industries. The level of wholesale prices of industry is set in such a way that part of the net income of industry goes to trade organisations.

Thanks to the advantages of the socialist economic system, the level of circulation costs, that is, the ratio of circulation costs to turnover, is several times lower in the USSR than in capitalist countries, and the expectation of these costs is steadily decreasing. Soviet trade is free from huge unproductive costs, which make up the lion's share of capitalist circulation costs and are caused by anarchy of production, crises, competition, speculation, colossal excesses of advertising. In a socialist society, the process of movement of commodity flows is systematic. All this causes a sharp reduction in the USSR in comparison with bourgeois countries in the

time of circulation and the number of links through which goods pass their way from production to consumer. The speed of trade turnover in the USSR is about three times higher than in capitalist countries, which gives significant savings in resources.

On the eve of the Second World War, the costs of circulation in the wholesale and retail trade of the USA accounted for about 32% of the volume of retail turnover, while in the USSR they accounted for about 10% of retail turnover. With the expansion of Soviet trade, the costs of circulation are decreasing more and more. At the end of the fourth five-year plan, the costs of circulation in state and cooperative trade amounted to about 8% of retail turnover.

Systematic reduction of trade and procurement costs while improving the quality of customer service is an important source of saving public labour. The reduction of the costs of circulation is carried out on the basis of mechanisation of labour processes in Soviet trade, raising its productivity, the deployment of the average trade workers of the socialist competition for the improvement of work trading network. The Soviet state, with the help of piecework-premium forms of wages, financially stimulates the achievement of higher performance indicators by trade workers. A major factor in reducing the costs of circulation is the fight against losses in trade and procurement, which is associated with the expansion of the network of warehouses, elevators, refrigeration equipment, rationalisation of transportation and storage of goods. A major role in reducing the costs of circulation is played by further reducing the ways of movement of goods and reducing the number of links in the trading network.

The reduction of circulation costs is inextricably linked with the strengthening of economic calculation in trade enterprises. Trading enterprises should operate profitably, that is, have a net income (profit) with firm compliance with the established prices.

The net income of socialist trading enterprises is fundamentally different from capitalist trade profits; it is created by the labour of trade workers free from exploitation, since their labour is a continuation of the process of material production in the sphere of

circulation, as well as workers of socialist production. This income is used for national needs (through deductions to the budget), to expand the trade network, increase the funds of trade organisations and to improve the material and cultural situation of Soviet trade workers.

**Foreign trade.** Along with the internal trade turnover of the Soviet Union, its external trade turnover is developing. Foreign trade is used by the socialist society to better meet its growing needs. Foreign trade under socialism is a monopoly of the socialist state. In the USSR, all foreign trade operations are concentrated in the hands of a special state body—the Ministry of Internal and Foreign Trade, subordinated to the tasks of socialist construction and conducted on the basis of state export-import plans. The monopoly of foreign trade is a necessary condition for the existence and development of a socialist economy.

The monopoly of foreign trade of the USSR performs two main functions. Firstly, it ensures the economic independence of the country of socialism from the capitalist environment, protecting its national economy, the domestic market from the penetration of foreign capital. Secondly, it serves as an instrument of economic cooperation between the USSR and the countries of people's democracy, a means for the Soviet Union to assist these countries in their economic development. This new function of the monopoly of foreign trade arose with the formation of the world market of the countries of the democratic camp, which built their trade relations not on the principles of competition, but on the principles of fraternal mutual assistance.

The monopoly of foreign trade was a reliable protection of the economy of the USSR from the economic aggression of imperialist countries. It played a major role in the industrialisation of the national economy of the USSR, ensuring the supply of industrial enterprises with a significant number of imported machines. With the transformation of the USSR into an industrial power, its structure foreign trade has changed significantly: the predominant

place in Soviet exports was occupied by industrial goods, while as in the export of pre-revolutionary Russia, agricultural raw materials prevailed. In the fourth and fifth five-year plans, the USSR further increased the export of heavy industry products.

Due to the huge growth of socialist production in the USSR and the emergence of a new world market of the democratic camp, the foreign trade turnover of the Soviet Union is steadily increasing from year to year, while the trade turnover of the USSR with capitalist countries has significantly decreased, and the foreign trade of the USSR with the countries of the democratic camp has sharply increased. In 1952, the trade turnover with capitalist countries was 1/5, and the trade turnover with the countries of the democratic camp was 4/5 of the total amount of the USSR's foreign trade turnover.

The decline in trade turnover between the U.S.S.R. and the capitalist countries occurs despite the fact that the Soviet Union invariably adheres to the policy of developing business and economic ties with them on mutually beneficial terms. However, the United States pursues a policy of renouncing trade relations with the USSR not by the countries of popular democracy, and compels all bourgeois countries that have long been dependent on them to pursue this policy and reduce the trade turnover of the USSR. Our trade with the countries of popular democracy is more than covered by expansion with the capitalist countries. The volume of foreign trade turnover of the USSR in 1952 was three times higher than the pre-war level, and the Soviet Union's supply of machines and equipment of the latest designs to the countries of the democratic camp increased 10 times compared to 1948.



## BRIEF CONCLUSIONS

1. Commodity circulation under socialism is a measure of economic turnover. Trade in a socialist society is carried out without capitalists and has as its aim the best satisfaction of the needs of the working people. In accordance with this goal, Soviet trade links growing socialist production with increasing national consumption, the city, the countryside, the branches of the national economy, and the regions of the country. Soviet trade is carried out systematically.

2. There are two markets in the U.S.S.R.: the organised market in the form of state and cooperative trade, and the unorganised market, which includes collective-farm trade. An organised market is directly planned by the state. It plays a decisive role in the turnover of goods. The unorganised market is not planned directly, but is economically regulated by the state.

3. Prices for goods in state and cooperative trade are established in a planned manner. Prices at collective farm markets are formed depending on the ratio of supply and demand and are subject to the regulatory influence of state prices. The Soviet state systematically reduces retail prices, which leads to a steady increase in the purchasing power of workers, employees and peasants, and to an increase in national consumption.

4. Soviet trade is based on the principles of economic calculation and is much more economical than capitalist trade, since it is free from the enormous unproductive costs generated under capitalism by private property, competition, and the anarchy of production.

5. Intervening trade under socialism is a state monopoly and serves the purpose of strengthening and further developing the socialist economy. The monopoly of foreign trade in the U.S.S.R.

protects the socialist economy from the penetration of foreign capital and is cherished as a means of economic cooperation between the Soviet Union and the countries of popular democracy.

## CHAPTER XXXVI. NATIONAL INCOME OF A SOCIALIST SOCIETY

**Aggregate social product and national income under socialism.** The total social product under socialism, as in any mode of production, consists of the entire mass of material goods—means of production and consumer goods—produced within a certain time.

The total social product is created by the labour of workers in material production: industry, agriculture economy, construction, transport serving production, as well as trade workers, since production processes continue in it. Along with manual workers, mental workers employed in the branches of material production also directly participate in the creation of material wealth.

In addition to the labour used in the production of material goods, part of the labour of workers in socialist society is employed in the field of public administration, culture, household and medical services for the population. Although the workers in these industries do not directly create material wealth, their labour is necessary for the existence and development of socialist society, for material production, economic and organisational and cultural and educational work. Under socialism, the role of science in the development of technology and in raising production grows immeasurably. The labour expended on training qualified personnel for production. Science, education, art satisfy the cultural needs of the working people. The branches of consumer and medical services create the conditions for the successful work of workers in a socialist society.

Thus, in a socialist society, between workers in material production and workers in the state ... service to the population there is a mutual exchange of activities.

In the process of production, part of the total social product is used to replace the consumed funds.

This part of the total social product embodies the costs of past labour transferred from the spent means of production.

That part of the total social product that remains after the replacement of the consumed means of production and embodies the newly expended labour, represents the national income of socialist society. National income in its natural form consists of all means of consumption produced in the country, going to satisfy needs. the needs of the working people, and that part of the produced means of production which is used to expand socialist production in town and country.

Since under socialism there is commodity production, the national income as a whole and all its elements, no matter what natural-material form they have, are measured with the help of value, expressed in money. Because of this, the part of the national income, which consists of means of production that are not commodities, but have only the outer shell of commodities, is expressed in money form.

As a result of price changes, the national income is calculated not only in current, but in comparable (constant, constant) prices, for which the prices of any particular year are taken. Determination of national income in comparable periods makes it possible to identify real changes in the volume of national income over a number of years.

Under capitalism, the national income is produced by labour based on exploitation and placed at the disposal of the owners of capital and large landowners; they appropriate the lion's share of the national income in the form of unearned income and leave only a smaller part of it to the working people. Under socialism, the national income is created by labour free from exploitation and belongs entirely to the working people. Socialism excludes unearned income.

The national income of a socialist society consists of workers created by labour, producing a product for themselves and a product for society. The product created by workers in material production for themselves is distributed among them according to

their work: it is used to satisfy the personal needs of workers in socialist production and their families. The product created by these workers for society is the net income of socialist society, used to expand production, develop culture, health care, public administration, etc.

Thus, the national income under socialism is that part of the total social product created by the workers of production, which remains after the deduction of compensation for the spent means of production, embodies newly expended labour, and is used to satisfy the growing material and cultural needs of the working people and to expand socialist production.

### **Steady growth of national income under socialism.**

In a socialist society there is a steady and rapid growth of the national income. This growth of the national income is the result of the continuous upswing of socialist production, which develops in accordance with the requirements of the basic economic law of socialism. national income in a socialist society grows many times faster than in a capitalist society.

The national income of the USSR (in constant 1926/57 prices) grew from 21 billion rubles in 1913 to 20,128.3 billion rubles in 1940 and up to 210.6 billion rubles in 1950; in 1940 it exceeded the level of 1913 by 61 times, and in 1950 by 10 times.

For the period 1930-1950) the national income of the United States, expressed in comparable prices, increased by 80%, and the national income of the USSR during the same time, also increased and in comparable prices, increased by 7.3 times, despite the enormous damage caused to the national economy by the fascist invaders and the war years.

These data clearly testify to the record growth rates of the national income in the USSR.

The national income under socialism grows due to two factors: 1) an increase in the productivity of social labour and 2) an increase in the number of workers in production.

The increase in national income in a socialist society is obtained through the growth of labour productivity. For example, during the years of the fourth decade, 20% of the increase in national income was obtained by increasing the number of workers in production, and 80% by increasing labour productivity.

The labour productivity of workers in socialist production is rapidly increasing on the basis of the introduction of the latest technology in all branches of production (including agriculture), the qualification of workers, collective farmers and the production and technical intelligentsia, the systematic improvement of the well-being of the working people, the improvement of the organisation of labour and the development of socialist emulation.

The growth of the productivity of social labour is connected with the planned and rational use of material and labour resources and, in particular, with the economy of means of production. Saving means of production reduces that part of the total social product, which is used to compensate for the consumption of means of production. This makes it possible to increase that field of the total social product which constitutes the national income.

An important factor in the growth of national income is the increase in the number of workers employed in material production in a socialist society, where, unlike capitalism, there are no exploiting classes and their numerous servants, there is no unemployment, there is no huge diversion of labour into the sphere of collapse, etc., a much greater part of the adult working population participates in the branches of material production that create the total social product. Socialist society systematically reduces and simplifies the administrative and managerial apparatus and helps to increase the number of workers directly employed in the branches of material production. At the same time, under socialism, the number of workers employed in the fields of science, education, art, and public health is growing. In a socialist society, all the achievements of material and spiritual culture are the property of the people, while under capitalism they constitute the monopoly of the exploiting classes.

For example, if we take the entire able-bodied population, then in the USSR in 1951 about two-thirds of the able-bodied population worked in industry, agriculture, construction and transport, while in the USA in the same year only about a third of the able-bodied population worked. Of the able-bodied population working in non-productive sectors, in the USSR almost half are employed in the field of culture and health care, and in the USA, one-seventh of people working in non-productive sectors are employed in the field of culture and health care. In the USSR, there has been no trace of unemployment for a long time, and in the USA in 1951 the unemployed, in terms of round-headed unemployment, amounted to 13% of the able-bodied population. In the United States, 13.4% of the working population is engaged in trade, and the labour of the majority of trade workers is also included in non-production costs due to the diocese of production, competition and advertising excesses. In the USSR, about 3.5% of the able-bodied population is employed in trade and procurement.

Under socialism, the growth of national income is the most important indicator of improving the welfare of workers, as it is accompanied by an increase in the income of workers, peasants and intellectuals. Under capitalism, the growth of national income is not an indicator of the growth of the welfare of workers, since an ever-increasing part of national income is appropriated by capitalists and large landowners, and the share of workers in national income is increasingly decreasing.

The volume of national income, taken at comparable prices, in the USSR increased in 1952 in comparison with 1945 by 2½ times, and the real wages of workers and employees increased by 2.2 times. In the United States, national income at comparable prices increased by only 10% in 1952 compared to 1945, while real wages of workers and employees declined, while the profits of monopolies doubled.

**Distribution of national income.** The national income created in the process of socialist production is distributed and

ultimately used for national consumption and socialist accumulation. In contrast to capitalism under socialism, “the distribution of the people’s income takes place not in the interests of enriching the exploiting classes and their numerous parasitic servants, but in the interests of systematically improving the material condition of the workers and peasants and expanding socialist production in the city and countryside.”<sup>1</sup>.

The distribution of national income in a socialist society is as follows. At first, national income takes the form of income in the sectors where it is created, i.e. in the sphere of material production—in the state sector and in the cooperative-collective-farm sector of the national economy.

The national income generated in the state sector of the national economy is divided into two main parts; One part of this income, which is a product created by workers of material production for themselves, takes the form of wages of workers and employees of state-owned production enterprises. Another part of the national income generated in the State-owned production sector is a product for society, in particular net income. The net income of the state-owned manufacturing sector comes in two main forms: 1) In the form of net income of state-owned enterprises (the so-called profit of enterprises) and 2) in the form of centralised net income of the state (the so-called turnover tax, deductions from profits, accrued wages for social insurance purposes, etc.).

The national income created in the collective farm social economy is the property of the collective farms and also consists of two main parts: first, the product for themselves, distributed by labour among the collective farmers, and, secondly, the product for society. The product for itself, created by the collective farmers ‘labour in the collective farms’ social economy, takes the form of natural or monetary income received by collective farmers on workdays. In addition, collective farmers receive natural and

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<sup>1</sup> J. V. Stalin, Political Report of the Central Committee to the XVI Congress of the CPSU (b), Works, vol. 12, p. 321.



monetary benefits from their work in their personal and household farms. The product for society created on a collective farm represents the collective farm's net income. Part of the collective farm's net income goes to the development of collective farm production, to meet the collective farm's general needs, as well as the material and cultural needs of the collective farmers. The other part of the net income generated in the collective farm sector is converted through the price mechanism and income tax into the centralised net income of the State. In this way, the collective farms participate in the national expenditure of the state on expanding production in the city and country, on developing culture, strengthening the country's defence, and so on.

... the state embodies not only a part of the labour for society expended by the working class, but also a part of the labour for society expended by the collective-farm peasantry.

The distribution of the part of the national income that is generated in the fishing cooperative is as follows. The product created by the labour of workers of commercial production artels takes the form of their wages for itself. The product created by min for society takes the form of net income of cooperative fishing enterprises. Part of this income is spent on expanding production and meeting the needs of members of fishing artels. The other part is converted into centralised net income of the State through turnover tax and income tax.

This is how the formation of income forms in socialist society proceeds, obtained directly from material production. One part of the national income, which is the product created by the workers of production for themselves, takes the form of their income: the wages of workers and employees employed in production, the personal income of collective farmers and the wages of workers in the handicraft cooperatives. The product for society, which is the social income, takes the form of: net income of state enterprises, net income of collective farms and cooperative enterprises, centralised net income of the state. And as it was said that a certain

share of the net income of enterprises in the process of distribution of national income turns into a centralised net income of the state.

The distribution of national income is not limited to the formation of income in the sphere of material production. In the process of further distribution of the national income, mainly through the state budget, part of it is converted into the income of non-productive sectors and the workers employed in them. In a socialist society, the state spends large amounts of money on satisfying a number of social needs: on education, health care, on maintaining the state apparatus, strengthening the defence capability of the socialist country, etc. Socialist society cannot flourish without accumulating from year to year, without expanding social production. Without this, it could not satisfy the growing needs of the population.

From this follows the economic necessity of concentrating in the hands of the state a significant part of the national income in the form of a fund of money spent for the indicated purposes. This fund is formed almost entirely from the centralised net income of the state. Only a very small part of this fund is formed from income from the population (taxes and loans). The main role in concentrating funds in the hands of the state and distributing them for public needs is played by the state budget.

The part of the net income of society, spent by the state on socio-cultural needs and administration, takes the form of the wages of workers in science, education, health care, as well as employees of the state apparatus and military personnel. A significant part of the cultural and everyday needs of the urban and rural population (education, health care) is satisfied free of charge, at the expense of the state. Some of the cultural and community institutions and enterprises reimburse their expenses by paying for the services rendered to them by the population. The state pays pensions, allowances, stipends to the population, provides various benefits, leave with pay, etc. This increases the real wages of workers and employees, as well as the real incomes of the peasants.

Ultimately, the entire national income of the socialist society breaks up into a consumption fund and an accumulation fund.

The consumption fund is that part of the national income which is used to satisfy the personal material and cultural needs of the workers, peasants and intelligentsia. The consumption fund is formed primarily at the expense of the product created by the labour of production workers for themselves. In addition, a significant part of the consumption fund is formed by the state, collective farms, cooperation at the expense of the product for society, spent on socio-cultural needs. The increase in the consumption fund is the basis for the growth of the working people's income.

The incomes of the workers, peasants and intelligentsia under socialism grow steadily and rapidly because: 1) the continuous expansion of production makes it possible to draw into it an annually growing mass of the population, which is accompanied by an increase in the total income of the working people; 2) the average earnings of workers and employees and the average income of collective farmers increase annually, 3) increases in allocations from the state budget for culture, education and health care; 4) the funds received by the working people in the form of social insurance payments, social security payments, etc., are increasing. At the same time, the real incomes of the working people in a socialist society grow even faster than money incomes, since the state systematically reduces the prices of consumer goods.

The source of the steady rise in the material and cultural standard of living of the working people is the rapid and uninterrupted growth of production. To ensure this increase in production, it is necessary to turn part of the national income into the Accumulation Fund. The accumulation fund is a part of the national income of a socialist society used to expand socialist production in town and countryside, to increase the supply of funds for cultural and cultural purposes, including housing, and also to create reserves. The accumulation fund thus provides material conditions for raising and to improve socialist production on the

basis of higher technology and to further improve the well-being of the people.

To satisfy their personal material and cultural needs, both at the expense of a product for themselves and at the expense of a product for society, the working people of the USSR receive about three-quarters of the national income. The rest of the national income is used for socialist accumulation in town and country.

## BRIEF CONCLUSIONS

1. The national income of a socialist society is that part of the total social product which embodies the newly expended labor of the workers, peasants and intelligentsia engaged in production. Unlike capitalism, the entire national income under socialism belongs to the working people.

2. The national income under socialism grows many times faster than under capitalism, since socialism is freed from the anarchy of production, wastefulness and economic crises inherent in capitalism and ensures the planned and rational use of all resources. The growth of national income occurs, firstly, due to an increase in the productivity of social labour and, secondly, due to an increase in the number of workers employed in production.

3. The distribution of the national income under socialism takes place in accordance with the requirements of the basic economic law of socialism and the economic law of distribution according to work and leads to a rapid increase in the incomes of the working class, peasantry and intelligentsia. One of the important factors in the growth of working people's incomes is the expenditure of the state, collective farms, cooperatives, and public organisations on the social and cultural needs of the population. The growth of the national income under socialism is one of the main indicators of the improvement in the well-being of the working people.

4. In the final analysis, the national income of socialist society is divided into the consumption fund, which is used to meet the rapidly growing material and cultural needs of the people, and the accumulation fund, which creates the material conditions for the rapid and continuous growth and improvement of socialist production on the basis of higher technology.

## CHAPTER XXXVII. STATE BUDGET, CREDIT AND MONEY CIRCULATION UNDER SOCIALISM

**The financial system of socialism.** Commodity production and circulation, which exist in a socialist society, necessitate money and a monetary economy: money circulation, the state budget, credit, banks, savings banks, etc. Under socialism, money, credit, and other economic instruments associated with the law of value are used to ensure the ever-increasing production of products, to distribute national income in the interests of communist construction, and to improve the welfare of the people.

The monetary resources at the disposal of the State, as well as in the hands of collective farms and other cooperative enterprises, represent the finances of a socialist society. The planned accumulation and use of monetary resources is carried out by the financial system of socialism. The financial system of socialism consists of the state budget, credit, state social insurance, state property and personal insurance, the financial economy of state-owned enterprises, collective farms, and fishing cooperatives.

The material basis of the financial system of socialism is socialist production. The continuous growth of production at a high rate leads to the steady strengthening and development of the financial system of socialism. At the same time, through the financial system, the socialist state systematically influences the development of production and the distribution of the total social product in accordance with the requirements of the basic one. the economic law of socialism.

The financial system expresses relations related to the entire economic turnover in the country, with the production and distribution of the total social product in monetary form, as well as with the distribution of national income among the sectors of

socialist production between individual enterprises, between society as a whole and its individual members.

The main link in the financial system of socialism is state centralised finance. The centralisation of monetary resources is necessary for the state to perform its economic, organisational, cultural and educational functions, to ensure the continuous expansion of socialist production, to maintain social and cultural institutions, the army, and so on.

The body of the Council of State, draining its financial support, and the apparatus of its financial activity; in the field of the budget—financial in the region of credit—banks of the Cashier, in the field of property and personal insurance—state insurance institutions. State social insurance in the Soviet Union is administered by the trade unions. All financial, credit and state insurance agencies are united by the USSR Ministry of Finance.

The mobilisation and use of funds by the state is connected with its exercise of financial control over the economic activities of enterprises, over the observance of state financial discipline by all enterprises and economic organisations.

**The budget of the socialist state.** The most important role in the financial system of socialism is played by the state budget. The state budget is a form of centralised distribution of a part of the national income to meet the needs of the whole society. It has a revenue part, consisting of funds coming into the direct disposal of the state, and an expenditure part, providing for the use of these funds for the needs of society.

The state budget is based on the development of the entire national economy. It is organically connected with all incomes and expenditures of state enterprises and branches of the economy. The vast majority of the net income of society, created in state enterprises, goes to the budget. Capital construction in all branches of the national economy and the growth of the fixed and circulating funds of state enterprises are carried out largely at the expense of the budget. The budget is aligned with the finances of the collective

farms and other cooperative enterprises, the state, through the budget, provides them with financial assistance in the development of production, maintains schools, hospitals, etc. serving the collective farmers. Part of the income of the collective-farm sector goes to the budget and is spent on public needs.

Under socialism, the state budget acts as the main, nationwide financial plan for the formation and use of a centralised fund of monetary resources, which is an important component of the national economic plan. The State Budget of the USSR mobilises the funds of the national economy in strict accordance with the plan and distributes part of these funds among enterprises and branches of the economy, depending on the fulfilment by them of plan assignments. The budget contributes to the implementation of the austerity regime, serves as an instrument of control by the ruble over the implementation of plans for the production and circulation of goods, over the introduction of cost accounting and over the state of planning and financial discipline throughout the national economy.

The budget of a socialist state consists of revenues received mainly from the national economy, and the whole serves the interests of the workers. "Incomes, squeezed out by the exploiters from non-native labour, now remain in the hands of the working people and are used partly to expand production and attract new detachments of working people into production, partly to directly increase the incomes of the workers and peasants."<sup>1</sup>

The unified state budget of the USSR includes: 1) the all-Union budget and 2) the state budgets of the Union republics, which in turn consist of: a) republican budgets and b) local budgets. The leading place in the entire budget system is occupied by the all-Union budget, which concentrates the bulk of budget resources. The budget provides an opportunity to implement the principles of democratic centralism and a pre-socialist

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<sup>1</sup> 1. J. V. Stalin, Report to the 17th Party Congress on the work of the Executive Committee of the All-Union Communist Party of the Soviet Union (B), Works, vol. 13, p. 334.



national policy and a multinational socialist state. The state budget of the USSR shall be drawn up as a law by the Supreme Soviet of the USSR; The budgets of the Union republics are approved by the Supreme Soviets of these republics.

The revenue part of the state budget of the socialist country has as its main source the net income of society, created by the workers of the socialist undertaken. Thus, in 1951, the receipt of funds from the national economy accounted for more than 80% of all revenues of the state budget of the USSR.

The net income of socialist society goes to the budget mainly in the wind of the centralized net income of the state, including the so-called turnover tax deducted from the net income (profits) of state enterprises, accruals on wages for the needs of social insurance, income tax on collective farms and other cooperative enterprises, etc. The first two types of revenues constitute a decisive part of budget revenues. In 1951, they accounted for about two-thirds of all state budget revenues of the USSR.

One of the sources of revenues of the state budget is also the funds of the population, which come to the budget in the form of taxes and loans. Taxes from the population are a form of mandatory withdrawal to the budget of part of the individual income of members of society. Unlike capitalism, in a socialist society, taxes on the population constitute only a small part of the income of the working people and go to the general needs of the people. Tax payments of the population in 1951 accounted for only 9.4% of all revenues of the state budget of the USSR. All kinds of payments and benefits received by the population from the state, more than cover the amount of taxes from the population. Thus, in 1951, the working people of the USSR received payments and benefits from the state and benefits almost 3 times the amount of taxes paid by the population.

... it is a head start on the funds of the population for the needs of the whole society. By subscribing to the loan, the worker voluntarily transfers to the state for temporary use a part of their

hard-earned income. At the same time, loans are a form of savings for workers and bring income to the population in the form of winnings and interest. In the state budget of the USSR, revenues from this source in 1951 amounted to 7.9% of all revenues.

The expenditure part of the budget is made up of state funding, i.e. non-repayable disbursement of funds for the following main purposes: 1) development of the national economy, 2) social and cultural activities, 3) ensuring the state's defence capability, and 4) maintenance of state administration bodies. The bulk of the state budget of the USSR is spent on financing the national economy and on social and cultural measures; 67.5% of all expenditures of the state budget of the USSR were directed to these purposes in 1951.

In accordance with the economic needs of society, the socialist state annually spends huge budget funds on capital investments in all branches of the economy. The state budget of the USSR finances the extensive capital construction of new plants, mines, factories, power plants, state farms, MTS, dwellings, schools, hospitals, sanatoriums, etc. Part of the budget resources goes to increase the working capital of existing enterprises - in excess of the amounts left for this purpose from the net income of the enterprises themselves. State material reserves necessary for the planned management of the national economy and for the needs of the country's defence are created at the expense of budget funds. Budget financing is one of the largest factors in the development of the economy of the Soviet Union. For 1946-1950, state budget expenditures on the national economy amounted to 708.1 billion rubles.

To meet the growing needs of the members of socialist society, a significant share of the budget funds is spent on social and cultural measures that ensure a systematic increase in the material and cultural standard of living of the people. For this purpose, funds are allocated from the budget for the development of science, for education, health care, physical culture, for pensions and benefits, etc. In the five post-war years (1946-1950) alone, the Soviet state

spent 524.5 billion rubles of budgetary funds on social and cultural activities.

Part of the budget funds in a socialist society is spent on the maintenance of the state apparatus, which carries out large and multifaceted activities in the field of economic and cultural development. In the USSR, successively measures are being taken to reduce the cost of the administrative apparatus. In 1932, the cost of maintaining government bodies accounted for 4.2% of all budget funds, in 1940—3.9, in 1952—3%. Part of the budget is spent on strengthening the country's defence. In the Soviet Union, which is consistently pursuing a policy of peace, expenditures on the Armed Forces make up a comparatively small share of the budget. In 1952, 23.9% of the total budget expenditures were provided for these purposes, while in the United States expenditures for military purposes in 1952/53 reach 74% of the total budget.

The state budget in a socialist society grows systematically on the basis of the steady advance of the national economy. The rapid and uninterrupted growth of the national income under socialism leads to a steady increase in that part of it which goes to the state budget for the ever greater satisfaction of general state needs. The state budget of the USSR is notable for its stability and strength. The budgets of capitalist countries are, as a rule, in deficit. The budget of the USSR is not only deficit-free, but is constantly carried out with a significant excess of revenues over expenditures.

An integral part of state centralised finance is state social insurance.

State social insurance is a form of material support for workers and employees in case of permanent or temporary disability. Social insurance of workers and employees in the Soviet Union is carried out in full at the expense of the state or relevant cooperative organisations. The source of funds for this insurance is the net income of society, which is in the form of contributions from enterprises, organisations and institutions, calculated as a certain percentage of the total wages of workers and employees (payroll).

State social insurance funds, both in income and in expenditure, are included in the state budget and are spent by the trade unions.

State property and personal insurance is a form of financial mutual assistance organised by the state in mainly for collective-farm cooperative farms and the population in order to prevent and compensate for losses from natural disasters and accidents. Insurance in the USSR is a state monopoly.

**Credit under socialism.** One of the necessary economic instrumental in a socialist society is credit. The existence of credit is due to the fact that in the national economy, with on the one hand, there are free and temporarily released cash, and the other—there is a temporary need socialist enterprises in additional funds.

In the process of turnover of funds of state-owned enterprises, their capital is constantly in the form of money and is spent through ... the funds intended for the purchase of raw materials, fuel, whose reserves are renewed periodically, the Salary Fund is spent in parts throughout the year, the Depreciation Fund is systematically accumulated in cash, and is spent on the purchase of new machines, equipment, construction of buildings or their overhaul only at certain intervals. The net income of the enterprise is used for capital construction purposes after a sufficient amount has been accumulated for this. Thus, each state-owned enterprise has temporarily free funds. Temporarily free monetary funds are also available in collective farms in the form of contributions to indivisible funds, monetary income not yet distributed among collective farmers, etc. In the course of budget implementation, temporarily free funds appear in the form of excess of income over expenses, balances on current accounts of budgetary institutions and special budget funds, the growth of workers' incomes is accompanied by the formation of free cash.

At the same time, individual socialist enterprises and economic organisations periodically have a temporary need for funds, for example, for seasonal procurement of raw materials, etc. Thus, there is an economic need for a loan. Crediting under socialism is a

form of mobilisation by the state of temporarily free funds and their systematic use, on conditional repayment, to meet national economic needs. In contrast to capitalism, there is no loan capital in the socialist economy, the issue of shares by enterprises, which are the most important object of banking activity under capitalism, is excluded.

Temporarily free funds are mobilised in a socialist society by state credit institutions: banks and savings banks. Enterprises that are on an economic settlement are obliged to keep their funds in a settlement account with a state bank. The funds of collective farms are kept in current accounts in the State Bank or in savings banks. The state bank also holds free budget funds. Credit served as a form of mobilisation, free funds of the population by attracting deposits to state savings banks. The state, concentrating temporarily free funds flowing into banks and savings banks, then uses them through credit for the development of the socialist economy.

The loan provided by banks is divided into short-term and long-term. A short-term loan serves the movement of working capital of state-owned enterprises, collective farms, and other cooperative enterprises. the long-term loan serves the primary area of capital construction. In the form of long-term loans, the state agency provides assistance to collective farms and cooperative associations (for economic establishment) and individual workers (for individual housing construction). State-owned enterprises receive funds from the state for capital investments, as a rule, in the order of irrevocable budget financing, but also make capital investments at the expense of their own resources: from the depreciation fund and in denominations of 1, 2 and 5 rubles and a small metal change coin. Soviet money is a sign of gold.

**Banks in a socialist society.** Credit in the national economy of the USSR is carried out by banks and savings banks. Banking is concentrated in the hands of the socialist state. Banks under socialism, while retaining the old form, changed their content, acquired new functions in comparison with capitalist

banks. Banks in a socialist society are state institutions engaged in the systematic mobilisation of temporarily available funds and the use of these funds for the development of the socialist economy.

The banking system of the Soviet Union includes the State Bank of the USSR and special state banks for long-term investments. The leading role in the banking system is played by the State Bank.

The State Bank of the USSR is an issuing bank, a short-term lending bank and a settlement centre of the country. It performs the following functions:

Firstly, it issues money according to plan in the manner determined by the Government of the USSR, and regulates monetary circulation.

Secondly, it provides cash services to the national economy, that is, it concentrates cash from socialist enterprises, state and public organisations in its cash desks and issues cash to them for current payments.

Thirdly, it provides a short-term loan to enterprises and economic organisations of all branches of the national economy (Except construction organisations) that are on the economic calculation.

Fourthly, it serves as a clearing centre, that is, it organises and performs monetary settlements in the country between enterprises, institutions and organisations.

Fifthly, it performs cash execution of the budget: accepts the amounts of payments to the state budget, issues budget funds strictly for the intended purpose within the limits of open allocations, keeps records of budget revenues and expenditures.

Sixthly, it stores the country's foreign exchange funds and makes settlements on trade and other economic transactions between the USSR and foreign countries; some of these settlements are carried out through the Bank for Foreign Trade of the USSR (Vneshtorgbank).

Using the function of money as a means of payment, the State Bank organises and develops non-cash payments in the national economy. Monetary settlements between enterprises and

organisations are carried out by transferring sums of money from the accounts of some enterprises or organisations to the accounts of others — on behalf of the account holders. Cash settlements between enterprises are allowed only for small payments. Non-cash settlements accelerate the turnover of cash deposits and material goods, contribute to the strengthening of the monetary system.

The State Bank of the USSR has an extensive apparatus. Its institutions are available in republican, regional, regional and almost all district centres of the country. Through the organisation of settlements through settlement accounts and through credit operations, the State Bank monitors the implementation of income plans by enterprises and business organisations, the expenditure of its own and borrowed funds for the intended purpose and takes measures to strengthen payment discipline.

Long-term investment banks serve certain branches of the socialist economy. Their main function is financing and long-term lending of capital investments of enterprises of the relevant industries. All funds allocated in a planned manner for capital investments are concentrated in the relevant banks. These banks make all calculations for construction, issue funds for construction work and control their spending in accordance with the plan.

In the USSR, there are: a bank for financing capital investments of state enterprises and construction organisations of industry, transport and communications (Prombank), a bank for financing capital investments of state enterprises and organisations of agriculture and forestry, for long-term lending to collective farms and rural population (Agricultural Bank); a bank for financing capital investments of trade and cooperation (Torebank) and the Central the Bank for the financing of public utilities and housing construction (Decombank).

Contributing to the strengthening of the regime of economy and economic calculation, banks exercise ruble control over production and circulation, firstly, by financing the activities that are provided for in the plan, and depending on the progress of the plan, secondly, by implementing loan repayment requirements in

accordance with the deadlines of the planned tasks and, in-third, by applying appropriate sanctions in case of violation of the procedure for using funds and the repayment period of the loan (for example, charging increased interest and depriving the right to further lending).

The activity of banks is carried out on the basis of economic calculation. The net income of the bank is the difference between the amount of interest earned, on the one hand, and the amount of interest paid, as well as the costs of maintaining the banking apparatus, on the other hand.

State savings banks accept cash deposits from both individual citizens and from collective farms and public organisations, paying no to deposits... Systematically, the growth of the population's deposits in savings banks is an indicator of the continuous improvement of the material well-being of workers. Savings banks also carry out operations related to government loans: payment of losses, interest, etc.

**Money circulation under socialism.** As has already been said, the stability of Soviet money is primarily ensured by the enormous amount of commodity masses in the hands of the state, which are put into circulation at fixed prices. In addition, the Soviet currency has its own gold backing.

Soviet money is issued in the form of bank notes (banknote) worth 10, 25, 50 and 100 rubles. The banknotes are backed by gold, precious metals and other assets of the State Bank of the USSR. In addition to the banknotes in circulation, there are state treasury notes in denominations of 1, 2 and 5 rubles and a small metal change coin. Soviet money is a sign of gold.

Money circulation in a socialist economy takes place in accordance with the economic law, according to which the amount of money necessary for the circulation of commodities is determined by the sum of the prices of commodities in circulation and the number of revolutions of the same monetary unit. Cashless payments, carried out in the process of collapse of goods, reduce



the need for cash. The total amount of money in circulation rammed into the society for a certain period is, moreover, dependent on the amounts of current payments in cash made in the society during this time. Such payments in a socialist society include the payment of wages, the issuance of cash income for workdays, payment of winnings, etc. The current payments of the population are: rent payments, taxes, deposits, etc.

Thus, the amount of money needed for circulation in a socialist economy is determined by the sum of the prices of commodities sold for cash, the rate of turnover of monetary units, and the sums of current payments to the population and receipts from them in cash.

Based on the economic law of money circulation, the socialist state exercises planned management circulation of money in the country.

The planning of monetary circulation in the USSR is carried out by the government, and the operational regulation of the collapse of money is Ministry of Finance through the State Bank. In the Soviet Union, the State Bank of the USSR issues money into circulation. The bulk of the cash issued by the State Bank goes, in accordance with the plan, to pay wages and to pay for the procurement of agricultural products. On the other hand, the main channel through which cash is returned to the bank is the proceeds of trade organisations, transport and communications enterprises, which are daily transferred to the bank.

Cash is also issued from the State Bank to pay interest, winnings and redeemable government loan bonds, as well as to pay pensions, benefits, insurance premiums, to pay small bills, etc. The state Bank regularly receives money from taxes and other payments to the budget, deposits in savings banks, insurance premiums, etc. Thus, the money supply continuously passes through the cash desks of the State Bank.

The ratio between the monetary income of the population, on the one hand, and the volume of trade, as well as paid services provided to the population, on the other hand, is one of the main

conditions affecting monetary circulation. In order to reveal these correlations and ensure in the national economic plan the necessary proportions between the growth of the population's money income and the growth of the opposing mass of commodities and paid services, a balance of the population's money incomes and expenditures is drawn up. This balance takes into account all the forthcoming cash income and expenditures of the population during the planned period of time.

Certain ratios in the movement of funds provided for individual elements of the national economic plan (wage fund, trade turnover, state budget, etc.), allow you to set the necessary planning targets in the field of monetary circulation.

The main tool for planning monetary circulation is the cash plan of the State Bank, approved by the government. The cash plan is a plan of cash turnover of all parts of the State Bank system. The cash plan shows all cash receipts to the State Bank expected during the planned period and all cash withdrawals from the bank's cash desk. The cash plan is drawn up taking into account the balance of cash incomes and expenditures of the population, plans for retail trade, procurement of agricultural products, the payroll fund for workers and employees, and other indicators that determine the amount of cash receipts and disbursements.

The State Bank also regulates the circulation of money in the country through a credit plan. The excess of funds attracted by the bank over the loans issued by it provides the possibility of withdrawing part of the money from circulation. Conversely, if the loans issued by the bank exceed the borrowed funds, then there is a need to issue (that is, additionally issue) money. The withdrawal of money from circulation and the emission are envisaged in the cash plan.

The planned organisation of money circulation makes it possible to increase or decrease the amount of cash and to have in every period of time in every region of the country and in the whole the country as a whole has such an amount of cash that is reluctant

... to increase the circulation of money, increase the purchasing power of the ruble.

To strengthen the monetary system of the USSR, the monetary reform carried out at the end of 1947 was of great importance.

The monetary reform consisted in the fact that older, to a certain extent depreciated during the war, money was exchanged under certain conditions for new, full-fledged money of the 1947 model. carried out in the interests of the workers. The wages of workers and employees after the reform continued to be paid in the same amounts, but in new, full-fledged money. The monetary reform was accompanied by a reduction in commodity prices.

The regularisation of monetary circulation, the growth in the production of consumer goods and retail trade, and the decline in commodity prices led to an increase in the purchasing power and exchange rate of the ruble. In view of this, the Soviet government raised the price from March 1, 1950, the official exchange rate of the ruble, and the calculation of the ruble exchange rate became known not on the basis of the dollar, as it was established in 1937, but on a more stable, golden basis, in accordance with the gold content of the ruble.

The monetary reform of 1947 eliminated the consequences of the war in the field of monetary circulation, restored the full-fledged Soviet ruble, strengthened the importance of money in the national economy, facilitated the transition to trade at uniform prices without cards, led to an increase in the real wages of workers and employees, to an increase in the real incomes of rural population.

Under socialism there is a state currency monopoly, that is, the concentration in the hands of the socialist state of all settlements with foreign states. The state currency monopoly and the foreign trade monopoly make the Soviet currency independent of the fluctuating conditions of the capitalist market. This independence is being consolidated more and more thanks to the accumulated gold reserves and the active trade and active balance of trade and payments of the USSR.

## BRIEF CONCLUSIONS

1. The financial system of socialism includes the state budget, credit, state social insurance, state property and personal insurance, and the financial management of state-owned enterprises, collective farms, and industrial cooperatives.

2. The state budget is a form of systematic distribution of a part of the national income to meet the needs of the whole nation. The main source of budget revenue is the company's net income, which is mainly used to finance economic and cultural construction.

3. Credit. in a socialist society, it is a form of state mobilisation of temporarily available funds in the country and their systematic use in the national economy on the terms of repayment. Interest is a fee established by the state for the temporary use of borrowed funds. The source of interest is the net income of enterprises. Credit is provided by banks and savings banks. In the USSR, there are two types of banks: the State Bank, which is an issue bank, a bank of short-term lending and the settlement centre of the country, and state special banks for early investments. Banks exercise ruble control over production and circulation, and help strengthen economic settlement.

4. Based on the law of money circulation, the socialist State exercises planned management of the circulation of money in the country. Through the planned organisation of money circulation in a socialist economy, a correspondence is achieved between the mass of cash and the needs of commodity circulation in money, and an increase in the purchasing power of the ruble is ensured.

## CHAPTER XXXVIII. SOCIALIST REPRODUCTION

**The essence of socialist reproduction.** The condition for the existence and development of a socialist society, like any other society, is the constant renewal of the production of material goods, that is, reproduction. If production has a socialist form, then reproduction has the same form.

The main propositions of the Marxist theory of reproduction - on the division of social production into the production of means of production and the production of consumer goods, on the relationship between these divisions of social production, on the predominant growth of the production of means of production under extended reproduction, on accumulation as the only source of extended reproduction, on education and the purpose of public funds—are valid not only for capitalism, but also for the and especially for socialism. Socialist ... application of these provisions in the planning of the national economy.

At the same time, reproduction under socialism is fundamentally different from reproduction under capitalism.

In accordance with the requirements of the basic economic law of modern capitalism, capitalist reproduction is subordinated to the task of ensuring maximum profit for capitalists. In accordance with the requirements of the basic economic law of socialism, socialist reproduction is subordinated to the goal of ensuring the maximum satisfaction of the constantly growing material and cultural needs of the entire society.

In contrast to the traditional nature of capitalist reproduction, socialist reproduction is carried out systematically. Proceeding from the requirements of the law of planned development of the national economy and in accordance with the requirements of the basic economic law of socialism, the socialist state determines in a planned manner the pace of development of the national economy, the proportions and connections between industries, the volume of

accumulated income and consumption, and the process of reproduction as a whole.

Capital reproduction is periodically interrupted by economic crises of overproduction. The socialist mode of production is characterised by planned and continuous expanded reproduction, which is carried out at an accelerated pace.

The process of reproduction, taken as a whole, is first of all, reproduction of the social product and its leading component—the means of production. The decisive role in the process of reproduction of the social product belongs to the production of tools. Continuous multiplication and improvement of tools is the basis of technological progress. Socialist reproduction is carried out on the basis of higher technology.

In the process of production, along with the tools of labour, other elements of the means of production are reproduced on an expanded basis: the old ones are expanded and new factory buildings are built, new vehicles are created, the production of raw materials is completed, and so on.

A socialist society is characterised by a high rate of reproduction of the social product. This is primarily due to the absence under socialism of the exploiting classes and their parasitic servants, the absence of crises and unemployment, the full and expedient use of the labour resources of society, and the systematic and rapid increase in the productivity of social labour that is inaccessible to capitalism. High rates of growth of the social product are further conditioned by socialist competition, socialist methods of economic management, consistent implementation of the economy regime, full use of national economic funds, strengthened economic calculation, and reduced production costs.

The following data testify to the high levels of socialist production based on higher technology, with the decisive role of the instruments of labour. The gross output of large-scale industry in the USSR in 1952 compared with 1913 increased (in comparable prices) 27 times, the production of means of production—47 times, the production of electricity—60 times, mechanical engineering and

metalworking—118 times. In 1952, the USSR produced over 30 times more machinery and equipment than in 1940. The total social product in the USSR increased only in the period from 1928 to 1952 (at comparable prices) by 9 times.

In the process of socialist reproduction, the labour force is reproduced. The planned supply of labour force to enterprises is one of the fundamental conditions for expanded socialist reproduction. With the growth of the national economy, the size of the working class is steadily increasing. The recruitment of labour force in all branches of social production is carried out in an organised manner by the organs of the socialist state and by the enterprises themselves. The provision of production with qualified personnel occurs through the state system of training labour reserves, through a special network of schools, courses, technical schools and higher educational institutions, in accordance with the needs of the national economy. Labour resources are distributed according to the branches of the public production and individual enterprises. A characteristic feature of the reproduction of cadres is the constant improvement of the skill level and culture of the entire mass of workers.

Expanded reproduction under socialism is at the same time expanded reproduction. socialist production relations.

Expanded reproduction and socialist production relations means the reproduction of: a) socialist property in its two forms—state and cooperative-collective farm, b) relations of comradely cooperation and socialist mutual assistance of workers in the process of producing material goods, c) mutual relations of workers in the distribution of consumer goods in accordance with the guiding principle of social life under socialism—from each according to his ability, to each according to his work.

Socialist production relations are free from the deepest contradictions inherent in capitalist production relations. The reproduction of capitalist production relations means the intensification of the exploitation of labour by capital, the growth and deepening of class contradictions between the exploiters and

the exploited, which inevitably leads to the revolutionary downfall of capitalism. Reproduction ... of an alliance of friendly classes—the working class, the peasantry—and the intelligentsia inextricably linked with these classes, the strengthening of the moral and political unity of society, the gradual erasure of all class boundaries and social differences between people. In the process of expanded socialist reproduction, a gradual transition from socialism to communism is taking place.

**National wealth of a socialist society.** Composition of the total social product. All the material goods at the disposal of socialist society constitute its national wealth.

The first element of the national wealth of a socialist society is the production assets of the national economy, that is, the means of production, which are subdivided into: a) fixed production assets and b) circulating production assets of the national economy.

The main production assets of the national economy are state or cooperative-collective-farm means of labour functioning in all branches of material production (production buildings, machines, structures, etc.). The circulating production assets of the national economy are the resources of labour that are both in the process of production and in the reserves of state enterprises, collective farms and other cooperative organisations (raw materials, fuel, etc.).

The second element of national wealth is the circulation funds of the national economy. These include the stocks of ready-made products, located in the warehouses of state production enterprises, collective farms, artels of trade cooperation, state and cooperative trade enterprises and organisations.

The third element of national wealth is the state and collective farm material reserves for production, food reserves, and insurance reserves.

The fourth element of national wealth is capital and industrial funds, which are state or cooperative-collective farm property that serves the purposes of non-productive consumption for a long time:



housing stock, buildings of cultural and community institutions—schools, theatres, clubs, hospitals, etc. with their equipment.

Such are the elements of national wealth, which are public, socialist property.

The composition of the national wealth also includes the personal property of the population, personal property, which is multiplied on the basis of the continuous growth of socialist property.

The accumulated production experience, the knowledge and qualifications of the workers of socialist society, and the diverse spiritual wealth of the country play an important role in the reproduction of material wealth. “The degree of skill of the present population is always the prerequisite for all production, hence the main accumulation of wealth”<sup>1</sup>.

The national wealth of a socialist society also includes natural resources involved in the process of reproduction (deposits of minerals, forests, water, etc.).

The national wealth of socialist society is fundamentally different from the national wealth of bourgeois society. Under capitalism, the vast majority of the national wealth belongs to the exploiting classes, and the growth of wealth occurs in the form of capital accumulation; leading to the impoverishment of the masses. Capitalist relations give rise to fictitious wealth represented by shares, the price of land, etc. Under socialism, all national wealth is the property of either the state, that is, of the entire people, or of collective farms and other cooperative associations, but only the personal property of citizens. Socialism knows no fictitious wealth, all the wealth of socialist society is real wealth. The national wealth of socialist society is steadily growing. With the growth of national wealth, the material well-being and cultural level of the entire people are systematically raised.

During the years of the Soviet five-year plans, the national wealth of the USSR has been multiplied enormously. Thus, only the

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<sup>1</sup> K. Marx, *Theories of Surplus Value*, vol. 1, 1936, p. 229.

basic production assets of the people's production increased in 1940, compared with 1913, by 6 times, and in 1950 by 8 times.

If the national wealth includes all the material goods that a socialist society has, then the total social product includes the material goods created in society over a certain period of time, for example, a year.

The reproduction of the social product under socialism is carried out in two forms: a) in kind and b) in value, or in money. According to its natural material form, the entire production of socialist society is divided into two large subdivisions: the production of means of production intended to re-enter the production process (subdivision I), and the production of consumer goods intended to satisfy the needs of the working people (II subdivision). Accordingly, the entire mass of the annual product is divided into means of production and consumer goods. Expanded socialist reproduction requires a constant renewal and increase in production as means of production and consumer goods in a certain proportion, established by the national economic plan, in accordance with the requirements of the basic economic law of socialism and the law of planned (proportional) development of the national economy.

In terms of value, the social product is divided into: 1) the value of the consumed means of production, which is transferred to product (in this case, we mean only the use of the Value Form, for accounting, calculation); 2) the value of consumer goods produced by labour for oneself; 3) the value of products produced by labour for society. The socio-economic nature of each of these parts of the value of the social product is fundamentally different from that under cannibalism. Instead of constant and variable capital in the process ... there are funds, and instead of surplus value—the net income of society.

The process of socialist reproduction presupposes, first of all, the planned replacement of the consumed means of production at the expense of a certain part of the total social product in kind and for value. Compensation of fixed assets in kind occurs through

partial or complete replacement of machines, buildings, structures. Reimbursement of fixed assets at cost carried out through depreciation. The depreciation background of the national economy of the USSR is intended to provide capital repair of fixed assets during the entire period of their operation and reimbursement of the cost of consumed fixed assets.

Further, the process of socialist reproduction presupposes that the articles of consumption, distributed according to work and used up to cover the personal needs of workers in material production and their families, must be newly created by the labour of these workers for themselves.

Finally, in the process of socialist reproduction, the workers of material production create with their labour a product for society, which is intended for the socialist accumulation and satisfaction of social material and cultural needs (education, health care, defence, defence of the country).

**The relationship between the first and second divisions of social production.** In accordance with the requirements of the basic economic law of socialism and the law of planned (proportional) development of the national economy, in the process of socialist reproduction, the necessary proportions are established in a planned manner between the production of means of production and the production of consumer goods, between the various branches of the national economy, between production and circulation, between accumulation, consumption and reserves, etc.

The most important proportion of socialist reproduction is the correct correlation between the first and second divisions of social production. At the same time, the first division that produces the means of production plays a decisive role in the entire economy. The continuous growth of the national economy is possible only if the production of means of production increases more rapidly. Without a predominant increase in the production of means of production, extended reproduction is generally impossible. The predominant growth in the production of means of production

(primarily tools of labour) creates the material basis for the widespread introduction of the latest technology in all branches of socialist production and for a systematic increase in labour productivity, for a constant increase in production in all branches of the national economy. Thus, an increase in the share of machine-building and electricity production makes it possible to electrify the entire national economy and create the material and production base of communism.

A predominant increase in the production of means of production means a more rapid development of industry in comparison with agriculture. Under socialism, such proportions are established between industry and agriculture that ensure the steady growth of not only industrial but also agricultural production.

Thus, extended socialist reproduction, accompanied by rapid technological progress, is characterised by a rise in production in which the growth of industries producing means of production (division I) is faster than the growth of industries producing consumer goods (division II). At the same time, there is a constant and significant absolute increase in the production of consumer goods in socialist society, which is reflected in a rapid increase in the output of agriculture, food and light industry, in the expansion of housing construction in cities and villages, and in the expansion of Soviet trade.

How does the exchange take place under socialism between the first and second divisions of social production and within each of them?

First, there is an exchange between different branches of the ICO.

One part of the means of production created in division I remains in the same division and provides simple reproduction: the means of production produced go to compensate for the means and objects of labour that have been partially or completely eliminated (renewal of spent raw material reserves, replacement of worn-out machinery, major repairs of equipment, etc.); the other part of the means of production provides various branches of the economy

included in Division I. Thus, for example, the coal and oil industries provide fuel for the machine-building industry and receive the necessary equipment from it; metallurgy, supplying the construction industry with the metal it needs, in turn uses the raw materials of the ore industry to increase metal smelting, etc.

Thus, between the branches of Division I, a systematic exchange of means of production is carried out, which serve the purpose of maintaining and expanding production in these branches. As already mentioned, within the state production sector, the means of production produced are not traded between industries as commodities, but are distributed in the order of material and technical supply and only outwardly retain the form of goods.

... passes through between different branches of Division II. The products of Division II consist of personal consumption items. One part of the consumer goods produced in division II are exchanged through the channels of commodity circulation for the wages of workers and employees, for the monetary income of collective farmers, and goes to the personal consumption of employees of this division. A certain amount of consumer goods produced on collective farms; distributed and consumed on the same collective farms, without taking the commodity form and without passing through the channels of market circulation.

Third, there is an exchange between divisions I and II. Part of the means of production produced in Division I must be used to compensate for the means of labour that have been partially or completely disposed of, and to renew the spent reserves of raw materials, fuel, and other materials. In the branches of division II, as well as to increase the means of labour, reserves of raw materials, fuel and materials of this division necessary for expanded reproduction. Part of the consumer goods produced in Division II is exchanged through the retail network for the wages of employees of division I. The rate of expansion of production and technological progress in the branches of division II depend primarily on the quantity and quality of the means of production that they receive

from division I. This determines the leading role of division I in relation to division II.

Lenin pointed out that Marx's formula of correlation between the First and second divisions of social production ( $lv + m$  to  $II\ c$ ) remains valid for both socialism and communism. At the same time, of course, the socio-economic relations that are hidden behind this formula are radically changing. In the case of extended socialist reproduction, Division I must produce such an amount of means of production as is necessary to ensure the continuous growth of production on the basis of higher technology in both divisions, with the predominant growth of division I. On the other hand, the second division must produce consumer goods in the amount necessary to meet the constantly growing needs of both former and newly engaged employees of both divisions, as well as those employed in non-productive industries. In each given period, part of the produced means of production and consumer goods is used to increase reserves.

In the conditions of anarchy of capitalist production and limited effective demand of the working masses, the most difficult problem of capitalist reproduction is the problem of the realisation of the social product. The systematic and crisis-free development of socialist production faces difficulties in its implementation, since the steady growth of the purchasing power of the population creates an ever-expanding demand for industrial and agricultural products. This does not mean, however, that in the course of extended socialist reproduction, certain contradictions of a non-antagonistic nature cannot arise, causing violations of certain proportions in the national economy, such as miscalculations in planning due to insufficient consideration of the requirements of the law of planned development of the national economy, or natural disasters such as droughts and floods that negatively affect production. The socialist State creates the necessary reserves in order to prevent and eliminate the resulting individual imbalances in the national economy.

**Formation and purpose of public funds under socialism.** The social-national mode of production determines the character and corresponding forms of distribution of the total social product. Society, represented by the socialist state, systematically distributes the vast majority of the social product in accordance with the requirements of the basic economic law of socialism.

As already mentioned, the total social product, minus the part used to replace the means of production consumed, forms the national income of a socialist society. The national income is divided into two large funds: the accumulation fund, which provides for the continuous growth and improvement of socialist production, and the consumption fund, which provides for the satisfaction of the ever-growing material and cultural needs of the entire society.

Another part of the savings fund is used for capital construction of cultural and household purposes. This includes the implementation of extensive and increasing work on the construction of schools, hospitals, and public utilities.

Finally, the third part of the accumulation fund forms the reserve or insurance fund of the company. State reserves of raw materials, fuel, food, as well as reserve funds in collective farms help prevent interruptions in the reproduction process.

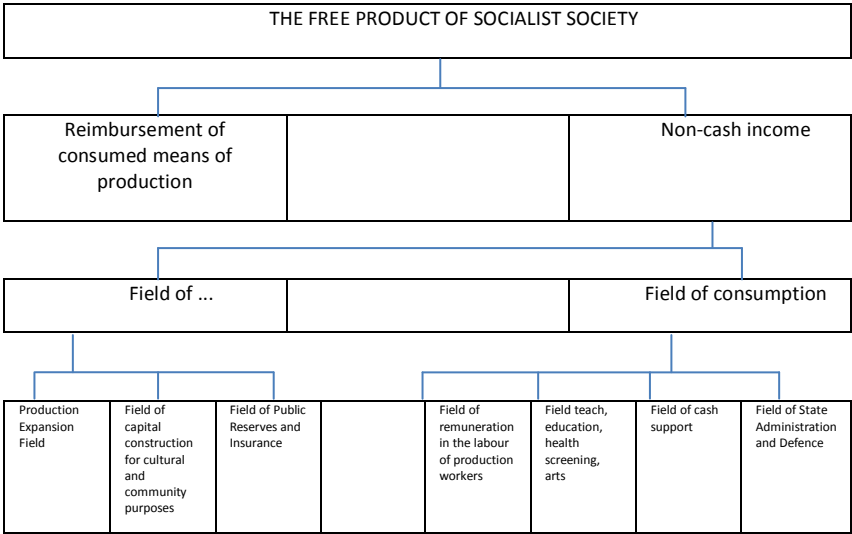
The consumption fund, in turn, consists of two parts: the main part of the consumption fund is the wage fund for workers in socialist production, which, in accordance with the economic law of distribution of labour, goes to the wages of workers employed in the production of employees, to pay for the labour of collective farmers, etc.; the other part... which undermines the diverse needs of socialist society as a whole.

Part of the public consumption fund is spent for social and cultural purposes: to cover the growing needs of socialist society in the field of science, education, health, art, and other areas of culture and everyday life. Employees of the cultural and consumer services sectors receive their salaries from this fund in accordance with the economic law of labour distribution.

A part of the public consumption fund is formed by the social security Fund. This fund serves the purpose of providing State assistance to mothers with many children, single mothers, children, old children, disabled people in accordance with the right granted by the Constitution of the USSR to provide material support for disabled and old-age children.

Part of the public consumption fund is used to cover the costs of management—the maintenance of the state apparatus. Part of the national income goes to the defence needs of the country. In the face of the danger of military attacks by foreign aggressors on the USSR, strengthening the defence capability of the country of socialism is of the utmost importance.

**Scheme of distribution of the total product in a socialist society**



As has already been pointed out, the predominant part (about 3/4) of the national income is spent on meeting the personal material and cultural needs of the working people in the U.S.S.R.



**Socialist accumulation.** Generation and consumption in a socialist society. The source of expanded socialist reproduction is social-economic accumulation. Socialist accumulation is the use of a part of the net income of society, consisting of the means of production and consumer goods, to expand production, as well as to form material reserves and increase non-productive social and cultural funds.

As a result of the socialist accumulation, an increase in material values that are owned by the state and cooperative-collective farms is formed, which means an increase in the national wealth of a socialist society. the accumulated share of national income also has a monetary value. The overwhelming majority of the monetary savings of all branches of the national economy and a part of the population's monetary resources are mobilised through the state budget for the needs of communist construction.

The socialist accumulated wealth is realised through capital investments in the national economy. Capital investment is a set of expenses that are spent in a certain period on the creation of new fixed assets, as well as on the reconstruction of existing fixed assets for production and non-production purposes. Capital investments in the national economy, to some extent, are used to compensate for the consumed fixed assets. The Soviet state systematically and systematically carries out gigantic capital works: the construction of new and expansion of existing factories and plants, power plants, mines and mines, the construction of state farms and machine-tractor stations, means of transport and communications, residential scrap yards, schools, hospitals, and children's institutions.

The volume of capital investments in the national economy of the USSR was: in 1929-1932— 5 billion rubles, in 1933-1937-16 billion, in 1946-1951— about 500 billion rubles. The bulk of capital investment goes to non-expanded socialist industry. Large industrial enterprises were built and put into operation at the expense of capital investments: during the first five—year plan-1500, during the second five—year plan-4500, during the

three and a half years of the third five—year plan-3000, during 1946-1951 about 7,000 state-owned industrial enterprises were restored and re-built, In addition to industrial and agricultural enterprises, many thousands of institutions were created cultural and domestic purposes.

Socialist accumulation is based on a steady increase in the productivity of social labour and a systematic reduction in the social costs of production.

The planned, crisis-free nature of the socialist economy, a high level of capital investment in the national economy ... and the rapid use of the means of production and labour resources in social production, the absence of parasitic consumption—all this leads to high rates of accumulation, unattainable under capitalism even in the most favourable periods of its development.

As mentioned above, the accumulated share of personal income in the United States for the period 1919-1928 averaged about 10%, and for the decade from 1929 to 1938—about 2%. In C, the socialistic accumulation fund (including reserves) accounts for about one-quarter of national income.

Socialism has eliminated the antagonistic contradiction between production and consumption that is characteristic of capitalism.

Expanded socialist reproduction means a steady increase not only in the means of production, but also in the objects of personal consumption.

Socialist society also does not know the division of consumer goods, which is inherent in capitalism and is connected with the existence of antagonistic classes, into the necessary means of consumption of the working masses and luxury goods, which are included only in the consumption fund of the exploiting classes. Under socialism, the entire fund of consumption goes to the working masses.

With the development of production, with the growth of national income, with the increase in the volume of socialist accumulation, the national consumption funds also grow, and the

social and personal needs of the working people are more and more fully met.

This means that under socialism, the inherent economic law of accumulation prevails. The law of socialist accumulation determines the continuous growth of national wealth by systematically using part of the net income to expand production in order to meet the growing needs of the entire society. In contrast to the general law of capitalist accumulation, by virtue of which the growth of the wealth of the exploiting classes is inevitably accompanied by the impoverishment of the working masses, the operation of the law of socialist accumulation leads to the fact that, along with the growth of national wealth, there is a systematic increase in the material and cultural level of the people. Thus, the law of socialist accumulation is determined by the basic economic law of socialism.

The Soviet state, in a planned manner, establishes for each period certain proportions between the accumulation fund and the consumption fund, proceeding from the fundamental tasks of communist construction.

In socialism, the capitalist law of population has completely lost its force, by virtue of which, in parallel with the growth of social wealth, an increasing part of the working population becomes redundant, is pushed out of production, replenishing the unemployed. The socialist system ensures full employment of the entire working-age population. Therefore, in socialism, there is no overpopulation. Constant and rapid population growth, a high level of material well-being of the people, low morbidity and mortality of the population with full and rational use of its able-bodied part—this is the essence of the socialist law of population.

From 1926 to 1939, the average annual net population growth in the USSR was about 2 million people, or 1.23%. For the same period, the average annual net population growth was: in Francine—0.08%, in Germain—0.62%, in Anglin—0.36%, in the USA — 0.67%. In recent years, the annual rapid population growth of the USSR is more than 3 million people.

Thus, socialist reproduction is characterised by a planned and continuous expansion of all social production, carried out at a high rate that is inaccessible to capitalism, a systematic and rapid increase in the entire population, including the working class and intelligentsia, and a steady increase in the material well-being and cultural level of the masses of the people.

## BRIEF CONCLUSIONS

1. Socialist reproduction is the continuous expanded reproduction of the total social product, labour power and socialist production relations. The advantages of the socialist national economy and its planned development determine the crisis-free growth of the socialist economy and high the pace of expanded socialist reproduction.

2. National wealth includes all material goods at the disposal of socialist society. The components of the national wealth are: the main and circulating production assets of the national economy, circulation funds, state and collective farm material reserves and insurance reserves, non-production funds, personal property of the population.

3. Reproduction of the social product is carried out in two forms: in kind and in value. In natural-material form, all production

The social product under socialism is divided into the production of means of production (Section I) and the production of consumer goods (Section II). In terms of value, the social product includes itself: the value of the consumed means of production, the value of the product for oneself, the value of the product for society. Extended socialist reproduction presupposes the necessary co-existence (proportionality) between all parts of the social product in terms of natural-material form and value.

4. The distribution of the social product under socialism ensures the steady expansion of socialist production in town and country, the strengthening of the country's economic might and defence capability, and maximum satisfaction continuously growing material and cultural needs of socialist society.

5. Socialist accumulation is the use of a part of the net income of society, consisting of the means of production and consumer

goods, to expand production, to form social reserves and to increase non-productive, socio-cultural funds. Socialism is free from the antagonistic contradiction between production and consumption inherent in capitalism. In contrast to the general law of capitalist accumulation, and by virtue of which the growth of the wealth of the exploiting classes is inevitably accompanied by the impoverishment of the working masses, the operation of the law of socialist accumulation leads to that along with the growth of national wealth there is a systematic rise in the material and cultural level of the people.

6. Under the socialist system, the capitalist law of population has lost its force. The socialist law of population is expressed in the constant and high growth of the population, in the rational and full use of its able-bodied part.

## CHAPTER XXXIX. GRADUAL TRANSITION FROM SOCIALISM TO COMMUNISM

**Two phases of communist society.** Communism is a necessary stage in the historical development of mankind.

Communism as a socio-economic formation has two phases of development: the lower, called socialism, and the higher, called communism. "Scientific is different between socialism and communism," wrote Lenin, "only that the first word means the first stage of a new society growing out of capitalism, the second word—a higher, further stage of it"<sup>1</sup>.

The economic basis of both phases is commercial ownership of the means of production. The dominance of public property determines the planned development of the national economy. Both phases of communist society are characterised by the absence of exploiting classes and the exploitation of man by man, of national and racial oppression. A common feature of socialism and communism is the duty of all citizens to work according to their ability. Both under socialism and under communism, the goal of production is man with his needs, that is, the satisfaction of his material and cultural needs, and the means to achieve this goal is the continuous growth and improvement of production on the basis of higher technology.

At the same time, the second phase of communism has significant differences from its first phase, being a higher stage in the economic and cultural maturity of communist society.

Already under socialism the productive forces reached a high level; Socialist industry and large-scale socialist agriculture are the most concentrated and most mechanised in the world, they are steadily developing at a high rate inaccessible to capitalism. But the productive forces of society and the productivity of workers are not yet sufficient to ensure an abundance of products. Communism

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<sup>1</sup> V. I. Lenin, The Great Foundation, Works, vol. 29, no. 4, p. 387.

presupposes such a level of development of the productive forces of society and the productivity of social labour, which will provide an abundance of material wealth, when, in the words of Marx, all sources of collective wealth will pour in full flow.

In contrast to socialism, where there are two forms of public, socialist property—state and cooperative-collective-farm property—communism will establish the undivided dominance of single communist ownership of the means of production.

If under socialism, under the conditions of the existence of two basic forms of socialist production—state and collective farm—commodity production and commodity circulation are preserved, then under communism, on the basis of a single communist property, a single form of communist production, there will be no commodity production and commodity circulation, and consequently no money.

Under socialism there is no longer any antithesis between town and country, between mental and physical labour, but essential differences between them still remain. Under communism there will be no essential differences between town and country, between mental and physical labour, and only insignificant differences between them will remain.

In socialist society there are two classes—the working class and the collective-farm peasantry—which are friendly to each other, but differing in their position in social production, there is also a socialist intelligentsia. With the abolition of the distinction between the two forms of socialist property, the boundaries between workers and peasants will be completely erased—they will all become workers in communist society. Communism is a classless society.

Under socialism, labour freed from exploitation is based on a high level of technology and has already become a matter of honour. At the same time, under socialism, full mechanisation of all production processes has not yet been achieved, and the negligent attitude towards work on the part of some members of society has not yet been overcome. Under communism, the work of all



members of society will be based on higher technology and conscious labour discipline. From a mere means of maintaining life, labour will be transformed in the eyes of society into the first necessity of life.

Communism provides all members of society with the flowering of their physical and mental abilities. All members of society will be cultured and comprehensively educated and will have the opportunity to freely choose a profession. Communism presupposes further development of science, art and culture unprecedented in history.

If the guiding principle of socialism is: “from each according to his ability, to each according to his work,” then the principle of communism is; “From each according to his ability, to each according to his need.”

**The possibility of building communism in one country. Communism in the state.** Communism in one country, as I. V. Stalin scientifically substantiated, is quite possible, especially in a country like the Soviet Union, even if there is still a capitalist encirclement.

The question of the victory of communism in one country has two aspects—internal and international.

The inner side of the question of the possibility of building communism in the USSR is to create the material and production base of communism, to achieve such a level of development of productive forces and labour productivity in industry and agriculture, which will ensure an abundance of material goods, to achieve the elimination of class differences between the working class and the collective farm peasantry, the elimination of the remnants of capitalism in the economy and the minds of people.

Socialist relations of production have opened up enormous possibilities for a powerful upsurge in all branches of the national economy. The Soviet Union has enormous material resources and natural resources necessary for building communism. Socialism develops on its own material and production base created by it,

which gives the movement towards communism an accelerated pace and unmatched power. Socialist emulation is a powerful factor accelerating the development of the Soviet economy along the road to communism.

The socialist state, led by the Communist Party, relying on the objective economic laws of socialism, mobilises the forces of the entire people for the construction communist society.

Thus, from the point of view of internal conditions, the Soviet Union has everything necessary for building a complete communist society.

The international aspect of the question of the possibility of building communism in the U.S.S.R. consists in the fact that the Soviet people are building communism under the rule of capitalism in most countries. While there is an imperialist camp hostile to socialism, there is also the danger of a military attack on the Soviet Union by the imperialist States.

Marx and Engels, proceeding from the assumption that socialism would triumph simultaneously in all countries or in the majority of civilised countries, came to the conclusion that the state under communism becomes unnecessary and will gradually wither away. Scientifically generalising the practice of socialist construction, Stalin gave a new formulation of the problem of the state under communism. To the question whether the state will be preserved in our country also in the period of communism, he gave the following answer: "Yes, it will be preserved if the capitalist encirclement is not liquidated, if the danger of it is clear that the forms of our state will again be changed in accordance with the change in the internal and external situation.

No, it will not survive and will die out if the capitalist encirclement is liquidated, if it is replaced by a socialist encirclement"<sup>1</sup>.

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<sup>1</sup> J. V. Stalin, Report at the 17th Party Congress on the work of the Central Committee of the All-Union Communist Party of Bolsheviks. Questions of Leninism, ed. II, 1952, p. 646.

A socialist state is necessary as long as there is a capitalist encirclement, as long as the danger of an attack on the U.S.S.R. by imperialist states is not eliminated. Until then, the Soviet Union, while pursuing a consistent policy of peace, must at the same time be ready to repel any enemy attack from outside. To do this, it is necessary to strengthen the socialist state in every possible way, increase the economic power of the country, and ensure its defence capability.

The Soviet country is no longer a lonely island surrounded by capitalist countries. The existence of a socialist camp is an important factor facilitating the construction of communism in the USSR.

**Continuous growth of all social production. Creation of the material and production base of communism.** The fulfilment of the world-historical task of building communism requires the creation of a new material and production base. capable of ensuring the transition from socialism to communism.

The material and production base of communism, which is being created in the USSR, is a large-scale machine production in the city and village, based on the development of the entire country, complex mechanisation and automation, and comprehensive chemicalisation of production processes. In terms of its scale and technical level, the material and production base of communism will be significantly higher than the material and production base of socialism.

The first basic precondition for preparing for the transition to communism is to firmly ensure the continuous growth of all social production, with the production of the means of production taking precedence. The predominant growth in the production of means of production creates material prerequisites for the constant expansion of production and its improvement on the basis of higher technology in order to achieve an abundance of consumer goods.

This requires a huge increase in production capacity in all sectors of the national economy, primarily in industry, through new

capital construction. In the USSR, hundreds and thousands of new enterprises are being built and designed, based entirely on the world's most advanced machinery and technology, with the creation and use of new types of raw materials and energy sources.

Lenin pointed out that the technical basis of all industrial and agricultural production under communism would be the electrification of the entire national economy, "Communism is Soviet power plus the electrification of the entire country."<sup>1</sup> This means that industry, transport and agriculture will be completely transferred to a new, higher technical base related to electrification.

Electrification of the entire national economy is the main characteristic of the material and production base of communism. In the context of the gradual transition from socialism to communism, electrification is being carried out on a huge scale. This is evidenced by the construction of the world's largest hydroelectric power stations in the USSR, which in their scale are second to none in the history of the USSR.

A socialist planned economy provides for the creation of a single high-voltage network connecting numerous power plants in various economic regions, which is impossible under capitalism due to the dominance of private property and the anarchy of production. Thus, the Kuibyshev and Stalingrad hydroelectric power stations will be the main strongholds of a single

high-voltage network on the territory of the European part of the USSR, which will connect individual regional power systems with main power lines.

Electrification of the entire national economy, as the main condition for creating the material and production base of communism, is inextricably linked with the comprehensive mechanisation of all labour processes, with the automation and chemicalisation of production, with the use of all the latest technological achievements. The electrification of production

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<sup>1</sup> V. I. Lenin. Report on the activities of the Council of People's Commissars at the VIII All-Russian Congress of Soviets, Essays, vol. 31, ed. 4, p. 484.

processes, the automatic system of machines radically change working conditions, lead to the replacement of unskilled labour by qualified labour, create the technical basis for the final elimination of the essential difference between mental and physical labour.

The national economy of the U.S.S.R. has already laid the foundations for further great transformations in the technique of production, leading to the level of development of the productive forces necessary for communism.

A remarkable achievement of the most advanced Soviet machine-building industry in the world is the creation of enterprises with complete complex mechanisation, with automatic lines of machine tools, automatic factories. For example, in 1951, more than 90% of district hydroelectric power stations had automated control of their units. A number of hydroelectric power stations are controlled by telemechanics. The capacity of Dhows transferred to remote control accounts for more than 50% of the total capacity of hydroelectric power plants. At the construction of hydraulic structures, earthworks are carried out with the help of a complex of cutting machines. Automated plants have been created for the production of concrete, each of which produces 2-4 thousand cubic meters of concrete per day. At these plants, all work is automated, starting from the feeding and weighing of raw materials to the delivery of finished concrete.

In the USSR, the world's first automatic plant for the production of pistons for automobile engines was created, where all processes, starting from the supply of raw materials and ending with the packaging of finished products, are fully automated. The plant is serviced by only a few employees. Such devices are a prototype of the technology of communist society.

If at present complex mechanisation of labour processes and automation act as heralds of innovations in the technical base of communism, then in time these great achievements of science and technology will be implemented in all branches of industrial and agricultural production.

Soviet science has mastered the methods of using intra-atomic energy. For the first time in the world, the USSR practically set the task of using this new type of energy for peaceful purposes. The use of atomic energy for the production of material goods, the further improvement of jet technology, radio engineering, telemechanics, etc. open up unprecedented opportunities for improving production and increasing labour productivity. All this will inevitably lead to a huge acceleration of economic development and ensure the level of productive forces necessary for the transition to communism.

**Raising collective farm property to the level of national ownership. Eliminating the essential distinction between town and country.** The growth of the productive forces of a socialist society will also necessitate changes in the sphere of production relations; at the highest stage of communism, production relations will be based on a single, nationwide communist ownership of the means of production. The transition to unified communist ownership requires the full strengthening and further development of state (national) ownership and the raising of collective-farm and cooperative ownership to the level of national ownership, as well as the replacement of commodity circulation by a system of product exchange through gradual transitions. The realisation of this task is the second main precondition for the transition to communism. On the basis of a single communist ownership, the essential distinction between town and country will disappear.

The essential difference between town and country, between industry and agriculture, between the workers and the collective-farm peasantry, lies under socialism in the fact that industry is state (national) property, whereas in agriculture there is group collective-farm property. In industry, electrification, mechanisation, automation, and chemicalisation of production have been implemented to a greater extent. Despite a genuine cultural revolution in the countryside, the cultural level of the rural

population as a whole has not yet reached the cultural level of the urban population.

The elimination of the essential distinction between town and country occurs in the process of building communism. The decisive force on the way to abolishing the essential distinction between town and country, between industry and agriculture, is socialist industry. Only further comprehensive development of large-scale industry will make it possible to fully implement comprehensive mechanisation of all branches of agriculture.

Socialist industry carries out its transformative role in relation to agriculture primarily through machine and tractor stations, which determine the development of collective farm production. Machine and tractor stations, as the most important industrial centres of socialist agriculture and the promoters of high agricultural culture, are increasingly embracing agricultural production, and State farms are strengthening their role as examples of the largest and most highly mechanised agriculture.

Electrification is the most important means of bringing the village closer to the city. New powerful hydroelectric power stations will provide a huge amount of electricity not only for industrial, but also for agricultural production. In terms of electrification of field production, the USSR already ranks first in the world—an electric tractor and an electric combine were invented and used in production. The basis of agricultural electrification will be large state-owned power plants. Along with them, there is extensive construction of small collective farm power plants. Electric machine and tractor stations are becoming the main points of integrated electrification of agriculture. Some of them already serve collective farm production. They represent not only new energy bases for agriculture, but also powerful centres of culture.

The development of rail, road, water and air transport, the transmission of electricity over long distances, the improvement and widespread distribution of radio and television are important means of economic and cultural rapprochement between the village and the city. Thanks to these achievements of science and

technology, the village gets the opportunity to enjoy all the benefits of culture along with the urban population.

The agricultural artel is the main form of collective farms during the period of gradual transition from socialism to communism. Collective farms carry out systematic work to ensure high and stable yields by irrigating the lands of arid areas, draining swamps, introducing grass-field crop rotations in large areas, rational placement of agricultural crops, using advanced agricultural equipment, etc. In contrast to capitalism, which is rapaciously draining the soil, the socialist system of agriculture provides for an increase in soil fertility. Armed with the help of the MTS with advanced equipment, collective farms are successfully developing their social economy, which is the basis for creating an abundance of agricultural products.

With the strengthening and development of the social economy, collective farms consistently solve the problems of cultural, household and housing construction. The rapidly growing social economy of collective farms will increasingly meet the diverse personal needs of collective farmers. This will eventually lead to the fact that there will be no economic need to maintain a subsidiary farm on the household plot.

On the basis of further strengthening and development of the international production base of collective farm production, the prerequisites will gradually be created for the transformation of the agricultural artel into a highly developed agricultural commune, the highest form of collective farm movement. "The future commune will grow out of a developed and prosperous artel. The future agricultural commune will arise when the fields and farms of the artel will have an abundance of grain, livestock, poultry, vegetables, and all sorts of other products, when the artels will have mechanised laundries, modern kitchens, canteens, bakeries, and so on, when the collective farmer will see that it is more profitable for him to get meat and milk from the farm than to start a factory. when the collective farmer sees that it is more profitable for her to have lunch in the dining room, take bread from the bakery and get



washed clothes from the public laundry, than to do this business herself. The future commune will arise on the basis of a more developed technology and a more developed artel, on the basis of embraced products"<sup>1</sup>. The process of developing the artel into a commune will take place as the collective farmers become convinced of the need for such an outgrowth.

The destruction of the antithesis between town and country does not mean the destruction of big cities. The planned location of industry throughout the country, the approach of industrial enterprises to the sources of raw materials is accompanied by the construction of new cities. Cities, as centres of the greatest growth of culture, as centres not only of large-scale industry, but also of processing of agricultural products and the powerful development of all branches of the food industry, will contribute to the equalisation of living conditions in the city and village. The appearance of old cities is radically changing. The socialist reconstruction of cities is aimed at eliminating crowding of the population, improving the conditions of urban life by greening cities, and using all the modern achievements of public utilities. The progressive role of the socialist city as a carrier and conductor of the achievements of modern advanced science and culture is increasingly growing.

As the material and production base of Communism is built, conditions will be created for raising collective farm property to the level of national ownership and for replacing commodity circulation with product exchange. Product exchange is a form of economic relations in which collective farms give the products they produce to the socialist state and receive from it the industrial products necessary for NM without free circulation, without purchase and sale.

As already mentioned, under the conditions of the existence of two main forms of socialist production, commodity circulation is a

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<sup>1</sup> J. V. Stalin, Report to the XVI Party Congress on the work of the Central Committee of the CPSU (b), Works, vol. 13, p. 353.

necessary and very useful element of the socialist economy. However, commodity circulation is incompatible with the prospect of transition from socialism to communism; the communist principle of distributing products according to needs excludes all commodity exchange. Therefore, for the transition to communism, it is necessary 'to raise collective farm property to the level of national ownership by means of gradual transitions carried out to the benefit of the collective farms and, consequently, for the whole of society, and to replace commodity circulation "also by means of gradual transitions with a system of product exchange"<sup>1</sup>.

With the elevation of collective farm ownership to the level of national ownership and the transition to product exchange, there will be no need for commodity production and commodity-money circulation, and thus no need for the law of value.

Value, as the law of value, is a historical category associated with the existence of commodity production. At the highest stage of communism, with the disappearance of commodity production, value and its forms will also disappear, and the law of value, the amount of labour expended in the production of products, will not be measured in a roundabout way, not through value and its forms, as is the case in commodity production, but directly and directly by the amount of labour time expended in the production of products.

The elevation of collective-farm property to the level of national ownership is the basis for the final effort to distinguish between the workers and the collective-farm peasantry.

With the disappearance of the essential distinction between urban and rural areas under communism, there will still be some insignificant differences between them, resulting from the peculiarity of industrial and agricultural production, for example, the seasonality of agricultural work associated with the natural process of plant growth and maturation, the limited use of agricultural machinery, etc.

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<sup>1</sup> J. V. Stalin, *Economic Problems of Socialism in the USSR*, p. 67.

**Cultural growth of society. Destruction of the essential difference between mental and physical labour.** The third basic prerequisite for the transition to communism is the achievement of such a cultural growth of society as is necessary for the full development of the physical and mental abilities of all members of society and which would provide education sufficient to enable them to become active agents of social development and have the opportunity to freely choose profession.

After the elimination of the antithesis between physical and mental labour, in the course of communist construction, the problem arose of destroying the essential difference between physical and mental labour, which exists under socialism. The essential difference between physical and mental labour is that the majority of workers in cultural and technical .... technical labour, and the majority of collective farmers are lower than agronomic workers.

Increasingly modern technology in industry and agriculture: electrification, complex mechanisation, chemicalisation, etc. require from production workers a high level of both general and special lower-technical or agronomic education. Without this, it is impossible to ensure the further increase in the productivity of social labour necessary for the transition to communism. From this follows the objective necessity of the cultural growth of society, the elimination of the essential difference between physical and mental labour.

The essential difference between physical and mental labor is being abolished by raising the cultural and technical level of the workers to the level of engineering and technical workers and collective farmers to the level of agronomic workers.

Socialist emulation, in which the overwhelming majority of the working class and collective-farm peasantry participate, plays an enormous role in abolishing the essential difference between physical and mental labour. Increasingly significant masses of workers are mastering modern machinery and production

technology to perfection, and the number of innovators and inventors is growing. It raises the broad working elephant to the level engineering and technical workers.

Back in 1935, characterising the Stakhanov movement as a new stage in socialist competition, J. V. Stalin pointed out that it contains the seed of the future cultural and technical upsurge of the working class, it opens up the path on which only and it is possible to achieve those highest indicators of labour productivity which are necessary for the transition from socialism to communism. When the workers raise their cultural and technical level to the level of engineering and technical personnel, and the collective farmers to the level of agro-technical personnel, a new rise in labour productivity will be achieved, unprecedented in history, ensuring the creation of an abundance of all material goods.

In order to achieve such a serious cultural growth of the members of society, which is necessary for the transition to communism, it is necessary first of all, shorten the working day. The economic conditions for a significant reduction in working time given directly to production can be created only through a further powerful growth in labour productivity. Reduction of the working day will enable the members of society to devote sufficient time and energy to mastering knowledge and culture, to developing all their physical and mental abilities.

To ensure the practical possibility of the transition to communism, it is necessary to introduce compulsory polytechnic education. Lenny pointed out that polytechnic education should introduce students in theory and practice to the main branches of production. Polytechnic education, broadening the horizons of workers, equipping them with knowledge of the foundations on which modern large-scale production is built, will make it possible to freely choose a profession.

A further rise in the culture of all members of society will be carried out through the development of universal compulsory political education, secondary technical and higher education, distance learning, the creation of a wide network of various courses

and the training of personnel for mass professions in production. The 19th Congress of the Communist Party recognised the need in the Fifth Five-Year Plan to start implementing polytechnical education in secondary schools and to advance the measures necessary for the transition to universal polytechnical education.

Raising the knowledge and culture of the workers and peasants to the level of engineers, technicians and agronomists will mean the abolition of the differences between the workers and peasants, on the one hand, and the intelligentsia, on the other.

By implementing the fundamental economic law of socialism, socialist society has made great strides in the field. the well-being of the people. But in order to ensure the all-round cultural growth of the working people, which is necessary for the transition to communism, it will be necessary to radically improve housing conditions, significantly raise the real wages of workers and employees and the real incomes of collective farmers. This can only be achieved on the basis of further rapid growth in production and an increase in labour productivity.

The comprehensive development of productive skills will lead to the complete elimination of unskilled and heavy physical labour, and the old division of labour associated with the lifelong assignment of workers to certain professions will disappear.

Communism, while eliminating the old division of labour, does not at all deny the need for a division of labour. Communism requires qualified, diversified specialists in various fields of production, science and technology.

All members of communist society will have the engineering and technical training necessary to manage high technology and complex production processes. All people will have the opportunity to engage not only in the production of material goods, but also in the sciences and arts. The elimination of the essential difference between mental and physical labour does not mean that any difference between these types of labour will be eliminated. Some are different, though not essential...

.. for example, the working conditions of the management staff of enterprises will differ from the working conditions of direct employees of production.

These are the basic prerequisites for the transition to communism. Only after all these preliminary conditions are fulfilled, taken together, will it be possible to move from the socialist principle- “from each according to his abilities, to each according to his work” —to the communist principle – “from each according to his abilities, to each according to his needs”.

Transition to the communist principle: ‘from each according to his abilities, to each according to his needs.’ The conditions for the implementation of the communist principle of social life are being prepared gradually, as production increases and an abundance of consumer goods is created on this basis, the rule of a single communist property is established, and the level of culture and consciousness of the members of society corresponding to communism is reached. This principle means that in a communist society, everyone will work according to their abilities and receive consumer goods not according to the work that they have done, but according to the needs of a culturally developed person that they have.

The prerequisites for the highest phase of communism are created by making the most complete use of the economic laws of socialism by the socialist state. In accordance with the requirements of the basic economic law of socialism, socialist production is developing steadily and rapidly, and the welfare of the people is growing. The role of the law of planned development of the national economy and socialist planning is becoming increasingly important. National economic plans designed for a long period of time determine concrete ways to create the material and production base of communism. To ensure the growth of social wealth, the socialist state uses such economic instruments of planned economic management associated with the existence of the law of value as money, credit, trade, and economic calculation. A steady rise in the material and cultural level of the working people is carried out on

the basis of consistent application of the economic law of distribution by labour. The increase in labour productivity is accompanied by a decrease in prices for industrial and agricultural goods. On this basis, there is a systematic increase in the real wages of workers and employees and the income of collective farmers. Workers are getting more and more opportunities to acquire such an amount of food, clothing, and household items that allows them to meet their growing material and cultural needs more and more fully.

The development of the production of material goods leads to the fact that the level of wages of workers and employees and the income of collective farmers ensures an increasingly complete satisfaction of the needs of the workers. As the abundance of products increases, conditions will be created for the transition from labour-based distribution to needs-based distribution. In this regard, it is important to continue the full deployment of trade. It is necessary, first of all, for the ever fuller and more comprehensive satisfaction of the growing needs of the working people. On the other hand, the improvement of Soviet trade will prepare the extensive apparatus that will be used in the higher phase of communism for the direct distribution of products according to needs without commodity and money circulation.

Communism will ensure the versatile satisfaction of various personal needs of members of society, both through the multiplication of consumer and household items that come into personal ownership, and through the development of social forms of meeting the needs of the population (cultural institutions, sanatoriums, theatres, etc.).

The transition to communism cannot be conceived as a single act. It takes place gradually, through the comprehensive development of the foundations of socialism; the law of transition from the old qualitative state of society to the new one by explosion is obligatory for a society divided into hostile classes, but not at all obligatory for a society without hostile classes, what is a socialist society? The material and cultural prerequisites for communism are

created as the productive forces of socialist society flourish, as its wealth and culture grow, as social ownership of the means of production is strengthened and multiplied, and as the masses are educated communistically.

The gradual transition from socialism to communism does not preclude revolutionary leaps in the development of technology, economy, science, and culture. For example, the discovery of new sources of energy, new types of raw materials, the introduction of new technical inventions in production give rise to a genuine technical revolution. The transition from two forms of social ownership to a single communist ownership of the means of production, from the socialist principle of distribution according to labour to the communist principle of distribution according to needs, will mean huge qualitative changes in the economy and in the entire life of society. The germs of a new, communist system already exist in socialist society in production, in relation to labour and to social property, and in relations between people. Adherence to communist principles will eventually become the natural, common behaviour of highly educated, cultured people. People's ideas, which are remnants of a society based on private property, will finally disappear, and the principles of communism will prevail in all areas of public life.

The construction of communism is carried out in a decisive struggle against the remnants of capitalism in the minds of people. Communist education of the working people is of great importance in eliminating these remnants. The successful implementation of the tasks of the transition from socialism to communism depends on communist education.

The Soviet Union is the first country in the world to build socialism and is now successfully erecting the edifice of communism. The development of all mankind will inevitably follow the path to communism. Outlining the prospects for communist construction. Lenin said: "If Russia is covered with a dense network of electric power stations and powerful technical equipment, then



our communist economic construction will become a model for future socialist Europe and Asia.”<sup>1</sup>.

The Soviet Union, which is on its way to the highest phase of communism, is a powerful centre of attraction, recognised as the leader of the entire camp of socialism in the international arena. The great example of the Soviet people shows the peoples of the whole world the way to emancipation from capitalist slavery and its inevitable accompaniments-exploitation, unemployment, crises, and wars.

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<sup>1</sup> V. I. Lenin, Report on the activities of the Council of People's Commissars at the VII All-Russian Congress of Soviets, Essays, vol. 31, ed. 4, p. 436.

## BRIEF CONCLUSIONS

1. Socialism and communism represent two phases of the development of the communist social formation. Communism is the highest phase of this formation, which is characterised by a higher level of development of the productive forces in comparison with socialism, the presence of a unified communist ownership of the means of production by the whole people, the absence of classes and class distinctions, as well as significant differences between the city and the countryside, between physical and mental labour. Under communism, labour will be transformed in the eyes of society from a mere means of maintaining life into the first necessity of life. On the basis of the enormously increased productivity of social labour, an abundance of consumer goods will be achieved. The guiding principle of social life under communism will be: "from each according to ability, to each according to need."

2. In order to prepare for the transition to communism, it is necessary to implement the following basic prerequisites: first, it is necessary to eliminate the growth of all social production with a predominant increase in the production of the means of production; second, to raise collective farm property to the level of national ownership, and replace commodity circulation with product exchange; third, to achieve such cultural growth of society. It is necessary to ensure that all members of the society are at the level of engineering and agronomic workers in terms of their education and technical knowledge, can become active participants in social development and freely choose a profession.

3. The gradual transition from socialism to communism, which is being successfully carried out in the U.S.S.R., is being carried out by millions of working people under the leadership of the Communist Party and the Soviet State, who rely in their activities on knowledge of the objective laws of economic development. The prerequisites

for the highest phase of communism are created by strengthening and further developing socialist property and increasing the productivity of social labour, by consistently implementing the basic economic law of socialism, the law of the planned development of the national economy, the law of distribution of labour, and other laws. In a socialist society, there are sprouts of communism in production, in relation to labour and to social property, and in relations between people. The entry into the second phase of communism and the transition to the communist principle of distribution will be carried out gradually, as the abundance of consumer goods increases.

4. The construction of communism in the USSR is of great international importance. Every new step taken by the Soviet people on the road to communism confirms more and more clearly the superiority of socialism over capitalism, and instils in the working people of all countries confidence in the historical doom of capitalism and the triumph of communism.

## CHAPTER XL. BUILDING A SOCIALIST ECONOMY IN THE EUROPEAN COUNTRIES OF POPULAR DEMOCRACY

**The People's Democratic Revolution. The first stage of the revolution.** The people's democratic revolution in the countries of Central and South-Eastern Europe—Poland, Romania, Hungary, Czechoslovakia, Bulgarian, Albania—was prepared by the entire course of the world liberation movement and, above all, by the economic development of capitalism and the class struggle of the working class and the working masses of these countries. For a long time, these countries were in bondage to the imperialist Powers. With the exception of Czechoslovakia, they had an insufficiently developed industry and retained significant remnants of feudal-serf relations.

Hungary, Poland, and Romania were agrarian countries with medium-level capitalism. Bulgaria is an agrarian country with an underdeveloped industry, Albania is the most backward in zootomic terms, with large remnants of the patriarchal-tribal system. Most of the land in these countries was in the hands of large owners—landlords and capitalists; farms larger than 50 hectares of land, accounting for less than 1% of all farms, or up to 50% of the total land area.

In the industry of the countries of Central and South-Eastern Europe, large capitalist monopolies were located, and the key positions in the eco-market were occupied by a foreign capital. In Poland in 1938, there were 171 Polish cartels in about 100 foreign cartels; at least two-thirds of the main industrial and trade capital was under the control of cartels. In 1938, there were 94 cartels in Romania, which comprised 1,600 enterprises and controlled half of the total capital invested in Romanian industry. During World War II, these countries were under the yoke of German imperialism.

The Second World War sharpened class and national contradictions in the countries of Central and South-Eastern Europe. The working masses, under the leadership of the working class, waged a fierce struggle against the German-fascist invaders and against the traitors to the national interests of their countries—the landlords and the monopolistic bourgeoisie.

The Soviet Union's defeat of Hitler's Germany freed the peoples of Central and South-Eastern Europe from Fascist enslavement. The national liberation struggle of the working masses has taken on a huge scale. The peoples liberated by the Soviet Union from the fascist yoke were given the opportunity to build their state life on democratic principles. The foundations of a new type of State, the People's Democratic Republic, were laid. This was the beginning of the people's democratic revolution.

At the first stage (1944-1947), the People's democratic Revolution solved the problems of the bourgeois-democratic revolution. At the same time, the People's democratic revolution was, firstly, anti-imperialist, since it freed the enslaved peoples of Central and South-Eastern Europe from the yoke of imperialism and gave them national independence, and secondly, anti-feudal, since it eliminated feudal and semi-feudal remnants in the economy.

The driving forces of the revolutionaries at the first stage were the working class and the peasantry, in a bloc with which the middle bourgeoisie and all the anti-fascist progressive liberals were located. The leading role in the revolution belonged to the working class. The revolution eliminated the political rule of the landlords and the monopolistic bourgeoisie. People's democracy as a political system at the first stage was a revolutionary-democratic dictatorship of the proletariat and peasantry, with the leading role of the working class.

In the course of the anti-feudal agrarian revolution, the landlords' lands were confiscated and distributed among small-scale peasants and farm labourers. The land was transferred to the peasants in private ownership.

As a result of the agrarian revolution, the class of landlords was eliminated, and the situation of the working peasants was

significantly improved. Most of the poor and farm labourers who received land rose to the level of the middle peasants. Thus, in Romania, before the revolution, poor and middle-class farms of up to 10 hectares in size accounted for 92% of all farms and owned 48% of the land area; in 1948, they owned 50.7% of the total land area. In Hungary, before the revolution, poor and middle-class farms of up to 20 holds in size accounted for 34.4% of all farms and owned 40.4% of all land owned 70.7% of the total land area.

The agrarian revolution was carried out with the active participation of the broad peasant masses, in an atmosphere of acute class struggle. Reactionary forces, supported by the American-British imperialists, fiercely resisted the agrarian reforms, trying in every possible way to disrupt their implementation.

The agrarian revolution had the greatest economic and political consequences. With the destruction of large-scale land ownership, the reactionary forces lost their main material base. The abolition of landed proprietorship and the division of land among the working peasants destroyed the remnants of feudal exploitation of the peasants. The allotment of land to small-scale peasants and landless labourers attracted them to the side of the people's democratic system.

At the first stage of the People's Democratic revolution, banks, industrial and other enterprises belonging to the monopolistic bourgeoisie, which together with the landlords served the fascist occupiers, were nationalised. This weakened the bourgeoisie as a whole and strengthened the position of the working class. Workers' control was introduced in private capitalist enterprises.

**The second stage of the People's Democratic revolution. Socialist nationalisation.** As the tasks of the anti-feudal, bourgeois-democratic revolution were carried out, it developed into a socialist revolution. The liquidation of the monopolistic bourgeoisie already meant that the people's democratic revolution was beginning to pass from its first, bourgeois-democratic stage, to its second, socialist-nationalist stage

of development. The establishment of the power of the proletariat and the socialist nationalisation of large-scale industry carried out by it were of decisive importance in this outgrowth.

In the countries of Central and South-Eastern Europe, as in other capitalist countries, the economic law of the obligatory conformity of production relations with the nature of the productive forces has long been making its way. But the reactionary forces represented by the bourgeoisie and the landlords, who held State power in their hands, put up a fierce resistance to the implementation of this law.

In the course of the development of the revolution, as the political and economic positions of the working class became stronger, the bourgeoisie and the remnants of the landlords, relying on the economic power still preserved in their hands and not the support of the American-British imperialists, embarked on the path of organising counter-revolutionary plots and economic sabotage. The working class, rallying around itself the peasantry and other elephants of working people, resolutely repulsed the attempts of the bourgeoisie to restore foreign imperialist oppression and won a complete victory over the enemy. The bourgeoisie was crushed and completely deprived of political power, which passed into the hands of the working class. This solved the main question of the socialist revolution—the conquest of State power by the proletariat.

Fulfilling the tasks of the socialist revolution, the proletariat that came to power carried out the nationalisation of industry. Large and medium-sized industrial enterprises were nationalised: factories, factories, mines, power plants. Communications, transport, banks, foreign trade, and wholesale domestic trade were nationalised. Thus, the working class eliminated the economic domination of the bourgeoisie and seized the commanding economic heights. Industrial relations were brought into line with the social character of production: the basic means of production became the property of the entire people, represented by the people's democratic State.

The nationalisation of large and medium-sized industry, transport, and communications was carried out in several stages. Decisive measures in this area were carried out in Poland in 1946, in Bulgaria and Albania in 1947, in Hungary, Czechoslovakia and Romania in 1947-1948.

The social basis of the countries of popular democracy is the union of the working class and the peasantry, with the leading role of the working class. The State system of people's democracy has become a political form of working class power and successfully fulfils the functions of the dictatorship of the proletariat. In the course of the revolutionary upheaval, the old bourgeois state machine was broken and replaced by a new state apparatus that meets the interests of the people. The countries of popular democracy have entered a transition period from capitalism to socialism.

**Economic structures and classes. The emergence of the economic laws of socialism.** The economy of the countries of popular democracy in the transition period from capitalism to socialism is characterised by the presence of three main structures: socialist, small-scale and capitalist.

The socialist system includes: nationalised industrial and transport enterprises, banks, foreign trade, wholesale domestic trade, state and cooperative retail trade, machine and tractor stations, state-owned agricultural estates, and all types of cooperatives. In industrial production, the share of the socialist way of life in Bulgaria increased from 30% in 1946 to 99% in 1950. In Czechoslovakia, the share of the socialist system in industry was 55.3% in 1946. In the spring of 1951, the private industrial sector in Czechoslovakia was liquidated. Small and medium-sized peasant farms and small craft farms based on the personal labour of their owners belong to the small-commodity system. The private capitalist system includes kulak farms, private commercial enterprises, and non-nationalised industrial enterprises based on the exploitation of wage labour.



In the mixed economy of the people's democracies, the leading role is played by the socialist structure. It covers the commanding heights in the economies of these countries. The socialist way of life is strengthening its positions from year to year.

The main classes in the people's democracies are the working class and the peasantry. Along with the workers the bourgeoisie exists in classes: the kulaks, small capitalists in industry and trade.

The main contradiction in the economies of the people's democracies in the transitional period from capitalism to socialism is the contradiction between growing socialism and conquered but not yet destroyed capitalism, which has its roots in small-scale commodity production. Between socialism and capitalism there is an irreconcilable struggle according to the principle of 'who - who'. Guided by the Marxist-Leninist doctrine of the transitional period from capitalism to socialism, embodied in the historical experience of the Soviet Union, the state authorities of the people's democracies at the present stage are pursuing a policy of limiting and ousting capitalist elements in town and countryside.

The presence in the economies of the countries of people's democracy of a small-scale peasant way of life necessitates a market and market connections. People's democratic states use them to overcome capitalist elements and build a socialist economy. Thus, the people's democracies are advancing towards socialism on the basis of the principles of economic policy worked out by the first country of the victorious proletarian revolution, the Soviet Union, in the form of the so-called New Economic Policy (NEP). The experience of the people's democracies confirms that NEP is an inevitable phase of the socialist revolution in all countries. The people's democracies use market relations for economic influence in the countryside. strengthening in every possible way the commercial and ever-increasing production bond between town and country, between industry and agriculture.

In the countries of the People's Democracy, just as it was in the USSR during the transitional period from capitalism to socialism, due to changed economic conditions, the laws of the capitalist

mode of production, expressing the relations of exploitation, are disappearing from the scene. Instead, the economic laws of socialism arise and expand their sphere of action. Such economic categories of capitalism as trade, action, and credit, while retaining their form, essentially change radically in relation to the needs of the development of the socialist national economy. They lose their old functions and acquire new ones.

The sphere of operation of the law of value is limited; its action as a regulator of the economy no longer extends to the distribution of labour power and the means of production in the socialist sector of the economy. With the growth of this sector, the law of value serves socialised production to an ever-increasing degree. At the same time, the petty commodity and capitalist sectors remain the base for the spontaneous operation of the law of capitalism. This law is still the regulator of a significant part of agricultural and handicraft production.

With the development and strengthening of socialist production relations, the basic economic law of socialism takes shape and begins to operate. The goal of production becomes the satisfaction of the needs of the working people, and the means of achieving this goal is continuously developing production based on the use of advanced technology. On the basis of the socialisation of the means of production, the law of the planned development of the national economy arose and began to manifest its effect. The scope of this law is expanding more and more in proportion as socialist forms of economy grow and the law of competition and anarchy of production leaves the scene. At the same time, methods of planning the national economy are being developed and improved more and more.

Planning in the people's democracies does not yet cover the entire national economy. The regulation of the small-scale and capitalist sectors is carried out by indirect influence through tax and credit price policy, contracting, etc. Up to 80% of all state procurement of agricultural food is carried out by the method of

contracting and through rural cooperation. Kulak farms are subject to a high progressive tax.

In the socialist sector, the exploitation of man by man has been eliminated, and the nature of the work of the working class has radically changed. From working for the capitalists, he turned into working for himself, for the whole society. On this basis, a new, socialist attitude to work has emerged and is rapidly developing, which finds expression in the growth of socialist competition covering the majority of the working class. A huge incentive to increase labour productivity and increase the material well-being of workers is the action in the generalised sector of the economy of the economic law of distribution of labour: workers are paid in it depends on the quantity and quality of labour. Economic calculation is increasingly used in the work of state-owned enterprises.

The construction of socialism in the countries of popular democracy takes place in an atmosphere of heightened class struggle. The resistance of the decaying classes is manifested in the hostile activity of the remnants of the defeated anti-people political parties, nationalist, left and right tendencies in the workers and in the communist parties, in sabotage, sabotage and sabotage of agents of imperialism. The Communist and workers' parties, the masses of the people, expose elements hostile to socialism, ensure the victory of the complete proletarian dictatorship aimed at building socialism.

Thanks to the power of the Soviet Union, plans for an impressionist intervention against the countries of popular democracy were thwarted. Thus, these countries were spared from a long civil war and the need to pursue a policy of "war communism. This allowed the countries of people's democracy to restore the national economy in the shortest possible time and begin the implementation of socialist construction.

The long-term (five-year and six-year) plans adopted in the countries of people's democracy in 1949-1950 are aimed at creating the foundations of a socialist economy.

Socialist industrialisation, the experience of building a socialist society in the USSR showed that socialism can be created only on the basis of modern large-scale industry capable of making friends with the entire national economy. including agriculture, advanced industrial technology.

For the countries of people's democracy, socialist industrialisation is an objective necessity. Only on the basis of industrialisation can they put an end to technical and economic backwardness, create the material and production base of socialism, raise the material and cultural level of workers, strengthen their defence capability, Socialist industrialisation meets the fundamental vital interests of workers.

The countries of people's democracy, taking into account the experience of industrialisation in the USSR, using commanding heights in the economy and the advantages of planned farming, will provoke a subsequent policy of industrialisation. The specific tasks of industrialisation in each of the countries of people's democracy are set differently, depending on the level of development and the structure of the industry received as a result of the old system.

The socialist relations of production created as a result of the conquest of power by the proletariat have become the decisive force that determines the further rapid development of the productive forces. The rapid pace of socialist industry finds expression in the annual and promising (five-year and six-year) plans, which are successfully implemented and exceeded by the working masses.

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Before the revolution, the majority of the country's democracy had medium and underdeveloped industry, with a sharp

predominance of agriculture In Poland, 65% of the amateur population was employed in agriculture, industry — about 17%: in Romania, 78% were employed in agriculture, in industry — 7% of the amateur population.

The following data show the growth of industrial production in the countries of people's democracy. If we take the pre-war level of industrial production as 100, then in 1952 this level was the highest: in Poland—almost 3.5 times, in Czechoslovakia—about 2 times, in Hungary—3.1 times, in Romania—more than 2.3 times.

The main sources of funds for socialist industrialisation are the accumulation of the socialist sector of the economy, Technological progress, the growth of personnel who have mastered technology, and the socialist competition of workers lead to an increase in labour productivity and serve as an important source of increased savings. Funds for industrialisation also come from foreign trade, domestic state and cooperative trade, the credit and banking system, as well as by mobilising part of the income of the working peasantry and the savings of the population in the form of government loans. The goals of socialist industrialisation are served by the withdrawal of part of the income of the capitalist elements of the city and the countryside, primarily through progressive taxation of these elements.

The countries following the path of building socialism receive huge material and technical assistance from the Soviet Union. The Soviet Union supplies the countries of people's democracy with modern equipment, raw materials, shares with them technical achievements, management experience and production organisation. Systematic cooperation based on the division of labour between the countries of the socialist camp makes it possible for each country to develop those branches of production for which it has the most favourable economic and natural conditions, all this greatly facilitates and accelerates the industrial development of the countries of people's democracy on the way to socialism.

**Socialist transformation of agriculture.** To build socialism, the victory of socialist forms of economy is necessary not only in the city, but also in the countryside. The experience of the USSR has shown that the only correct way to solve the peasant problem is the transition of the bulk of the peasantry from small-scale individual farming to large-scale collective farming. Production co-operation between small and medium-sized peasant farms is an objective necessity for countries that have embarked on the path of building socialism.

Proceeding from this, the People's Democracies are pursuing an economic policy aimed at creating an industry that produces tractors and other agricultural machines, organising a network of state agricultural enterprises that demonstrate the advantages of large-scale socialist production and machine and tractor stations. Assistance is being rendered to the poor and middle peasant masses in developing their economy and drawing them into various types of supply, marketing and production cooperatives. The people's democracies have already achieved considerable success in the technical re-equipment of agriculture.

The five-year and six-year plans of the people's democratic states make it their task in the field of agriculture to prepare the necessary economic, political and cultural prerequisites for the transition of the bulk of the peasantry to the socialist path of development. The main means of solving this problem is the gradual cooperative production of peasant farms on the basis of strict observance of the principle of voluntariness. In the presence of the power of the working class, with the concentration of commanding heights in the economy in the hands of the states of people's democracy, production cooperatives, based on the socialisation of the instruments of production and collective labour, are a socialist form of economy.

The bulk of the peasantry in fairly democratic countries are involved in various types of cooperative associations of a supply and marketing nature, a significant proportion, from 25% to 10% to 50%,

of peasant farms are involved in production cooperatives. Kulak elements are not accepted into production cooperation.

..... to cooperatives, where housing remains in private ownership of the cooperative as a share. The land is cultivated by MTS machines, all types of agricultural work are carried out jointly; there are livestock farms for the processing of agricultural products. The distribution of income is carried out according to workdays and according to the size of the intoxicating share: payment for land does not exceed 20-30% of income distributed among members of cooperatives, the remaining 70-80% of income is distributed according to workdays; at the same time, payment for land by the decision of members of cooperatives is reduced from year to year. In Poland, Rumania, Hungary, and Albania there are hundreds and thousands of production cooperatives, which correspond in terms of their consumer goods to the agricultural artels of the USSR, in which the land and other means of production are fully socialised, and the distribution of income is carried out only according to workdays.

Marxism-Leninism teaches that the immediate nationalisation of all land is not an indispensable condition for all countries for socialist construction in the countryside. In the people's democracies, only a small part of the landlords' land was nationalised and passed into the ownership of the state, while most of the confiscated landlords' land was transferred to the peasants for private ownership. The experience of these countries has shown that, in view of the enormous advantages and benefits the peasants receive from collective farming, the building of socialism in the countryside can begin even if small peasant ownership of the land is maintained. However, the complete victory of the socialist mode of production in agriculture presupposes the socialisation of all land and its transformation into public, socialist property. In the people's democracies, the peasants, despite their long-standing commitment to private ownership of land, are gradually becoming convinced by the experience of production cooperatives of the indisputable advantages of large-scale collective farming over small, privately

owned farming. As the entire land is voluntarily socialised, the production cooperatives are making a transition to the distribution of income only according to work, and the land is assigned to collective farms forever.

The socialist transformation of agriculture is taking place in the course of a fierce class struggle. The kulaks are trying by all means to disrupt the production co-operation of the peasant farms. The people's democratic states, rendering all-round material assistance to the poor and middle peasants' farms, are working to strengthen the production cooperatives economically and are waging an uncompromising struggle against the kulaks.

The growth of the well-being and culture of the working people. Socialist construction is accompanied by a steady growth in the material well-being and culture of the working people. This is where the basic economic law of socialism, which begins to operate in the transitional period, finds its manifestation. In the people's democracies, as a result of the rapid growth of industry, already in 1948-1949. Unemployment was crippled both in the city and in the countryside. The number of workers employed in socialist enterprises is growing from year to year.

Along with the growth in the number of workers and employees, their real wages are being systematically increased. Of great importance for raising real wages is the reduction in the prices of consumer goods, the reduction in rents and the reduction in the cost of other communal services. The rise in the material well-being of the working people is also ensured by the introduction of social insurance for workers and employees at the expense of the state, free education and medical care, and the creation of a wide network of sanatoriums and rest homes.

The steady rise in the material well-being of the working people of the People's Democracies is evidenced by the growth of the national income. With the liquidation of the classes of landlords and big capitalists, the rapidly growing national income is used in the interests of raising the well-being of the working people and the further growth of social production in town and country.



In Poland in 1949 the national campaign was more than 25% higher than the pre-war level. In 1952, by 87%: in Czechoslovakia, the national income in 1952 exceeded the level of 1937 by almost 59%.

The construction of socialism is inextricably linked with the cultural revolution. In the people's democracies, the task arose of introducing culture and knowledge to the broadest working masses. In some of these countries, up to 50% or more of the population was illiterate. The revolution put an end to the monopoly of the landlord bourgeoisie on education and culture. Education and culture became the property of the whole people. A new culture is being created, socialist in content and national in form. The socialist culture of the USSR, being profoundly international in character, exerts an enormous influence on the development of national cultures in the countries of the People's Democracies. A new, socialist intelligentsia is being formed at an accelerated pace. The engineering and technical staff is growing.

The People's Democracies have passed laws on the compulsory education of children from the age of 7 and on the eradication of illiteracy among the population aged 12 to 40. Already in 1951, the total number of students in Rumania increased by 3.5 times compared with the pre-war 1938, and in secondary technical schools by 6 times; and in higher educational institutions it almost doubled, from 23,000 to 55,000. In old Poland in 1937-38 there were 28 institutions of higher education, where 48,000 students studied, among whom there were no more than 5% of the children of workers and 9% of the children of peasants. There are currently 83 institutions of higher education in Poland; 134 thousand students study in them, among which the vast majority are children of workers and were baptised.

..... Under capitalism, economic relations between countries are established not through the cooperation of equal peoples, but through the subordination of their father's peoples by others, through the oppression and exploitation of less developed peoples by more developed ones. Marxism-Leninism teaches that the

organisation of economic cooperation between highly developed and backward countries on the basis of equality is possible only after the victory of the socialist revolution. The experience of economic cooperation between the countries of the socialist camp fully confirms this. The economic cooperation of these countries is a new, socialist type of interstate economic relations.

In contrast to the world capitalist market, the post-World War II period saw the emergence and development of the world economic market of the countries of the socialist camp. The countries of this camp have joined forces economically, established economic cooperation and mutual assistance. "The experience of this cooperation shows that no capitalist country could have provided such real and technically qualified assistance to the people's democratic countries as the Soviet Union does. It's not just that this help is as cheap as possible and technically first-class. First of all, this cooperation is based on a sincere desire to help each other and achieve a common economic recovery. As a result, we have high rates of industrial development in these countries."<sup>1</sup>

The countries of popular democracy have realised the monopoly of foreign trade, which is in their hands, on the one hand, an instrument of defence against the economic aggression of the imperialist Powers, and, on the other hand, an instrument of developing economic cooperation between the countries of the socialist camp.

For the purpose of systematic economic cooperation of the socialist camp, a Mutual Economic Assistance Council has been established on the basis of equal representation of all countries participating in this Council. The Council of Mutual Economic Assistance organises the exchange of economic and technical experience, the provision of mutual assistance in raw materials, food, machinery, equipment, etc. The Council of Mutual Economic Assistance carries out planned coordination and coordination of the development of the economy of the socialist camp states on the

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<sup>1</sup> J. V. Stalin, Economic problems of socialism in the USSR, p. 31.

basis of a rational division of labour between them in the interests of the most rapid development of the productive forces of each country and the entire socialist camp as a whole.

With regard to economic relations with capitalist States, the People's Democratic Republics proceed from the assumption that the fundamental differences in the economic systems of the socialist and capitalist camps cannot serve as an obstacle to the development of trade and other economic relations between them that are beneficial for both sides.

However, as already mentioned, the policy of the United States and the countries of Western Europe under its influence is aimed at the economic blockade of the countries of the socialist camp and is the main prelate for the restoration and development of traditional trade relations between the West and the East. The countries of popular democracy are making up for the lack of trade with the capitalist countries by expanding trade globally within the socialist camp.

The success of socialist construction in the countries of popular democracy is a new proof that the capitalist mode of production has outlived its usefulness, and that the socialist system of economy has indisputable advantages over the capitalist system.

## BRIEF CONCLUSIONS

1. As a result of the People's Democratic Revolution, a new type of State, the People's Democratic republics, was convened in a number of Central and South-Eastern European countries liberated from German imperialism by the Soviet Army. At the first stage of the revolution, revolutionary agrarian transformations were carried out—the landlords' land was confiscated and divided between landless and low-land peasants. The enterprises of large capitalists who collaborated with the fascists were nationalised. In the second stage of the revolution, the working class, with the support of the main masses of the peasantry, completely won power and carried out the socialist nationalisation of all large and medium-sized industry that was in the hands of the bourgeoisie. The People's Democratic Republic has become a political form of working-class power and successfully serves as a dictatorship of the proletariat. The countries of popular democracy have entered a transition period from capitalism to socialism.

2. The economy of the countries of popular democracy in the transition period from capitalism to socialism is characterised by the presence of three main structures: socialist, small-scale and capitalist. The leading role belongs to the socialist way of life. The people's democratic States, relying on the socialist sector, in the struggle against capitalist elements pursue a policy of creating the foundations of socialism.

3. Socialistic industrialisation of the people's democratic system, carried out at a rapid pace, is a crucial condition for overcoming their technical and economic backwardness and building socialism. Socialist industrialisation is accompanied by a steady increase in the welfare and culture of the working people. By strengthening the alliance of the working class with the peasantry, the People's Democratic government helps the poor and middle

peasant masses of the peasantry to raise their economy and pursues a policy of restricting and ousting capitalist elements in modern Kazakhstan. At the same time, prerequisites are being created for the socialist transformation of agriculture by arming it with advanced equipment, organising state-owned agriculture, machine and tractor stations, involving the main masses of the peasantry in various types of consumer, supply and marketing cooperation, and gradually developing production cooperation.

4. The countries of popular democracy are building socialism using the experience of the Soviet Union and relying on its fraternal assistance. The economic cooperation of the people's democratic countries with the Soviet Union and among themselves is a new, socialist type of economic relations based on mutual interest and full equality.

## CHAPTER XLI. THE ECONOMIC SYSTEM OF THE PEOPLE'S REPUBLIC OF CHINA

**Economic prerequisites of the Chinese revolution and its nature.** Before the victory of the people's revolution, China's economy was semi-feudal and semi-colonial. The semi-feudal nature of China's economy was expressed in the fact that the landlords, who accounted for 5–6 per cent of the rural population, owned 70–80 per cent of the total cultivated land area of the country; the peasants, who made up 90 per cent of the rural population, owned only 20–30 per cent of the land area. Pre-capitalist forms of exploitation of the peasantry were widely used in China; the land was cultivated in primitive ways. The semi-colonial position of China was expressed in the fact that all the main sectors of the Chinese economy were in one way or another under the direct or indirect control of foreign imperialists and depended on them.

The landowners in China, as a rule, did not manage large-scale farming, but floated the land to the peasants for rent in small plots. Renting was the most common form of landownership. ... The pre-capitalist forms of rent were the most widespread: labour rent, food rent, and cash rent. The peasants rented land on the basis of sharecropping, paying the landowner for the rent of land and implements from 50 to 70% of the harvest. Usurers and landlords took huge interest from the peasants for loans. At least 80% of the crosses were forced to apply for loans to landowners and usurers.

China was in bondage to imperial powers, chiefly from England, Japan and the United States of America. Foreign capital in industry accounted for up to 75% of the total amount of invested capital, and the share of national capital accounted for no more than 25% of this amount. Beginning in the 1930s, American imperialism began to play the dominant position in China. Of the total turnover of China's foreign trade, the US accounted for 23% in 1936, and 53% in 1946.

The clique of landowners and the comprador bourgeoisie that ruled China did everything possible to promote the introduction of American monopolies into the country's economy. The US imperialists are intensifying the colonial plunder of the Chinese people. They subjugated China's industry, foreign and domestic trade, and finances. All this put the already poorly developed Chinese industry, which occupied no more than 10% of the country's total industrial and agricultural output, in a difficult situation. In China, there was almost no heavy industry, and the predominant part of industrial products was produced by artisans.

The semi-feudal nature of China's economy determined the class structure of society.

The landlords were the most reactionary of all classes in Chinese society. They served as the main support for the foreign imperialists in the colonial oppression and plunder of the Chinese people.

**The peasantry is the largest class in China.** With the penetration of commodity relations into the countryside, a process of class differentiation took place among the peasantry. On the eve of the victory of the people's revolution, labourers (landless) or poor peasants (poor peasants) made up 70%, middle peasants 20%, and kulaks 4-5% of the population of the countryside. The kulaks made extensive use of the hiring of labour power (farmers), combining the capitalist exploitation of the peasantry with semi-feudal methods of exploitation.

In the twentieth century, in connection with the development of capitalism, new classes emerged from the arena of public life: the bourgeoisie and the proletariat. From the first steps of its existence, the Chinese bourgeoisie was dependent on foreign imperialists. The big industrial and financial bourgeoisie that had grown up was closely associated with foreign, mainly American, British and Japanese, imperialists. This comprador bourgeoisie, which serves as an intermediary between the foreign imperialists and the Chinese market, has concentrated in its hands considerable wealth obtained

through the useless exploitation of the worker and peasant masses. The other part of the Chinese bourgeoisie was the national (primarily social) bourgeoisie. Foreign imperialists hindered the development of China's national industry in every possible way. In view of this, the national bourgeoisie showed opposition to the foreign imperialists and the comprador bourgeoisie, at times joining the camp of the national revolution.

In China there are significant strata of the urban petty bourgeoisie, handicraftsmen, handicraftsmen, and small merchants.

On the eve of the victory of the revolution, the industrial proletariat in China numbered about 4 million people. But along with workers in the factory industry, there were many millions of proletarians and semi-proletarians in the country who worked in other branches of labour: port and city workers in loading, unloading and transporting goods (coolies, rickshaws), workers in earthworks, as well as agricultural proletariat (farm labourer), numbering several tens of millions of people before the revolution. The industrial proletariat of China, being the most organised, conscious, advanced detachment of the working masses, has exerted a decisive political influence on all other sections of the working people since the 1970s.

Feudal methods of exploitation and imperialist oppression have exacerbated the class contradictions in China to the extreme and brought the country to the brink of an economic and political catastrophe. The state of the landlords and the comprador bourgeoisie, with its military-bureaucratic machine, robbed and oppressed the Chinese people. The people's revolution was the only way out of the situation for the country.

The people's revolution in China, which won in 1949, had deep historical roots. For almost three decades, the popular masses of China, under the leadership of the working class, led by the Communist Party, waged a stubborn armed struggle against the rule of the feudal lords and the comprador bourgeoisie, against foreign imperialism. The fundamental and main task of the Chinese revolution was the abolition of semi-feudal relations, the liquidation



of feudal landownership, and the division of landed estates among the peasants. In view of this, the Chinese revolution, in its historical tasks and social content, bears the character of an anti-feudal, peasant, that is, bourgeois-democratic, revolution.

At the same time, since the foreign imperialists seized and took control of the main industries, railways, and banks, the struggle against imperialism-the democratic one-became the most important aspect of the Chinese revolution: "the bourgeois-democratic revolution in China is a combination of the struggle against feudal remnants and the struggle against imperialism."<sup>1</sup>

Thus, the Chinese bourgeois-democratic revolution, while being an agrarian, anti-feudal revolution, has at the same time a pronounced anti-imperialist, national liberation character. While its sharp edge is directed against the domination of foreign imperialism in China, the Chinese revolution joins forces with the anti-imperialist, proletarian revolutions in other countries, and proceeds in the general direction of the struggle against world imperialism.

The main driving forces of the Chinese bourgeois-democratic revolution are the working class and the peasantry. The working class and the peasantry marching under its leadership formed the main army of the revolution, which ensured victory for the Chinese people over their internal and external enemies. In addition, the small urban bourgeoisie plays a significant role in the Chinese Revolution.

The Communist Party of China waged a stubborn struggle for the hegemony of the proletariat in the revolution. This struggle was crowned with success due to the following circumstances. First, the Communist Party, relying on the alliance of the working class and the peasantry, with the leading role of the proletariat, consistently carried out the revolution as a national liberation movement directed against imperialism and its agents in China. Secondly, the national bourgeoisie was weak and inconsistent, it vacillated now in

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<sup>1</sup> J. V. Stalin, *The Revolution in China and the Tasks of the Comintern*, Works, vol. 9, pp. 286-287.

the direction of imperialism, now in the direction of revolution, therefore it could not lead the masses of the people, and the proletariat led the working people of town and country. Thirdly, the revolution in China developed in a situation where the Chinese proletariat had the opportunity to use the experience and help of the victorious revolution in the Soviet Union, the Chinese revolution enjoyed the sympathy and support of the international proletariat and all the progressive forces of the world.

The victory of the Chinese revolution is of world-historical significance. After the Great October Socialist Revolution in the USSR and the victory of the Soviet Union in the Second World War, the victory of the Chinese revolution is the strongest blow to world imperialism. The imperialist system has fallen into the hands of the world's largest country in terms of population, playing the most important role in the entire economic and political life of the semi-colonial and colonial East.

The People's Republic of China is, in its social character, a people's democratic republic of the type of revolutionary-democratic dictatorship of the proletariat and crucifixion. This state is based on the union of workers and crosses. In which the leading role belongs to the working class, led by the Communist Party. The People's Republic of China is fighting against imperialism, for the independence of China, for democracy and peace.

**Revolutionary agrarian reforms.** Among the fundamental socio-economic transformations in the Chinese People's Agrarian reforms are of primary importance to the republic. The semi-feudal character of social relations in China was the main brake on the country's economic, political and cultural development, the root cause of its age-old backwardness, and the basis of its enslavement by foreign imperialism.

In 1950, the Central People's Government of China passed the "Agrarian Transformation Law of the People's Republic of China", which states: "A system of land tenure based on feudal exploitation carried out by the class landlords, destroyed; a system of peasant

land ownership is introduced in order to free up agricultural productive forces, develop agricultural production and to pave the way for the industrialisation of a new China, "Under this law, the landed estates of landowners, temples and monasteries, land belonging to those industrialists and merchants for whom the land served only as a means of exploiting the peasants, were confiscated free of charge. At the landowners working cattle, agricultural implements, food surpluses, and surplus premises were also confiscated.

All the confiscated lands and other means of production were distributed among the peasants equally (semi-hundred), regardless of age, sex and nationality. Landless and land-poor peasants received the main share of the landlords' land and implements. All debt has been cleared peasants to landlords for renting land and to usurers for loans. Agrarian transformations were carried out by the people's democratic government with the active participation of the broad peasant masses. In 1952, agrarian transformations were completed in all the main regions of the country, in territories with a population of more than 428 million people.

The agrarian revolution in China completely abolished feudal landownership and the medieval system of agrarian relations, abolished the feudal exploitation of the peasantry. The class of landowners was finally liquidated. Instead landlordism, small-peasant private ownership of land was established.

Agrarian reforms had a significant impact on the development of the productive forces of agriculture and on the material situation of the peasant masses in China. For the first time in the history of the country, measures are being taken on a nationwide scale aimed at the significant development of agricultural production. For these purposes, needy peasants are provided with government assistance with seeds, credits. The first machine and tractor stations, breeding stations are organised to introduce the best varieties of seeds. Propaganda underway modern agro-technical knowledge. With the participation of the broad masses of the people, the fight against agricultural pests is organised. The implementation of major work

to combat natural disasters (floods), from which tens of millions of peasants annually suffer, has already yielded serious results.

In 1949, the area of flooded land amounted to 8 million hectares; in 1950 it was reduced to 4.5 million hectares, in 1951 to 1.4%; million hectares. In 1952, agricultural output reached the highest level in Chinese history, far exceeding pre-war production levels. The gross grain harvest in 1951 was 128% compared with 1949, in 1952 it was 140%; cotton production in 1951 was 252%, and in 1952, 300% compared to 1949.

In the People's Democratic Republic of China, the old feudal tax system was eliminated, in which many state and local taxes existed in the countryside, and taxes were collected from the population for many years in advance (for example, in Sichuan Province, taxes from peasants were collected in advance until 1991). A single progressive state tax was introduced, not burdensome for the peasant economy.

The elimination of landed proprietorship and the transfer of land to the peasants lead to a significant growth of agriculture and an increase in its marketability, to an increase in the material well-being of the peasantry and its purchasing power. This is a necessary condition for the accelerated development of the industrial sector, which will eventually ensure the transformation of China from a backward, agrarian country to a country with a developed modern industry and advanced agriculture.

**Economic structures and classes. The economy of the People's Republic of China is complex.** It has five economic structures: 1) natural and semi-natural economy, 2) small-scale commodity system, 3) private capitalist system, 4) state capitalism, 5) socialist (state) system.

Natural and semi-natural (patriarchal) farming is conducted by significant masses of peasants. In a number of provinces, especially remote and sparsely populated ones (Tibet, Xinjiang, Inner Mongolia), subsistence farming exists in the form of primitive agriculture and nomadic pastoralism, satisfying the personal needs

of peasants and having little connection with exchange and the market:

The petty-commodity sector is very large in China's domestic economy, embracing the vast majority of the peasantry, which, having received land, has become economically stronger. The stratum of the middle peasantry greatly increased and the number of farm labourers significantly decreased, since the farm labourers, having received land, began to conduct their own farming.

Handicraft production, especially in the countryside, also belongs to the small commodity structure. There are at least 30 million artisans in the country. Up to 40% of the raw cotton consumed in the country is processed at home using manual machines. The small-scale commodity structure also includes small trade in cities, small workshops for consumer services, etc.

The private capitalist structure occupies a large place in the Chinese economy, including capitalist enterprises in the city, kulak farms in the countryside, and commercial capital enterprises. In 1952, at least half of all light industry was in the hands of private capital. This way of life also includes numerous handicraft workshops with hired labour and manufactories, the number of which in China is quite significant. In domestic retail trade, private capital owns about 70% of the total turnover (1952).

As a result of the agrarian reforms, the political and economic conditions in the countryside have changed significantly, and the exploitative tendencies of the kulaks are being seriously rebuffed. The struggle of the poor and middle peasant masses of the peasantry against their ruin and enslavement by the kulaks is developing more and more widely. In this struggle, the working masses of the peasantry receive the full support of the People's Government.

State capitalism is represented mainly by mixed industrial and commercial enterprises, banks, and credit societies, in which the state and private capital participate. These enterprises operate under state control. State capitalism has a much smaller share in the country's economy than private capitalism.

The socialist structure embraces enterprises nationalised by people's democratic power, which were formerly owned by monopoly capital and foreign imperialists. All state-owned enterprises and resources are public property concentrated in the hands of the people's state. In these enterprises, the exploitation of the working class has been abolished. The public sector occupies a leading position in the field of industry and wholesale trade and influences all sectors of the economy.

In 1952, 80% of heavy industry and about 50% of light industry (not including handicraft production), all iron ... part of sea, river transport and motor transport were already concentrated in the hands of the state. The state owns all the major banks through which more than 90% of all credit transactions pass.

The share of the socialist system in industry (not including handicraft production) and in trade is growing rapidly. In 1949, state-owned factories produced 43.8% of the country's total industrial output, and in 1952, 67.3%. The share of wholesale and retail state and cooperative trade in 1950 was 44.4% of the total domestic trade turnover, and in 1952—62.9%.

Closely adjoining the socialist system is cooperation of all kinds in the countryside and in the city. But co-operation in its overwhelming mass cannot yet be attributed to the socialist forms of economy, since capitalist elements also participate in it along with the poor and middle peasant masses. As China's productive forces develop and as the transition from the bourgeois-democratic revolution to the solution of the tasks of the socialist revolution, to the building of the economic foundations of socialism, the co-operative sector will more and more transform into a socialist form of economy.

In the Chinese countryside, gradually, while observing the principle of voluntariness, the unification of the peasants into the simplest forms of co-operatives is being promoted. There are simple labour mutual aid groups, which are temporary, seasonal in nature, and permanent labour mutual aid groups. In self-help groups, only labour is combined for the time of field work. At present, the

highest form of mutual labour assistance is agricultural cooperatives, in which the land, which has remained the private property of the peasants, is combined into a common array. In addition, consumer cooperation and supply and marketing cooperation are developing. In 1950, there were more than 20 million members in many cooperatives. In 1952 there were more than 34,000 supply and marketing cooperatives; the total number of cooperative members reached 141 million. The state renders all-round assistance to the cooperatives.

In accordance with the changed structure of the economy, the main classes in the People's Republic of China have become the working class and peasantry. In addition, there is a class of the bourgeoisie in the city and the kulaks in the countryside, as well as a numerous stratum of the urban petty bourgeoisie.

The people's democratic revolution in China at the present stage does not set the task of eliminating the foundations of capitalism. In these conditions, the economic laws of the capitalist mode of production continue to operate, and the law of value is the regulator of production in the capitalist and petty commodity patterns of the national economy. The law of value has a profound effect on production in state enterprises.

However, in view of the fact that the Chinese economy has a socialist structure, which occupies a decisive position in industry and is gradually becoming the leading force ... in the economy, the scope of the strict laws of capitalism begins to narrow. In the socialist way of economy, relations of capitalist exploitation are anodized, and new conditions arise that give rise to new patterns of economic development.

The People's Government of China has already begun to carry out ongoing planning for the socialist sector of the national economy. The successes achieved in the development of the economy created the conditions for the transition to planning based on long-term plans. The state carries out indirect regulation of other sectors of the national economy and sets prices for all the most important products of industrial and agricultural production.

Elements of cost accounting and payment according to work are beginning to be applied at state enterprises.

Between the working class and the working masses of the peasantry. on the one hand, the bourgeoisie in the city and the kulaks in the countryside; on the other, the class struggle is going on. The bourgeoisie strives to expand and intensify the exploitation of the working class and the ruin of the peasantry, to raise the prices of essential commodities, bypassing the existing laws of the people's government. The bourgeoisie seeks to weaken the control of the working class in private enterprises.

Without setting the task of liquidating private capital at the present stage, the People's Government of China, in order to increase industrial and agricultural production in the country and develop trade turnover, provides loans to private enterprises, gives them orders for the production of certain types of goods, supplies them with raw materials for these orders and purchases finished products from them. products. The people's power is pursuing a policy of restricting the exploitative tendencies of the capitalists, suppressing their speculative activities, and regulating the private capitalist sector in the interests of advancing the national economy as a whole.

**Ways of further development of the Chinese economy.** The People's Democratic State abolished semi-feudal relations in China, freed the country from the yoke of foreign imperialism, and created favourable conditions for the development of the productive forces. The successful growth of agriculture creates a rich domestic market, and millions of peasants have already begun to demand industrial products: agricultural tools, cotton, textile, leather and other industries. Developing agriculture is increasingly supplying industry and cities with raw materials and food. trade turnover is developing, and the monetary system and money circulation have significantly strengthened. China has huge natural resources, which have not yet been used, but also little studied. The People's Republic of China has made significant



progress in the restoration and development of the national economy in a short period of time.

In 1952 ... industry (with the exception of coal) and agriculture, the volume of output exceeded the highest pre-war figures.

During the years of popular rule, the total annual volume of industrial output in the country as a whole has more than doubled, and agricultural output has increased one and a half times. The proportion of heavy industry has increased. Thus, in 1949, the output of heavy industry accounted for 32.5%, and the output of light industry, 67.5%, and in 1952, respectively, 43.8% and 56.2% of the total output of large and medium industry.

In 1950, for the first time in the history of China, a unified state budget was drawn up, higher, possessing a real base. In 1951, the budget was executed with an excess of income and expenditures. More than 59% of the budget funds in 1953 are directed to national economic and cultural construction.

The People's Republic of China has abolished all unequal treaties with foreign states, abolished all the old customs laws and regulations, on the basis of which foreign imperialists plundered the Chinese people and domestic industry. Introduced state control over foreign trade.

In its economic policy, the People's Government of China proceeds from the need to industrialise the country. In connection with this, the task is set of planned, systematic and rapid development of heavy industry—mining, metallurgical, energy, machine-building, chemical, and electrical industries. To meet the daily needs of the people, the production of textiles and other branches of light industry is expanding. In order to carry out the task of industrialising the country, the People's Government of China plans to develop the economy at such a rate that within 10-15 years the share of industrial output in the country's total industrial and agricultural output would rise from 10% to 30-40%.

The rapid development of industry requires significant savings. The sources of funds for this purpose are, first of all, the accumulations created in the socialist sector of the economy, the

income from domestic and foreign trade, then the taxes levied on capitalist enterprises, the taxes received from the working people of town and country.

The main funds allocated for the development of the national economy belong to the state and do not go to the social economic sector; the capitalist sector, on the other hand, has much smaller capital investments. In view of this, the absolute size and share of the state sector will rapidly increase, while the share of the capitalist economy will decrease.

One of the main conditions for the successful development of China's national economy is the growth of labour productivity of workers and ... enterprises are developing labour competition for increasing production, improving product quality, for saving raw materials and making better use of equipment.

Production leaders receive financial incentives. There are thousands of heroes of labour, marked by government awards.

In 1951, at the enterprises of Northeast China, the labour productivity of workers was 42% higher than in 1943. Workers' control was introduced everywhere at private enterprises. Commissions of representatives of workers and entrepreneurs have been set up to consider issues of labour protection, wages and other issues related to the work of enterprises.

Economic construction in the People's Republic of China is accompanied by an improvement in the working conditions of workers and an increase in their well-being. At state and private enterprises, the working day is limited to 8-10 hours (instead of the previous 14-16 hours), and collective agreements between enterprises and workers have been introduced. The wages of workers and employees in state and private enterprises are set at the same level for the respective categories and employees. In 1950, social insurance was introduced for workers and employees. Women have equal rights with men and actively participate in economic and political life.

The general improvement in the material situation of the Chinese people finds expression in a significant increase in the

purchasing power of the population, which increased by 25% in 1951 compared to 1950. The total volume of domestic trade in 1951 was 130%, and in 1952 about 170% in relation to 1950 (in comparable prices).

The Chinese people have already achieved great success in cultural construction. Previously, workers and peasants did not have access not only to secondary and higher educational institutions, but also to primary schools. About 90% of the population before the revolution was illiterate. In the People's Republic of China, education has become accessible to the working masses.

In 1952, the number of elementary schools increased by 57% compared to 1936. More than 50 million children study in these schools, which is over 65% of the total number of school-age children. There are 22,000 students in higher educational institutions, and more than 3 million in technical and secondary schools. More than 50 million adults are enrolled in schools and literacy groups.

As the tasks of the bourgeois-democratic revolution are exhausted, the national economy of China will more and more shift to the rails of socialist construction. "To complete the Chinese bourgeois-democratic (new-democratic) revolution and prepare its transition, when everything necessary for this is conditionally available, to the stage of socialist revolution—such, in all its fullness, is the glorious, green revolutionary task facing the Communist Party of China."<sup>1</sup>

Aid to China from the Soviet Union and the people's democracies plays an enormous role in the successful development of China's national economy and the preservation of economic independence from the capitalist world. The People's Republic of China receives cheap credit from the Soviet Union, first-class equipment, borrows the richest experience in managing the

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<sup>1</sup> Mao Tse-tung, *The Chinese Revolution and the Communist Party of China*. Typed essays, vol. 3, p. 180.

economy on the scale of a huge state, experience in organising labor and production at large enterprises operating on socialist principles.

The victory of the Chinese People's Revolution is of worldwide significance. Its role is especially great for the countries of the coronal and semi-colonial world. These countries, in terms of their economic level of development and the nature of their dependence on foreign imperialism, are in conditions close to those in which China was before the victory of the people's revolution. They are following the same path of struggle that the Chinese people have gone through. They face the same tasks—liberation from the yoke of foreign imperialists and the destruction of feudal survivals.

## BRIEF CONCLUSIONS

1. The Chinese revolution is an anti-feudal and anti-imperialist, bourgeois-democratic revolution, the main driving forces of which are the working class and the peasantry allied with it. The Republic of China in its social character is a people's democratic republic of the type of the revolutionary-democratic dictatorship of the proletariat and peasantry.

2. Among the fundamental socio-economic transformations in China, revolutionary agrarian transformations are of primary importance. The landowners' land, draft animals, implements, surplus food and surplus buildings were confiscated on a basic basis. The land and other funds confiscated from the landowners were distributed between the landless and land-poor peasants per capita, into their private property.

3. The Chinese economy after the victory of the people's revolution has five economic structures: 1) subsistence and semi-subsistence farming, 2) small-scale commodity structure, 3) private property 4) restoration of capital, 5) socialist (state) way of life. The leading role in the development of the national economy belongs to the socialist way of life.

4. The People's Republic of China proceeds from the need to industrialise the country and sets itself the task of raising the level of industrial output in the total output of industry and agriculture to 30-40% within 10-15 years and turning China into an economically powerful state.

5. The People's Republic of China, in carrying out the tasks of the anti-feudal and anti-imperialist revolution, is following a non-capitalist path of development. As the tasks of the bourgeois-democratic revolution are exhausted, the People's Republic of China

will more and more pass over to the implementation of the tasks of the socialist revolution.

## CONCLUSION

Marxist political economy has gone through more than a century of development. Marx and Engels gave a scientific analysis of the foundations of capitalism as a historically transient mode of production, discovered the economic laws of its emergence, development, and death, and proved the inevitability of the transformation of capitalist society into a socialist society through the proletarian revolution. Lenin and Stalin, developing Marxist political economy, enriched it with the scientific study of the monopoly stage of capitalism—imperialism and the general crisis of capitalism. The most important conclusion from this study is the new, complete theory of the socialist revolution, the theory of the possibility of the victory of socialism in one country. On the basis of a theoretical generalisation of the experience of socialist construction in the USSR, Lenin and Stalin created the political economy of socialism and discovered the laws of economic development of socialist society.

Marxist political economy does not stand still. Profoundly alien to dogmatism, it develops, supplemented by new theoretical propositions on the basis of a generalisation of historical experience. Comrades G. M. Malenkov, L. P. Beria, V. M. Molotov and others, the faithful disciples of Lenin and Stalin, standing at the leadership of the Communist Party of the Soviet Union, and leading the fraternal Communist Parties, Comrades Mao Tse-tung, Palmiro Togliatti, Maurice Thorez, Boleslaw Bierut, and others enrich Marxism-Leninism and its economic theory with new scientific conclusions and propositions that arise on the basis of the changing conditions of society.

Marxist political economy, as the most important component of Marxism-Leninism, is a powerful ideological weapon of the proletariat in its struggle against capitalism for socialism. It is the only scientific political economy, as it expresses the interests of the working class and all the progressive forces of mankind, interested

in the objective learning of the laws of the economic development of society, leading to the unreliability of capitalism, the victory of the sun. Modern bourgeois political economy expresses the interests of the monopoly bourgeoisie, which strives to perpetuate the obsolete capitalist system. Limited by the bourgeois worldview and narrow class interests, it is incapable of revealing the economic laws of the development of society. Petty-bourgeois political economy, primarily in the person of right-wing socialists, by embellishing capitalism and sowing illusions about the possibility of its improvement through reforms, is trying to divert the working class, the working masses from the struggle for the abolition of the capitalist system and the transition to socialism. Bourgeois and petty-bourgeois political economy sets as its main task the preservation of the capitalist system, the struggle against Marxist-Leninist political economy. Marxist-Leninist political economy exposes the anti-scientific, reactionary essence of bourgeois and petty-bourgeois political economy. It equips the working class with knowledge of the economic laws of the development of society and gives it the opportunity to build its policy on scientific foundations.

1. What are the main conclusions to be drawn from the study of political economy? What does political economy teach?

Political economy teaches first of all that the economic development of human society is a natural process. The emergence and development of each mode of production, the replacement of one mode of production by another, does not occur at the will of people, but due to the operation of objective economic laws. Political economy provides an opportunity to know the objective laws of economic development and use them in the interests of society.

Human society develops from the lowest forms of its existence to the highest. Each of the modes of production represents a certain stage in the progressive movement of society, in the development of its productive forces and production relations. The relations of production of the new socio-economic system, which is replacing the old, matured system, for a certain period of time contribute to



the development of productive forces, and later turn into their fetters. Then there is a change of one economic system by another, higher economic system. In a society divided into antagonistic classes, this change is carried out through class struggle, through a social revolution that overthrows the power of the obsolete ruling class and establishes the power of a new, advanced class.

Political economy, comprehensively studying the emergence of the development and decline of socio-economic formations based on private ownership of the means of production reveals the economic roots of the class struggle. It shows that the working classes are the creators of wealth, and the fruits of their labours are appropriated by the exploiting classes. This means that the class struggle is conditioned not by any random motives of people, but by the fundamental material interests of a certain class, by the laws of the economic development of a given mode of production.

Each new social system based on private ownership of the means of production—the slave system, feudalism, capitalism—established exploiters in power, changing only the forms of exploitation and oppression of the working people. The entire course of the economic development of society testifies to the fact that capitalism is the last social system based on the exploitation of man by man. Political economy shows that capitalism, in its monopoly stage, has long since become a reactionary system that is holding back the further forward movement of society. Dying capitalism is being replaced by a new social system—socialism, which means the destruction of the exploiting classes and the exploitation of man by man.

The history of the development of human society fully confirms the correctness of this scientific conclusion of Marxist-Leninist political economy. A socialist society has been built in the Soviet Union. With the victory of socialism in the USSR, the false theory of the ideologists of the bourgeoisie about the eternity and inviolability of private property and the capitalist system has been completely exposed. The successful construction of socialism is underway in the European countries of people's democracy. The

great revolutionary transformations in China's economy are gradually creating the conditions for starting the construction of socialism in this largest country of the East. In accordance with the economic laws of the development of socialism in the USSR, a gradual transition from socialism to communism is taking place. Communist society, the lowest stage of which is socialism, is the ultimate goal of the struggle of the working people of all countries.

Political economy gives the working class and all working people confidence in the victory of communism, showing that this victory is conditioned by the entire previous course of historical development.

2. Political economy, based on the experience of the USSR and the people's democracies, teaches how the working people of the capitalist countries can break out of capitalist bondage. It shows that the oppression and impoverishment of the working people in bourgeois countries do not depend on accidental causes, but are rooted in the capitalist economic system and are determined by the economic laws inherent in this system. there is no transfer of the means of production from the capitalists and landowners and the property of the working people.

Political economy shows that the enslavement and plunder of the colonial peoples by the mother countries do not depend on any accidental causes, but are determined by the very essence of imperialism, which is closely connected with the feudal-landlord and reactionary-bourgeois forces of the colonial countries. The peoples of the dragging and semi-colonial countries can get rid of slavery, poverty and backwardness only by freeing themselves from the yoke of imperialism and its local vassals, through the destruction of the remnants of feudalism and the implementation of fundamental democratic reforms. The colonial countries, having broken with the system of imperialism and secured their independence, can, with the economic support of the USSR and other countries of the socialist camp, bypass the painful path of capitalist development and gradually create the preconditions for the transition to socialist construction. The experience of the revolutionary struggle and the

victory of the Chinese people in practice confirmed this conclusion of Marxist-Leninist political economy and proved that the liberation of the colonial countries from the yoke of imperialism leads them to the path of material and cultural development.

The overthrow of the capitalist system in one bourgeois country or another and its replacement by socialist systems, the falling away from the imperialist system of a colonial country and the implementation of democratic transformations in it do not occur as a result of the “export of the revolution”, which is an invention of the imperialists, but due to deep internal them the needs of the economic development of these countries.

3. Political economy teaches how to transform the economy in the spirit of socialism. The transition to socialism cannot be carried out by simple paths, but rather is a natural process determined by objective economic conditions, the nature of the economic structures and classes that exist in the transition period from capitalism to socialism.

Political economy shows that in the transition period from capitalism to socialism, by virtue of the operation of objective economic laws, it is necessary to carry out in a certain sequence the nationalisation of large-scale capital production, the socialist industrialisation of the country, and the collectivisation of peasant farms. The construction of socialism takes place in an uncompromising struggle against the capitalist elements. The class struggle, in the course of the transition from capitalism to socialism, in the wake of the fierce resistance of the bourgeoisie is not fading, but escalating.

Political economy has exposed the false fabrications of the bourgeois ideologists that the working class, having come to power, is incapable of organising the economy. The historical experience of the USSR has shown what an inexhaustible creative force the power of the people. For the first time in history, the working class, the working people of a vast country occupying one-sixth of the globe, threw off the yoke of exploitation and oppression, became the masters of their country, created a socialist system that ensures a

steady rise in the productive forces, social wealth, material well-being and culture of the masses. This proves that the people can successfully do without exploiters, that the working class, the working masses, are capable not only of destroying the old, bourgeois economic system, but also of building a new socialist economic system immeasurably higher than that of capitalism.

Political economy is developing an economic substantiation of the need for the leading role of the working class in socialist construction, for a firm alliance between the working class and the peasantry, with the goal of building socialism and abolishing the exploitation of man by man. On the basis of an alliance between the working class and the peasantry, with the leading role of the working class, the transition is being made from small individual peasant farming to large-scale collective farming, which frees the peasantry from ruin and poverty. Thus, the centuries-old peasant question is resolved. The victory of the collective-farm system in the USSR actually refuted the fabrications of the bourgeois that the peasantry was allegedly incapable of embarking on the path of socialism.

Political economy summarizes the vast historical experience of building socialism in the USSR, which points the way for all of humanity. It shows how a previously poor and weak country, like pre-revolutionary Russia, has turned into a rich and powerful country, like the Soviet Union. From the country's most valuable treasure trove of this experience, people's democrats draw a wealth of proven paths to socialist construction, the laws of class struggle in transition, knowledge of how the working class can achieve friendship with the peasantry and strengthen the economic bond with them, how to achieve victory over the exploiting classes and build a socialist society.

The use of the Soviet experience requires careful consideration of the specific features of the economy and class relations in each country, which are determined by the totality of the historical conditions of its development. However, in any country making the transition to socialism, there are basically the same forms of

economy, the same class forces that existed during the transition period from capitalism to socialism in the USSR. Therefore, the specific features of a particular country do not change the main and decisive factor in determining the ways of socialist transformation of society, which is provided by the Soviet experience, which is the classic experience of building socialism.

4. Political economy teaches that practical work on socialist construction can be successful only if it is based on the economic laws of social development.

Knowledge of economic laws makes it possible to penetrate deep into the essence of economic processes, to identify progressive development trends when they are still in their infancy, to scientifically anticipate the course of economic development and direct it in accordance with the tasks of building communism. Political economy equips workers to fight for the victory of the new, advanced over the old, obsolete. Scientific knowledge of the economic laws studied by political economy forms the basis of the economic policy of communist parties. Because of this, the economic policy of the communist parties is correct, scientifically grounded, meets the urgent needs of social development and acquires a huge transformative power.

By highlighting the operation of the basic economic law of socialism, political economy orients cadres to build their work in accordance with the goal of socialist production, and political economy reveals the conditions for continuous growth and improvement of production based on higher technology, including the most important of these conditions—a systematic increase in labour productivity.

Spontaneity is profoundly alien to the economic system of socialism. Political economy shows that the construction of a communist society can be carried out only in the order of planned management of the economy on the basis of the law of planned development of the national economy, in accordance with the requirements of the basic economic law of socialism. Studying the law of planned development of the national economy helps to use

material, financial, and labour resources wisely, and correctly combine all the elements of production.

5. The classical economy teaches that socialism is the most progressive mode of production, with decisive advantages over capitalism. This is vividly expressed in contrast to the complex economic laws of socialism and capitalism, which define two different lines of development.

While in capitalist countries production is subject to the predatory law of obtaining maximum profit, which condemns the working people to ruin and poverty, unemployment and hunger, and bloody wars, in socialist society production is subordinated to the interests of man, to the satisfaction of his growing needs.

If the economy of the capitalist countries is characterised by the fact that the productive forces are marking time, parasitism and the decay of capitalism are intensifying, and devastating economic crises are accompanied by an unheard of plunder of material values, then the economy of the Soviet Union and the people's democracies is characterised by a steady rise in production, technical progress, ensuring the constant improvement of production. based on high technology.

In contrast to capitalism, where the economy under the influence of militarism develops one-sidedly, mainly along the lines of industries working for war, which entails higher taxes and higher prices for mass consumption goods, socialism is characterised by the development of a peaceful economy, the widespread deployment of civilian industry, which is accompanied by an on-systematic decline in prices for mass consumption goods, and an increase in real incomes population.

While capitalism is characterised by a competitive struggle between countries, the enslavement of some countries by others, socialism is characterised by friendly economic cooperation between the countries that make up the democratic camp, with a view to the general economic advance of these countries. The world capitalist market is narrowing, which worsens the conditions for the sale of goods and increases the underutilisation of enterprises in the

capitalist countries. The new world market—the market of the democratic camp—is expanding more and more, which is one of the most important factors in the prosperity of the socialist economy.

In peaceful competition with capitalism, the socialist economic system is showing more and more clearly every year its superiority over the capitalist economic system. At the same time, the world system of the capitalist economy as a whole, torn apart by internal contradictions, is becoming weaker and more unstable every year.

The majestic prospect for the progressive development of mankind is a classless communist society. Political economy reveals the economic conditions for the transition to communism, generalising the practice of communist construction in the USSR. It shows that the movement of modern society towards communism is based on the objective laws of social development. Communism arises as a result of the conscious creativity of the middle masses of working people, led by the Communist Party, hoisted by the theory of Marxism-Leninism. The Soviet Union has everything necessary for building a communist society. There are no forces in the world that could stop the onward movement of Soviet society along the path to communism. The tremendous growth of the forces of democracy of socialism, the progressive decline of the world capitalist system, the sharp aggravation of class contradictions between the imperialist bourgeoisie, on the one hand, and the working class and working people, on the other, the growing scope of the national liberation movement in the colonies, is indisputable proof that all roads lead to communism.

Thus, Marxist-Leninist political economy is a science that is inextricably linked with the practice of the revolutionary struggle of the working class and all the progressive forces of modern mankind for democracy, democracy and socialism, against imperialist reaction in the preparation of new wars. Political theoretical economy equips the working people in their practical activity in building a new, communist society.