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**The 15th Party Conference of the C. P.
of the U. S. S. R.**

**The Economic Situation of the Soviet Union and the
Tasks of the C. P. S. U.
Report of Comrade Rykov.**

(Verbatim report of his speech.)

Comrades! The subject on which I have to report is so extensive and so complicated, that the detailed analysis even of a single paragraph of the draft theses passed by the Politbureau, might occupy a whole evening. This compels me not only to refrain from making use of the statistical material in its totality, which is characteristic of the economic situation of the country but also to restrict myself to a general explanation of the principle part of the theses proposed.

Now, when new tremendous difficulties and gigantic problems of economic policy are facing the Party and the Soviet State, it is no longer possible to epitomize the whole of the questions which have to be solved in one report, even though it lasted for hours.

Quite recently the Commission for Planned Economy issued a very valuable book on the "Control Figures of National Economy for the year 1926/27", which delineates the chief tendencies of economic development and the most important general political instructions taken as a whole for the coming year. This is the second work of this kind. Although the first attempts to epitomize the "control figures" last year, were not very successful, the work of the Commission for Planned Eco-

nomy, which has been done this time with much greater care, offers us a far more reliable support in our endeavours to set up the most important sign-posts for the economic policy of the coming period.

There are, however, certain defects even in this book; not all its parts are harmoniously connected with one another. It contains certain assertions which have not been sufficiently thoroughly examined, not to call them incorrect assertions (for instance with regard to the price policy and to the analysis of the measure of the demand for goods in the country during the economic year). But in spite of some defects and commissions, this work represents a great event in our economic literature and offers auxiliary material for the systematic building up of our national economy.

Every one who is interested in the economic life of the country can profit greatly from the "control figures". Apart from this, almost all the most important questions of economic policy for the Party have been worked out not only in the "Control Figures" and in the Press but also in numerous meetings of workers — in connection with the discussion within the Party.

All this considerably facilitates the tasks set me in my report and enables me to limit myself to the most important points of dispute and to avoid as far as possible quoting figures.

THE NEW STAGE OF ECONOMIC DEVELOPMENT.

It is generally recognised to-day that the national economy of the Soviet Union is passing through a turning point in its development from the so-called period of "reconstruction" to a stage which is characterised by the realisation of a Party policy steering towards industrialisation, which was laid down by the 14th Party Congress.

In essentials the practical following up of this course, the development of large industry, the increase of the activities and of the significance of the working class throughout the country provide the necessary technical and material prerequisites for the complete building up of socialist society. The necessity of tracing out the further path of our development, of delineating the main lines of our economic policy and of elucidating all the difficulties which interfere with our carrying out the immediate tasks of the economic leadership of the Party and of the Soviet State demands that we draw up some kind of a balance with regard to the way we have traversed and determine the economic content of what is usually called the "period of reconstruction".

In my opinion it is not altogether correct to call the period of the economic development of the Soviet Union which has just passed, the "period of reconstruction" — in the literal sense of the word.

The literal interpretation of the expression "period of reconstruction" would only be right, had the economic boom in the course of this period signified the reproduction of pre-revolutionary economics, of pre-war economics, both as regards quantity (relations between the different parts of the national economy) and as regards quality (social conditions, class conditions etc.). Such an assertion would however be incorrect with respect both to industry and to agriculture. The development of the productive forces in the village has proceeded under quite different class conditions.

This process has gone on under the conditions of the nationalisation of the land, the abolition of the whole class of landed property owners, the distribution of the land among the proletariat, the creation of the beginnings of a new system of organisation of agricultural production (collective farming, Soviet farming etc.), of a new system of taxation, different organisation of agricultural credit, a different credit policy etc. etc. This process can only be called a "period of reconstruction" in the sense that the area under cultivation and the crops have increased so as to reach the "pre-war norm". But the whole structure of agriculture, the relation of power between the individual groups of the peasantry, the standard of living of the peasants — all this as fundamentally different from what existed in pre-war times.

Looked at from this standpoint, the process of the boom in agriculture was not a "process of reconstruction" but a process of the assimilation of the achievements of the October revolution.

Even leaving out the question the fundamental changes in social and class relations in the town, the "process of reconstruction" by no means signifies the restoration of the same proportions between the different branches of industry which existed before the war. The connection of industry with the market, for instance, is to-day of quite a different character, since the market of our Soviet Union is entirely different from the market of Czarist Russia. Nowadays the workers and peasants are almost the only consumers; industry has adapted itself to their requirements. The important group of titled landowners, the strata of well paid officials etc. have entirely disappeared from the circle of the consumers. The boom in industrial production is accompanied by the realisation of the plan of electrification, by a development of electrotechnical industry which has far surpassed the pre-war level, by the setting up of a number of new branches of production. I do not even mention that the distribution of the national income amongst the various groups of the population is to-day entirely different

from what it was before the October revolution. What has been said, is enough to make us realise how inexact is the expression "process of reconstruction".

It is equally incorrect to interpret the content of the "period of reconstruction" in such a way as to regard accumulation as the distinguishing characteristic between it and the new period. It is erroneous to imagine that the completion of the process of the "reconstruction" is identical with a transition from the exploitation of the technical and material elements of production inherited from the bourgeois society to "accumulation". In my opinion it is wrong to contrast in this way the "process of reconstruction" with the "process of accumulation". In doing so, the circumstance that the economic boom could not proceed without accumulation even during the period of reconstruction, is left out of consideration.

The distinction between these two periods is not that the growth of industrial production in the period in question took place at the cost of any special "sources of reconstruction" outside the totality of surplus production, but in the surplus production being used in such a way that it was turned to account as working capital for industry. This use of the surplus production had at the same time a great influence on the rapid rate of development of industrial production. In this way we succeeded in securing the stores of goods, raw materials and fuel which are necessary for the development of production, to re-unite into a solid body the working class which had been disunited during the years of civil war, to organise the credit system, to stabilise our currency etc.

We can distinguish two separate stages in the economic development of our Union in the past. It is characteristic of the first period that industry and transport were working at a loss and that the means needed for the "revival" of industrial production were taken from other branches of the national economy. With the gradual strengthening of industry and widening of its connections with agriculture through the market, with the establishment of a stable system of currency as a foundation for the whole national economy, the development of industrial production is beginning to rely more and more on turning to account the surplus products created within industry itself. Not only has industry begun to work without a deficit, it is now even making profit which, in the past economic year, amounted to half a milliard roubles.

When industry began to work, it was not even in a position to cover the normal purchase of the means of production. Consequently the equipment became more and more worn out and the original stock was diminished. We were compelled to take the means for supporting industry from other branches of the national economy. In the past period we have succeeded in replacing the worn out means of production by writing them off as redemption so as to make industry work at a profit.

It is also wrong to believe that the "process of reconstruction" did not require accumulation in contrast to the period on which we are now entering, and to regard this as the cardinal difference between these two periods. It is characteristic that the accumulated means were formerly used as working capital, while those means are now used for increasing the original stock, i. e. for the building of new factories and works, for creating a new basis of national economy, which is technically and materially on a higher level. The increase of original stock is a much greater and more difficult task than those which we have hitherto accomplished. For the accomplishment of this task, we need much vaster means and much longer periods. The milliard which we intend to spend on the increase of original stock in the current year, will only bear fruit in a few years. In the meantime, whilst these factories are being built, equipped and organised, we are taking vast means from the national economy, which cannot be turned to account until these factories are working. The building of the Dniepr power works will take five years if not more. The new outlay will, during this period, be less effective, i. e. for a certain time, we shall get less finished products for every rouble of capital invested than we should have received if that rouble had been invested as working capital during the period of reconstruction. This also accounts for the considerable slackening of the pace of the further development of production.

THE SOURCES OF ACCUMULATION AND THE RATE OF ECONOMIC DEVELOPMENT.

The fate of the October revolution and the practical solution of the question of the construction of a socialist society depend on whether we understand how to find the means necessary for transforming the whole national economy on the basis of large industry, and to invest these means wisely. The question of the sources of accumulation, i. e. the question whence and in what measure we can acquire these means is decisive for the whole policy of our Party in the coming period. The proposed theses point to the following sources: accumulation within industry, turning to account the income of other branches of national economy by distributing them through the machinery of the National Budget and the credit system, as well as turning to account the savings of the population.

We must further take into calculation that there is no longer a possibility of making use of an issue of paper money with the object of increasing the original capital. Even in the current economic year, we have seen that the possibility of increasing the quantity of money without conjuring up the danger of shaking the stability of the Czervonetz, is very limited. In the economic year 1925/26, the average annual amount of money in circulation has increased by 55% as compared with the economic year 1924/25, this growth exceeding the growth of the gross production of industry, of that part of agricultural production which gets on to the market, of railway transport etc. The excessive growth of the issue last year was one of the most important reasons for all the economic complications, to extricate ourselves from which demanded the greatest efforts during the whole of the past year. Since one of the principal conditions for developing our whole economics without a crisis is the stabilisation of our currency, it would be equivalent to conjuring up the danger of a severe crisis throughout our economic system were we to resort to issuing money for the purpose of investing capital. The issue of money as a source for the investment of capital in industry no longer comes into consideration.

Comrade Preobrashensky in his "New Economics" writes:

"When the State is at the same time both an organ for the administration of the country and the owner of a mighty economic complex, the issue of money is a direct channel for socialist accumulation."

This is only the case when the issue does not shake the whole of the money in circulation. In the present circumstances, to issue money for the purpose of accumulation leads inevitable to an injury to the financial system and disintegrates the whole of trade; the burden resulting from this falls on the shoulders of the workers and peasants, so that not only economic difficulties but political complications arise.

As regards accumulation in industry, the profit on our industry amounted, according to the data of the Supreme Council for National Economy: in the economic year 1923/24 to 105 million roubles; in the year 1924/25 to 305 million roubles; and in the year 1925/26 to 475 million roubles.

In addition to the systematic growth of the profits of industry, the amounts written off for the purpose of redemption are increasing from year to year.

The People's Commissariat for Finance disputes the data of the Supreme Council for National Economy and estimates that the profit on industry in the economic year 1925/26 will amount to more than 600 millions. Here we have to deal with usual "inadequacy" of our bookkeeping. The truth probably lies somewhere between the two. Accumulation within industry itself will inevitably continue to increase with every improvement in the methods of working, with every new work-bench which is started, with the rationalisation of the process of production, with the correct organisation of work, with the starting of new factories built up on the basis of the latest achievements of technique.

The State Budget which is one of the most important instruments for the new distribution of the national income, amounts, for the year 1925/26 to about 25% of the entire national income. In 1924/25 we allocated from the State Budget 184,2 mil-

lion roubles and in 1925/26 491,1 million roubles for the development of our industry.

According to the statistics of the People's Commissariat for Finance, all the expenses of the State for industry, which include not only direct allocations from the Budget for the purpose of increasing industrial capital but also the expenses on the basis of the fund in accordance with the Budget for supporting un-economic branches of export, the sums paid through the Communal Bank for the building of workers' dwellings, the expenses of the department for long period credits of the industrial bank, the expenses for electrification, for the apparatus of administration et., will amount in the three years from 1924/25 to 1927/28 to 1300,5 million roubles, of which 625,2 millions will be allocated in the current economic year. In contrast to this, the sums flowing into the National Budget from industry (deductions from profits, income tax, repayment of previous loans, investment of reserve capital in national loans) will amount to 120,9 million roubles in 1924/25, 196,4 millions in 1925/26 and 250 million roubles according to the plans for the current year, i. e. 567 million roubles altogether for the three years.

To express ourselves in book-keeping terms, the net amount of balance in favour of industry amounts to 63,3 millions in 1924/25, 294,7 millions in 1925/26, 375 millions in the current economic year, and 733,2 million roubles in the three years taken together.

Comrade Kujbyshev (interrupting): Is the reconstruction loan included?

Comrade Rykov: Yes, it is included.

The next source which we might turn to account but which we have not yet learnt to turn to account, is the attraction of the savings of the population into the co-operation, the savings banks, State loans etc. We must of course not disregard the levelling of the incomes of the different strata of the population of our country which was brought about by the October revolution itself. This fact cannot, however, by any means justify the insignificant results of our efforts to get hold of small savings. I would remind you that Czarism achieved much better results in this direction. The total amount of savings deposited in the National Savings Banks in 1925/26 amounted to about 90 million roubles, which is altogether only 6% of the balance of deposits on January 1st 1914. Only 6% of what was attained in Czarist times! In the past economic year 1925/26, the increase of deposits amounted to the fairly big sum of 52,5 million roubles.

In my opinion, the economic boom in town and country has reached a sufficiently high level to ensure a more rapid influx of small savings. The percentage deposited by the peasants in the savings banks is extremely small in proportion to the total sum deposited, i. e. 2,4%. In pre-war times, the deposits of the peasantry amounted to 28,5% of the total sum deposited (Jan. 1st. 1914). We see a similar picture in all the co-operatives whose activities are combined with that of attracting the small savings of the population. We must realise clearly that, apart from the objective difficulties, the attraction of small deposits is hindered by insufficient attention being devoted to the problem. Neither the Press, nor the State and co-operative organs, the Party nor the trade union organs concern themselves to a sufficient degree with this question. In this respect it is the absolute duty of the Party to see that a decided change is made.

The rate of further economic development, the rate of the industrialisation of the land, will depend on the extent to which capital is invested.

I have often observed how some comrades have brought very little understanding to bear on the question: — What then? At what pace will our development continue? In 1924/25, industrial production increased by 60%, for the economic year which has just come to an end, the Party calculated this increase at 35—40%; in reality however it is over 40%. And now, all at once, in the current year, a sudden drop. An increase of only 17 or 18%, and in the coming years still less. In view of this change, some members of the Party lost their heads, and this was the reason for the defeatist attitude of capitulation which, in its essentials, was expressed in the platform of the united Opposition. We must therefore make sure whether this slackening of the pace involves a danger which

might give the Party reason for serious concern as to the fate of our socialist construction. With what speed did industry develop in the various countries, especially at a time when the juncture of affairs was favourable for those countries?

Between the years 1900 and 1913, the average annual increase of industrial production in pre-war Russia amounted to 3.87%. At the time when trade conditions were most favourable this increase rose to 6.5% (1908—1913); in the years 1891—1900 it even amounted to 8.5%.

In the United States the average increase of production in the years 1899—1913 amounted to 3.5%; in England in 1905—1913 only to 1.16%. In 1922 the increase of production amounted to 2.2% and in the following year only 2.7%.

Between the years 1898 and 1913, France had an annual increase of production of 3.35%.

What does it mean if at present we have an increase of more than 40% and in 1930 we shall perhaps only attain to an annual increase of 10% in our industrial production? It indicates that our industry will in one year, make a leap forward such as has never been seen in any capitalist country.

The increase of industrial production by 17—18% this year, is only possible thanks to the existence of a reserve factory equipment which has not yet been turned to account. If this were not the case, an increase of industrial production by almost 20% in one year would hardly be possible. This would mean that, in a single year, we should increase by a fifth the dimensions which industry has reached in the whole of its previous history. The rate of the increase of production planned for the economic year 1927/28 of 12% will far exceed the historical examples quoted. Thus there is truly no reason for a panic. We ought to be proud that the proletarian dictatorship has been able to advance at a pace which no single capitalist country has reached, in spite of the general technical backwardness and the impoverishment of the Soviet Union at the time when it tackled the extremely difficult problem of increasing the original capital.

THE PRACTICAL QUESTIONS OF NEW CONSTRUCTION.

The question of investment of capital consists not only in whence and how much should be taken but also in how this money should be used. I deeply regret that I am not in a position to report to the Conference on the plan for the development of our industry which is calculated for five years. Comrade Krshishanovsky, President of the Commission for Planned Economy ought really to make a special report on this subject. This has not been done because the Commission for Planned Economy has been so overburdened by the work on the control figures for the current year that the roughly sketched plan has not yet been finally examined and could not be laid before the Party for discussion.

In my opinion, it must be perfectly clear to everyone that the questions of construction on the lines of systematic economy are of much greater importance in this new stage of development than they have been in the past. We are determining the growth of industry and the proportional growth of its separate branches for several years in advance by undertaking the building of new factories and works and the construction of new railways on a large scale. Any considerable miscalculation in the premisses would lead in the future to a disproportion between the different branches of production, when fresh capital to the amount of several milliards of roubles has already been invested (in this year alone we are investing more than a milliard). For this reason the working out of a plan which embraces a fairly long period of economic development is the most important task on the successful solution of which the efficient carrying through of industrialisation will depend.

The past year was the first year of large investment of capital for the building of new works, and in this, as in every new matter, we have met both with considerable success and with a number of serious failures.

The traditions of our Party demand that we do not cover up our mistakes and defects but examine them with open eyes. This method of examining them is the only right way to limit our mistakes and defects to a minimum in a short time. I think

that in the case in question we ought to face the mistakes we made in our first steps with regard to this work all the more openly because such mistakes may seriously affect the whole organism of our national economy.

I quote some examples of our failures:

Some time ago we discovered that we were suffering from a lack of white lead; it was imported from abroad. Some provinces, obviously prompted by a desire to promote the work of industrialisation, began to build white lead factories at their own cost and at their own risk. One factory of this kind was built in Leningrad, another in Rostow, a third somewhere else (voice from the audience: in Jaroslav) — I just hear in Jaroslav. Briefly, factories were built without any connection with the existing sources of raw materials and with the needs of the market. One of these factories came to a standstill for want of raw material. As the Supreme Council for National Economy makes it its object to prevent factories which have been built, standing idle, it is distributing the existing raw material amongst all the factories so that they are working at only 50—60% of their capacity and are probably working at a loss instead of at a profit. As you see, we are considerably "overindustrialised" in the domain of the production of white lead (laughter).

This is a telling example of how necessary it is to insist upon stricter and more consistent discipline in planned economy.

Another example: in Taganrog there is one of the largest leather factories not only in the Soviet Union but, if I am not mistaken, in the whole of Europe. It is equipped on the basis of the most modern technical achievements. In Moscow a large leather factory has been hastily built. The result is that either the Moscow factory must come to a standstill for want of raw material or that both factories must work at half their capacity.

One more example in another field:

The building of many factories is connected in the first place with expenditure on those parts of the equipment which are ordered in our own factories and secondly for those parts which are ordered abroad. Cases are known to me in which articles ordered abroad have been delivered before our own were ready. The opposite has also occurred. Thus it happens that material of great value remains unused for months or even for more than a year, the equipment becomes damaged and antiquated, as technical science advances rapidly. We could quote plenty of such examples.

All this is the toll paid for our first steps the penalty for our bad organisation, lack of discipline, want of system and incapability. These must all be overcome in a short time.

There are however obstacles of much greater significance. They are inherent in our technical backwardness which makes itself felt in all sections of our economic organism. Let us merely take as an example our relations to foreign countries. There have been cases in which machines which have long become antiquated, are ordered from abroad. Very often we do not understand how to order machinery properly or how to use machines which are imported. The backwardness of our technique, the inadequate training of our technical personnel, the gaps in our technical knowledge, the absence of technical experience and technical skill, all those defects act as a hindrance to our whole economics from top to bottom. It is impossible to raise the technical level of the country without improving the training and increasing the number of specialists, without improving the skill and increasing the active participation of the workers in the introduction of the new achievements of technical progress (through conferences on production etc.), without bettering the whole training in technical schools and colleges.

With regard to the investment of money in the building of factories and works, attention should be paid in the first place to the development of the construction of machinery, in which province we are at present dependent to a very large degree on foreign countries, not only from the material point of view, from the point of view of production, but also as regards technical knowledge. We cannot even construct a good electrical turbine by ourselves. Neither can we design nor construct a number of other machines on which the industrialisation of our country depends. We must learn to construct machines ourselves, we

must ensure the progress of engineering technique in the Soviet Union.

In the coming period the weakest links in the chain of the whole economic system of our country will be fuel, the production of electrical power and the traffic system. It is well known that since the October revolution, attention has repeatedly been called, in the resolutions of the Party, to these branches of industry as the weakest points in our economic system.

I should like, however, to warn you against regarding what is said in the theses on these branches of industry as merely a repetition of what has already been said. We must take into consideration that the Donetz Basin increased its production by 500 million poods in the past economic year and will increase it by another 300—400 million poods in the current year. Thus, in two years, the increase of production in the Donetz Basin yields almost a whole milliard poods of coal. This is so great an advance that we can look with pride on the vast achievements of our industrial work. The output of coal in the other coal-mining districts exceeds the pre-war output. The present difficulties with regard to fuel go hand in hand with great achievements in both the coal and naphtha producing districts and with intensive working of the whole existing equipment for the production of fuel.

As regards the production of electrical power, it will increase in 1926 alone by 150,000 kilowatts in the district power works. In spite of this, the crisis in the supply of electrical power has become so acute that the Moscow Soviet has already had to regulate the consumption of electrical power. There will be further complications in the next few years in the domain of the supply of power unless new measures to supplement the existing ones are taken with regard to the construction of new power works and the extension of those already in existence.

Fuel and electrical current form that basis which is decisive for the development of the whole economic life of the country, not only for industry in the narrow sense of the word, but also for the life of the population, especially in the towns. The development of house building, the improvement of the standard of living of the workers, the rationalisation of production, the extension of the tramway service, the improvement of the lighting of the town — quite apart from the direct dependence of the whole of industry on fuel and electricity — all these demand the concentration of all our forces and the whole of our attention on preventing a crisis with regard to fuel and electrical power.

In the production of fuel and of electrical power, the means at our disposal must above all be applied in such a way that these branches of production will form no obstacle to the development of all the other branches of national economy.

In addition to fuel, electricity and metals, special attention must be devoted to questions of transport. At the present time, railway transport has not only reached the pre-war level, but already exceeds it in a certain measure. There has been a satisfactory development in the increase of goods transported during the year. Nevertheless transport shows a deficit this year. The amount of this deficit is still a matter of dispute, and figures varying from 50 to more than 100 million roubles are named. The deficit in the transport department is due to the fact that in connection with the new period of the building of factories, works and houses etc., the amount of goods transported at a loss or at little profit, has greatly increased, whilst the percentage of the profitable carrying of goods has diminished. The share of profitable transport in the whole carrying of goods on the railways fell last year from 46.5% to 35%, whilst the share of transport at little or no profit increased in inverse proportion. The goods transported without profit are: fuel and building materials, wood, cement etc., for which low tariffs are fixed. The increase of the transport of these goods arises out of the whole character of the present epoch of new construction, though for railway transport it has meant considerable loss.

This deficit compelled us to pass a resolution increasing railway tariffs, from which we hope for additional earnings of about 110 million roubles in the current year. This is, of course, an unpleasant measure but it is not open to objection, since even now the price of railway transport will be considerably lower than in pre-war times. The index of railway transport is considerably lower than that of either industrial or general goods.

THE QUESTION OF ECONOMIC ADMINISTRATION.

In the opinion of some comrades, the section of the theses dealing with the fight against bureaucratism, the measures of economy and the new tasks of administration, are not clear enough and therefore likely to give rise to misunderstandings.

Such a criticism of this section is evidently based on its not being sufficiently, exactly and concretely explained what is to be done and in which fields of administration. In the theses it runs: "... the question of the revision of the whole system of the apparatus for economic administration must be raised." Nothing is said, however, as to how it is to be revised, when it is to be revised, what should be changed and how. This leads me to discuss in detail the tasks of the regime of economy and of the economic administration.

It is clear to everyone of us that the interests of industrialisation demand the maximum of economy in expenditure, in the first place in the domain of the administrative apparatus. It is equally indisputable that the economising regime must be combined with a more rational management of our economics, with the improvement of the methods of the functions of the State and with a fight against bureaucratism.

With every new step on the path to the industrialisation of the country we shall be faced by new and increasingly complicated tasks concerning the organisation of a socialist society. The process of industrialisation means not only that the working class and its organisations must take a more important part and that the relation of forces between the classes must be more favourable for the proletariat, but also that there must be a fundamental change in the methods by which the working class exercises influence over the whole economic and political life of the country.

I entertain no doubts that the system of economic administration created by us since the October revolution is not fully equal to its new tasks. It arose in a period when, under conditions of civil war and of growing devastation, the works abandoned by the bourgeoisie were brought under the control of a centralised apparatus of State. As time went on, this system of organisation was perfected to a considerable extent, but even to-day it is still centralised to a degree based on mistrust of every minor link of the chain. Neither at the period of its creation nor in recent times has this system of organisation been built on a foundation which reckoned with handing over the responsibility for the industrialisation of the whole country to this organisation. The system of organisation was adapted to the tasks of the existing works, and that under conditions which have since undergone considerable changes. We must decide in what measure the system of economic administration created in a previous period, is able to fulfil the new economic tasks by which the country is faced.

In order to illustrate whether and in what way our system of administration is equal to the new tasks, and on what weak points of our system we ought to concentrate our most earnest attention, I will read an extract from a letter I have received from a specialist. In former times I knew this specialist personally as a revolutionary; I do not know whether he is a member of our Party or not, but I regard him as a person who is not far removed from our Party. He writes to me, so to speak, on the basis of our old acquaintance with considerable frankness. I will read some extracts from his letter:

"Five years ago, I undertook with your approval the task of creating, under present conditions, a new enterprise for the establishment of which we have only the creative forces of the new order to thank — an enterprise which was to lay the foundations of a new industry, an industry in the brilliant future of which not only I but our best technologists believe.

As I wished to prove in practice that much can be accomplished under present conditions by an honest specialist devoted to the matter in hand and inspired by faith in the Soviet order, I have up to now avoided making use of any personal "connections", as I was of the opinion that knowledge and capability of work are able to overcome all difficulties. I devoted five years of my life to this cause. Amidst incredible difficulties, with an elasti-

city increased to the utmost, always cheering on my fellow-workers, I surmounted one difficulty after the other.

And now, when everything is almost finished, of which you can convince yourself by a mere superficial glance at the accompanying copies of the report of the State Industrial Administration of the Supreme Council for National Economy and the deed of revision of the Financial Department of the province — now, when there is only work for two or three months, I feel that, in the present situation, I cannot carry the matter through to its end, as my nerves and my heart will not stand it. My devotion to the cause and enthusiasm for the work are withering and the forces which are fruitlessly exhausted are becoming weaker; only one thing remains — the old Bolshevik obstinacy, the habit of fighting to the end from a sense of responsibility for the task undertaken. But even this is undermined by the consciousness that in the given situation, I cannot make any advance, that where I am, I am squandering power and energy to no purpose. Judge for yourself whether one can work profitably under the following conditions:

During the whole five years there has not been a single year in which the means necessary for carrying on the work in hand were allocated to us. We only received small fractions, small doles. Consequently we found, for instance, on October 1st 1925 that the sum of the costs of the building work and of the finished equipment exceeded the allocation by 332,027 roubles 50 kopeks. Who was to make up this deficit? It was paid out of the money advanced by the purchasers of the products from the secondary undertakings which had been established in order to make money and by my bills of exchange. As the director of an undertaking directly dependent on the State Budget however, I am not allowed to make out bills of exchange. They are nevertheless accepted and discounted throughout the R. S. F. S. R., out of confidence in the signature which has never been dishonoured. Now, instead of the allocation of money, we receive innumerable inspections.

Thus we had for instance in 1925:

1. A revision by the Financial Department of the province.
2. A revision by the Provincial Section for Work.
3. A revision by the Revision Commission of the Supreme Council for National Economy.
4. A revision by the Supreme Building Board of the Supreme Council for National Economy.
5. An inspection by a Special Commission at the order of the Supreme Council for National Economy of the Soviet Union. All this without counting the inspections of the local district bodies.

And in 1926:

1. A revision by a combined commission of the People's Commissariats for Workers' and Peasants' Inspection and for Finance.
2. An inspection by the Provincial Board for Workers' and Peasants' Inspection.
3. An inspection by the Finance Department of the province.
4. An inspection by the provincial G. P. U.
5. An inspection by the Public Prosecutor's Office.
6. An inspection by the Avio Purchasing Department.
7. An inspection by the Board of Directors for Chemistry of the Supreme Council for National Economy.
8. An inspection by the Board of Directors for Building of the Supreme Council for National Economy.
9. An inspection by the Provincial Labour Bureau and other authorities; in the month of July alone six inspections by commissions.

All these commissions regard it as their duty to make these inspections at the busiest time.

My time is wasted in a most unproductive manner on reports, conferences, negotiations etc. The Central Government demands reports, the Provincial Government demands reports, the Local Government demands reports.

The trade union organisations — the workers belong to three different trade unions: the union of the workers in the building trade, the woodworkers' union and the union of agricultural and forest workers — formed three factory disputes. I must have time for everything, as my presence is councils, three organisations for discussing production and three commissions for setting up standards and settling demanded everywhere and my absence gives offence. When am I to find time for work?"

He also describes his further worries and adds a truly extraordinary document, which is really what prompted him to apply to me; he received the following document:

"To the Director of the militia of the N. factory.

You are requested on the receipt of this letter to send citizen X. to the office of the authorised representative in the district of the provincial department of the G. P. U. about a matter which concerns him.

(Signed) The authorised etc.

Accompanying this document, the writer of the letter quoted received a communication from his deputy manager to the effect that this summons had, as he had learnt from a telephon conversation with the authorised representative of the G. P. U., no serious justification, but was only a childish whim on the part of the representative of the G. P. U. who wished to show that he was a person in authority.

I have followed up the matter and have learnt that no administrative or judicial examination of the writer of the letter was intended, that no one accused him of any misdeed, that he was everywhere regarded as an honourable man. I spoke with comrades of the provincial government in question and not one of them expressed the faintest doubt that the man is absolutely loyal to us and that he is working with great self-sacrifice, with great devotion to the cause and with implicit honesty at the task entrusted to him.

If such revisions and this affair with the representative of the G. P. U. are practised in absolutely trustworthy cases and with respect to an undertaking at the head of which is a man whom Lenin knew, whom I know, whom Kshishanovsky and Bucharin know, with whom we formerly worked when our Party was illegal, how will other undertakings be treated? Can we, with such a system, confidently take for granted that the 1050 million roubles allocated for increasing the original stock is being used to good purpose?

(Interjection by Comrade Tshubar: One milliard for revisions and fifty millions for construction!)

Of course there are bad specialists as well as good ones. The working class must, however, know how to distinguish the good ones from the bad, to give the good ones every possible support and the bad ones the punishment they deserve! The circumstances under which this specialist worked, are quite abnormal. This whole system of revision and control which is at the same time combined with a lack of personal responsibility, is hardly calculated to ensure successful work in the course of the whole coming period.

The whole organisation arrangement, which came into being last year, bears the distinguishing characteristic that it did not directly serve the industrialisation of the country, and secondly (this has been and will be admitted by all of us) that it is infested with the disease of bureaucratism. This disease is especially dangerous in a period in which, under complicated conditions, we shall have to spend enormous sums for the industrialisation of the country. I do not intend to quote innumerable examples of the bureaucratic distortions in the practical work of the soviets, I only refer to my own experiences.

In the People's Commissariats I am often at a loss to find the hand which would take a firm and determined grip of the

practical questions connected with the industrialisation of the country, I cannot find the bodies which would solve these questions quickly and exactly. There is no such apparatus! Our administrative apparatus was adapted to the solution of other problems. The chief question is, of course, what practical measures we ought to take immediately. Who is responsible and for what is he responsible? Which authority has the final power to decide? What questions of planned economy must be worked out and in what order? I cannot give any exact universal prescription in this respect. Is it necessary to revise the trust law? In my opinion, this must be done. The diseases mentioned are reflected in the most dangerous way in the economic work, but I am not altogether sure that the system of our apparatus of State and the activity of the soviets ought not to be revised also, not only with a view to reducing bureaucratism but also with a view to adapting the system to some extent to the tasks of industrialisation. If the whole way of putting the question meets with the approval of the Conference, then a whole system of practical measures must be worked out in the immediate future and carried out gradually. It would, to say the least of it, be strange to imagine that we could at one stroke change a system which has taken several years to develop. In this work of revising the whole machinery of State and economics with the object of adapting it to the new tasks and of reducing bureaucratism, we shall probably make mistakes of some kind or another. This is unavoidable, but it cannot be regarded as an argument in favour of the system now in force.

AGRICULTURE AND INDUSTRIALISATION.

The above characteristics of the fundamental questions of the economic policy of the Party would be very inadequate and one-sided (not only in their form, but in their whole nature) if the treatment of the problems of industrialisation were not brought into harmony with the problems of agriculture. It is perfectly clear to our whole Party that the questions of agriculture and of our policy towards the peasantry must altogether be brought into agreement with our general policy. It is all the more necessary to dwell on these questions because the policy of the Party with regard to the peasantry is exposed to the most violent attacks on the part of the opposition.

At the plenary meeting of the Central Committee of the Party in April, it was stated that there were two extreme points of view with regard to the questions of our agricultural policy and of our relations to the peasantry. One of them is based on the necessity of the greatest possible protection being given to agriculture and of the largest possible amounts being invested in it, and only after this, in the following stages of development, placing the problem of industrialisation on the agenda. The other point of view laid such emphasis on the question of industrialisation that, were we to follow the second way in practice, our industry would play the same part towards agriculture as England does to the colonial countries. Thus, the second point of view regards agriculture merely as a source from which to draw the means for the development of industry.

These two points of view, are, in essentials, the point of view of capitulation. Both these points of view were rejected by the 14th Party Congress and by the Plenary Session of the CC. in April. In spite of this the question of our relations to the peasantry in connection with the problem of industrialisation are being further discussed in the Press and at meetings of workers.

The practical solution of the task of industrialisation must rest on an economic policy of the Party, in which the development of the whole of industry creates equally favourable conditions for the development of the productive forces of agriculture. The peasantry itself is interested in the development of industry. The peasant is interested in industrialisation, not only as a buyer of industrial products (objects of general necessity and tools for production) of the best possible quality and at the lowest possible price (which we can only attain in proportion as industrial construction is extended), but he is no less interested in industrialisation as the producer of agricultural raw materials. It is superfluous to point out on this occasion what an extraordinary influence machines, for instance the tractor, exercise on the development of agriculture. In our country, the Putilov works are the only ones which are equipped for the production of tractors. Even they, however, produce

them at five to six times the cost of those from abroad. The quantity of tractors produced in our country is extraordinarily small. This year we shall be obliged to hand over tractors only to collective farms or tractor associations — and not even to all of them. We shall only be able to meet a fifth of the demand of the villages. The building of the tractor factory in Stalingrad is just as much a workers' problem as a peasants' problem, because the tractors which this factory will produce are one of the main factors in agriculture. This example of the tractor factories could of course be supplemented by a number of other examples and illustrations, but on the whole we must start from the premises that even the development of agriculture itself depends on the development of industrialisation. In exactly the same way the questions related to the surplus population in the country will be solved in proportion as industry is extended. A large part of the peasants, who can find no occupation in agriculture, will only be able to find a means of earning a living in the town if industry increases.

In this way the peasantry is interested in the development of industry both as consumer and producer. At the same time agriculture must be adapted in a greater measure than hitherto to the requirements of industry. It is sheer nonsense to maintain that the present shortage of a number of industrial articles is to be attributed entirely to the lack of machinery and tools. That is quite wrong. The shortage of textile, woollen and leather products in the course of the past and the present years is not due to the lack of tools but to the lack of raw materials, hides, wool, cotton etc.

From this point of view, the retardation of the growth of technical training, which became evident last year, is a particularly dangerous symptom. The production of agricultural products which supply industry with raw materials, amounts this year to nearly 94% of that of production of last year. At the same time, the development of cattle-breeding is proceeding at a slower pace. To a certain extent we ourselves are to blame for this, the mistakes with regard to the regulation of prices especially have affected the question. Simultaneously with the excessive increase of prices for cereal products, a great reduction of the prices for flax and other agricultural products used in industry, was permitted. The peasants, taking the unfavourable juncture of affairs into consideration, cultivate those products which bring them more profit. This has resulted in a drop in the production of agricultural products used in industry. Up to the present the problem of the prices of cereals has been discussed in detail in all organisations and meetings, including the plenary meeting of the C. C. and the party conferences. Very little attention however is paid to the problem of the prices of raw materials which, to a certain extent, has vanished from the field of interest. The policy regarding the prices of the agricultural products used in industry, which are most important for us, has not been sufficiently thoroughly dealt with, as it is regarded as a subordinate problem or one of second rank. Questions connected with it have only been settled from case to case, for one particular month or one particular district. But on the whole, no sufficiently firm and consistent line of action has been taken in the policy regarding the prices of the raw products of agriculture. The mistakes which have been made in this domain must be corrected at all costs and as quickly as possible, for it is clear to everyone that the less raw material is produced in the country itself, the more must be imported from abroad. In our plan of imports for the current year the share of industrial raw materials (cotton, wool, hides etc.) amounts to more than 40%. We have to pay for the weakness of our agriculture by paying in foreign money for raw materials purchased abroad. It is therefore absolutely necessary to take every possible measure in the immediate future to remove this rift between agriculture and industry. It is imperative that the question of the regulation of prices for agricultural production by districts should be put on the agenda in all its aspects, in order to promote the development of an intensive cultivation of products used in industry. In doing so, it must not be the interests of a given month or of a group of purchasers which are taken into consideration, but the interests of the whole situation of our national economy.

One specially urgent question of the policy of the Party in the country is the question of the differentiation of classes amongst the peasantry.

Certain comrades of the Opposition maintain, in connection with the discussion on differentiation in the villages, that once

again, in the conditions prevailing in the period since October, "the thread of the economic development of the upper strata of our villages which was tending towards the formation of a stratum of capitalist farmers, — this thread which was broken by the revolution, will be taken up again and spun further by history" (from the speech of Comrade Preobrashensky from the Communist Academy). The Opposition considers that it has been indisputably proved that exactly the same process of differentiation is going on in the villages as went on under the Czars, under the conditions of private ownership of land and of feudal landlordism, that the October revolution has had no noticeable and definite influence on the relation of forces in the villages and that "the thread broken by the revolution will be taken up again and spun further by history." This way of putting the question must attract the attention of the whole Party. This "theory" should be thoroughly appreciated, all the more so as our policy with regard to the villages is described by those comrades literally in the following words: "Mark time, steer a cautious course, make concessions to the petty bourgeoisie and then capitulate before their pressure . . ."

These are the accusations which are made against the Party in connection with the question of class differentiation in the village. It was this which prompted me to ask our statisticians for the most exact data possible with regard to the processes of differentiation among the peasantry. Here are the results of the investigations which have been made by the Central Statistical Board with regard to 35 provinces.

Grouping of the farms according to the area under cultivation in percentage:

	1922	1923	1924	1925
No land under cultivation	6,9	5,3	4,8	4,2
Up to 2 dessjatines under cultivation	46	40,7	36,6	33
From 2—6 d.	40,3	44	46,7	49,3
From 6—10 d.	5,6	7,8	9	10,2
More than 10 d.	1,2	2,2	2,9	3,3
	100,0	100,0	100,0	100,0

It is evident from the table that not only the percentage of peasants without land under cultivation but also the percentage of dwarf farms with up to 2 dessjatines under cultivation is decreasing in number from year to year. On the other hand we may observe an increase of farms with more than 10 dessjatines under cultivation.

To supplement this, I add a summary of the data with regard to the grouping of the peasantry according to their live stock for the whole R. S. F. S. R., as they have been worked out by the People's Commissariat for Finances on the basis of the latest agricultural taxation list.

	1923/24	1925/26
No. cattle	17%	15%
Up to 2 head	63%	60%
From 2—4 head	18%	22%
Over 4 head	2%	3%
	100%	100%

We see from this that there is a decrease of the percentage of farms with no cattle or very few and an increase of farms with 2—4 head of cattle. At the same time there is a certain increase of farms with more than 4 head of cattle.

I have no data with regard to the distribution of the new tractive power, i. e. the tractors, at my disposal. Thanks to the system we have introduced in the selling of tractors, we have brought about that, up to the present time, the greater number is in the hands of the poorer strata, who are combined in tractor associations, collective farms etc.

What is the significance of differentiation among the peasants, and how was this differentiation understood in former times? The differentiation of the peasants was understood in former times as the disintegration of the middle stratum of peasants and its separation into two extreme wings. The under-

mining of the middle stratum leads to an increase of, on the one hand, those owning but little land and on the other hand, the wealthy farmers (kulaks). Nowadays we have no process of differentiation in such a pure, "classical" form. We have at present a general increase of all economic groups and a decrease of all farms without live stock, with no land or but little land under cultivation. All groups of peasant farms are thriving. The fundamental stock of the middle peasants is not only not disintegrating but is growing and gaining in importance, as those strata of the peasants who have but little land join the ranks of the middle peasants as they improve their position (thanks to our policy in the villages).

At the same time, the proletarianisation of some of the poorest groups of the peasants is proceeding as well as the separation of the Kulak group from the well-to-do section of the peasantry, which is becoming more influential, more energetic and more active.

What is the political significance of the statistics quoted with regard to land under cultivation and live stock? That it proves objectively that the process of class differentiation which is going on in the villages is trending in a new direction thanks to the conditions of the revolution — the nationalisation of the land, our taxation policy, the policy of granting agricultural credits, the organisation of the rural poor, the creation of a special fund for the rural poor, the activity of the agricultural co-operatives, the promotion of collective forms of agriculture finally, the whole policy of the Party and of the Soviets.

In any case there can be no doubt that both the character and the rate of differentiation are different from what they were in pre-revolutionary times. This is the fundamental peculiarity of the process of differentiation which is going on in the villages.

The process of the appropriation by the village poor of the land which fell to their share through the agrarian revolution, is still going on. Up to the present they have not been able to cultivate the land to the full because of their lack of means, of live stock and implements. The process of the appropriation of the land by those strata of the rural population who possess but little, is going on on the basis of the general economic reconstruction. This is why the views which carry over the pre-revolutionary conceptions of differentiation to the present day are absolutely wrong. These views are stamped with capitulationism, both when they are based on simple ignorance of the processes and when they are the result of some organic defeatism which manifests itself with every difficulty that is encountered. The representatives of these views have drawn up a special agricultural taxation programme. This programme was first expounded by Comrade Trotsky at the April Plenum of the C. C. in his amendment to the resolution on our economic policy. This amendment runs:

"The agricultural tax must be one of the most important levers for the distribution of the accumulation of our national economy."

The super-industrialists recognise no limits when they are looking for means to carry on industry. Had we granted, let us say, 5 milliards of roubles for industrialisation this year, we should have received the very next day a resolution to the effect that at least 4 milliards more must be added. But even from the point of view of the 1050 million roubles granted this year, the "most important lever", the agricultural tax ought obviously, even with this sum, to produce a few hundred millions, otherwise there would be no sense in describing the agricultural tax as the "most important lever" for the re-distribution of the accumulation of our national economy, for in that case the agricultural tax would have to be increased to twice its amount if not multiplied. It is impossible to use the word "lever", "most important lever" etc. because of a few million roubles. Many other members of the Opposition (Comrade Preobrashensky etc.) are in favour of additional taxation of the peasantry and attribute great practical and fundamentally political significance to this additional taxation.

Our uniform agricultural tax is so arranged that its chief burden falls on the shoulders of the Kulaks and on the wealthy groups of the rural population; 15% of the wealthy farms pay 47% of the whole tax, about 25% of the peasantry are entirely exempt from taxation.

In order to show how little possibility there is of increasing the burden of taxation, I will give an example from rural life. Our functionaries who are commissioned to investigate the conditions of taxation and to determine the amount of taxation which is admissible, examine a number of farms according to a system of making tests at hazard. Let us take a farm in the Bykow county (Bronitzka district) in the province of Moscow. The income of this farm in cash amount to 1248 roubles. The uniform agricultural tax amounts to 253 roubles 50 kopeks. Add to this personal taxation, insurance etc., altogether in round figures 400 roubles i. e. about 32% of the total income. In this way, from a farm with an income of 1248 roubles, i. e. roughly 100 roubles a month, 400 roubles, that is the income for four months, are deducted. Furthermore, in consequence of the high retail prices, the peasantry on the whole pays excessive prices for industrial goods.

Of course it is open to question whether the system of taxation is itself sufficiently perfected. The experiences of this year must show its defects and the direction in which changes might be made. I have received a number of communications direct from the source with regard to certain irregularities in the agricultural tax, according to which the agricultural tax has, this year, proved too heavy even for the farms of the middle peasants in certain districts. It is possible that these communications are incorrect. In any case, however, the burden of taxation is not so slight that the uniform agricultural tax could be so far increased as to make it "the most important lever" for the redistribution of the means of industrialisation. Various kinds of improvement of the tax are possible, such as for instance a revision of the rates of assessment or, with the growth of agriculture, a certain increase; for some groups of the peasantry or for special districts, a reduction of the burden of taxation is even possible. It is clear that in the present situation of agriculture no means of any importance for industrialisation can be obtained in this way. Anyone who tries to make an increase of the uniform agricultural tax one of the most important levers for the re-distribution of means which can be used for industrialisation, is working towards shattering the alliance between the workers and peasants.

THE PRESENT-DAY QUESTIONS OF ECONOMIC POLICY. THE QUESTIONS OF PRIVATE CAPITAL.

Apart from the attack on the Party's policy in the country, the Opposition, as is well known, attempted to make "political capital" out of the question of private capital. During the recent discussion, the Opposition drew up a programme which was formulated by Comrade Zinoviev (he is a good stylist!) "in his speech in the nucleus of the Avtopribor factory with 100% of clearness and exactness".

He said:

"The expenditure on bureaucratism must be reduced by half a milliard. If we get hold of the Kulak and the profiteer, — we shall receive another half milliard. In this way we shall gain a milliard which we shall divide between industry and wages. This is our economic programme in two words."

Another economic programme was expounded in No. 18 of the "Bolshevik" by a certain Comrade Maislin. I am told that this Maislin is a good friend of W. M. Smirnof and Piatakoff. This Maislin found another milliard by increasing the factory price of articles of general necessity by 30%. Thus, Zinoviev has produced one milliard, Maislin another; two milliards are no small fund for our industrialisation. (Laughter. Exclamations of: Enough to begin with!).

You can see from this example in what atmosphere, under what unequal conditions, the discussion took place. Comrade Zinoviev comes into the nucleus and lays a milliard on the table (laughter!), while Maislin holds another milliard in his hand with which to reinforce the till. Our supporters can offer nothing of the kind. And yet these two "milliardaires" were beaten by the simple members of the Party in all the nuclei. (Laughter). The simple members of the Party showed more knowledge of economic questions than the leaders of the Opposition. (Applause). I regard the whole evidence of the Opposition in favour of these milliards as an anecdote and will not insult

the Conference by supposing that it is necessary to prove the absolute worthlessness of these proposals.

Exclamation from Comrade Mikojan: No proofs are necessary! (Applause!).

Since, however, the question of these milliards is linked up with the question of private capital, I should like to say a few words on this latter question, beginning with the reservation that there are no indisputable, exact figures with regard to the amount of private capital working in our country nor of its accumulation. The exaggerated calculations of Comrade Piatakoff were disproved at the time by Comrade Djershinsky. The reports on the amount of private capital and its accumulation which have been placed at my disposal by various authorities and by individual comrades who have concerned themselves with the question, do not seem to be indisputable. According to these data, the amount of annual accumulation of private capital varies between about 100 and 200 million roubles. I state once more that I am not convinced that these figures exactly represent the truth. The only thing that is certain is that the share taken by private capital in our economic life has gradually diminished in the last few years. I call your attention to the following statistics:

In the economic year 1923/24, the share taken by private merchants in the turnover of wholesale trade was 22%. To-day it is 9%.

In retail trade, the share taken by private capital fell from 57% in 1923/24 to 39% in 1925/26.

You see from these figures how the private dealer has evacuated one position after another to the co-operative elements of our economics, and that on the section of our economic front which represents his most important field of activity.

In production, private capital plays an unimportant part. One of the sources of accumulation of private capital was speculation in currency, the "black exchange", which we have liquidated. Expressed in absolute figures, the accumulation of private capital will probably increase but, thanks to the much more rapid growth of the socialised section of our economics, the relative part played by private capital is on the decline.

At the time of the discussion in 1923, Comrade Preobrazhensky estimated the accumulation of private capital at 600 million roubles; and to-day it is estimated by Comrade Piatakoff at 400—500 million roubles. Thus the amount of this accumulation is falling even in the opinion of the Opposition, in spite of their dread of private capital.

We must, however, not ignore the fact that private capital is now becoming much more organised and active than it was formerly; it has adapted itself much better to present conditions and is forming connections with the upper stratum in the villages, whose activity is also on the increase. For this reason it would be a great mistake on our part did we fail to recognise the danger which threatens us in this respect.

The most characteristic factor is that in recent times, in the fight which we have carried on the whole time and shall continue to carry on against private capital, even though the form taken by the fight may change according to the circumstances of each given period of development, that we — the State, the socialised economy — are making the attack on private capital and not vice versa, private capital on us. We have already mastered a whole number of proved methods of regulating private capital. The limits of these methods and forms of the regulation of private capital — regulation in the sense that we drive it out of those branches of industry where its activities seem to us least desirable, and attract it to those branches of industry where its activities can be strictly controlled and in which, at the present stage, it seems most suitable from the point of view of the interests of the State — can and must be considerably extended.

We have already regulated the private transport of goods on economic lines. In some cases we have had favourable experiences in supplying private capitalists with the products of State industry under conditions exactly formulated and guaranteed, regulating the sale of the products of State industry by the private capitalist. By way of legislation, measures were taken to attract private capital to housebuilding. For the first time

the experiment is being made of fixing a somewhat higher tariff for the transport of private goods, so that, should the experiment succeed, the prohibition of the carriage of certain private goods will be replaced by the increased tariff rates.

You are probably also aware that we have introduced a certain increase of the burden of taxation for the stratum of the population which does not belong to the working class. This happened after the change in the membership of the Soviet for Labour and Defence and of the Board of the People's Commissariat for Finance. The progressive graduation of income tax was increased one and a half times as compared with the laws previously in force.

I quote from the report of the commission of the Supreme Council for National Economy which was entrusted with the special working out the question of private capital. (I must remark that the standpoint of the commission quoted has not yet been confirmed by the Presidium of the Supreme Council for National Economy.):

"The highest rates of income tax have been raised to 45% of the income of the tax-payer, exclusive of additional local charges. As the additional local charges have been raised from 35% of the tax on land to, in some places, as much as 50%, the income tax may amount to 56—67% of the income. The taxation of super-profits to the amount of 50% of the tax, i. e. 22,5% of the income, may in individual cases raise the amount of the burden of taxation to 90%. Thanks to the levelling of incomes, the average burden of taxation on the basis of income tax is nevertheless, in spite of the high individual rates, on the whole 8,4%."

Should these calculations be confirmed, measures would probably have to be taken, as regards some groups of tax-payers, not in the direction of raising but in that of reducing the progressive graduation of taxation.

The chief defect in the field of taxation policy with regard to private capital has hitherto been the possibility of defrauding the revenue with regard to a number of sources of income. The Party has so far not paid sufficient attention to the work of tax collecting and has not supported it in the measure which is necessary if better results are to be obtained from the taxation of private capital.

The chief problem is not the defects in our laws but the defects in their application.

The growth of our economic organisations, our organisations for provision, for taxation, for co-operatives etc., has made it possible to apply comprehensive and successful methods for the regulation of the activities of private capital without endangering the economic life of the country; methods which would have been impossible only three or four years ago.

Our chief weakness with regard to private capital was that we had it insufficiently under statistical registration and control. This means that in the immediate future the most important practical task in the question of private capital is the improvement of its statistical registration and control.

* * *

The draft of my report contains a detailed description of the balance of the provision of cereals, of the demand for goods, of foreign trade and of the questions of work and wages. In view of the advanced hour I cannot deal with this analysis to the extent which would be necessary to characterise the economic situation of the country. I therefore restrict myself to a few quite short remarks.

THE BALANCE OF THE PROVISION OF CEREALS.

This year's harvest is somewhat larger than that of last year, i. e. by about 10%. This increase also found expression in our plan of export.

We began the campaign for the provision of cereals under much more favourable conditions than was the case in the previous year. We have succeeded in fixing the prices of cereals which, while lower in comparison with last year, is yet on the

whole satisfactory from the point of view of the interests of the peasantry. The apparatus for the provision of cereals has decidedly improved.

Difficulties in the provision of cereals may arise from the fact that the yield of the harvest increased this year in such districts as Kaskistan, Bashkiria, the Orenburg district etc., where the provision of cereals meets with great difficulties because of the inadequate development of the ways of communication and the weakness of the co-operatives and of the apparatus for providing cereals.

I have already spoken of the diminished role played by the agricultural products used in industry in this year's harvest.

THE DEMAND FOR GOODS.

It has been pointed out in the theses that there will again be a crying demand for goods in the current year, but there is no reason to suppose that it will be intensified.

It is characteristic of the goods market in the current year that the demand of the internal market for industrial products will be satisfied by home production alone, whereas last year foreign currency to the amount of about 100 million roubles was spent on the importation of cotton fabrics and other articles of general consumption. Instead of importing finished goods we have increased the import of raw materials and have achieved a greater increase of production in our industry than we had anticipated in our programme, especially in those branches of industry in which there is a crying demand for goods.

The number of goods for which there is a special demand has decreased and is now limited to cotton and wool fabrics, leather goods and the marketable sorts of metal products.

There are to-day certain factors which make an improvement of the situation in the goods market possible. The cotton harvest in Turkestan has, thanks to the good weather in the past month, proved to be rather better than was anticipated. The decrease of the prices of cotton on the American market has on the other hand made it possible to import more foreign cotton.

One of the most important and decisive questions in the goods market is that of prices.

THE POLICY WITH RESPECT TO PRICES.

I have already mentioned that the prices of agricultural goods are on a considerably lower level this year than they were in the previous year. Since the month of May, the curve of agricultural prices has fallen at a rapid rate, whilst the line of industrial retail prices shows a hardly perceptible decline. (From May 1st to October 1st this decrease of prices amounted to 2,6%.) Wholesale prices show during the whole time a certain, though scarcely noticeable rise (0,4%).

In past years the time between May and October has been a period of a rise in prices. Thus for instance during the same period last year, retail prices rose by more than 6%. It is therefore a sign of considerable success that, in the months of a seasonal increase in the demands for industrial products, we were able to attain a change in the movement of industrial retail prices. The level of retail prices is however still extremely high as compared with last year; on October 1st 1926 it was higher by 10% than on the same day of the previous year. The first stimulus to the increase of prices was given by the exaggerated issue of money at the beginning of last year and in the last quarter of the previous year. The good harvests this year enabled us to bring about a quick recovery of the market for agricultural goods.

The retail prices of industrial products, which are far too high, represent a greater danger. We cannot rest content with the results achieved in the reduction of these prices and must continue with all our energies the campaign for cutting down prices, which we have already begun. Too great a disproportion between the prices of agricultural and industrial prices may give rise to a perfectly justified discontent among the peasants. The Party, the co-operatives and the industrial bodies must then exert all their energies to bring down the prices of industrial goods.

In respect of the price policy, there are fundamental differences of opinion on principle between the Central Committee and the Opposition. As I have already said, the second milliard, which already "exists" in the till of the Opposition, must be procured out of the increase of prices advocated by the Opposition. This policy of increasing prices is in direct contradiction to the policy which the majority of the Central Committee is carrying through. The arguments against this policy of the Opposition are contained in the theses. I should like to remark that the differences with regard to price policy far exceed the limits of deeds of legislation. These differences are of far-reaching political significance.

The low prices are prices which suit the interests of the poor proletarian workers and peasants, the high prices are prices for the Kulaks, profiteers and the wealthy rural population. The policy of high prices is nothing more or less than union with the Kulaks and the profiteers. The high prices mean in the end the disruption of the alliance between the workers and peasants.

In spite of the exertion of the greatest pressure, we have so far only achieved unsatisfactory results in our whole resistance to the increase of prices, since our trade is still badly organised and the working costs of State and co-operative trade are still excessively high. Whatever would happen if we were to adopt the platform of the Opposition?!

In this question there can be no excuse even for those members of the Opposition who either surround their platform with regard to price policy with innumerable reservations, or hint that there is no uniform point of view on this question within the Opposition.

If we disregard all these reservations within the discussion, which the Opposition uses to justify its standpoint with greater power of conviction, it becomes clear that the platform of high prices arises from the fundamental premises of the Opposition platform, i. e. the view of the Opposition which regards the peasantry as a special kind of colony and their view which regards prices as a special kind of system of taxation, in so far as the masses of peasants are concerned. This policy of high prices would inevitably in the end lead to great political difficulties.

FOREIGN TRADE.

A few words about foreign trade. The necessity of attaining a favourable trade balance must be emphasised with the greatest energy. Our programme for foreign trade reckons with the accumulation of 75 million roubles reserve of foreign currency this year, in which case the balance on the credit side of our financial accounts would have to exceed 100 million roubles. This is especially necessary because in the last two years there has been a deficit in our trade balance so that our reserve of foreign currency has been considerably reduced.

Our scheme of imports for the current economic year differs essentially from the imports of last year, the import of material for equipment will be increased by more than 50%. At the same time the import of raw materials will be increased, which will render possible an extension of the production in those branches of industry which work for general consumption.

The completion of the import scheme must be made dependent, in its whole scope, on the completion of the export scheme. At the same time the gradual accumulation of reserves of foreign currency during the whole year must be ensured.

I do not think it is necessary to prove to this Conference the firmness of the monopoly of foreign trade which has been decidedly emphasised in the theses.

In order to illustrate what is said in the theses with regard to the necessity of the fight against the high working costs which continue to be excessively high, I quote the following information which has been placed at my disposal by the Trade Commissariat: the maintenance of the apparatus for the provision of flax cost 12—15 kopeks per pood before the war and costs to-day 40—50 kopeks. Equally high working costs can also be observed in some other branches of industry.

QUESTIONS OF LABOUR.

On the agenda of the Conference is a special report from Comrade Tomsky in which light is thrown on the details of the questions of wages, unemployment, the productivity of labour, the activity of the conferences on production etc.

Everyone who is taking part in socialist construction understands very well the extreme importance of these questions.

I should now like to mention the chief factors in the immediate tasks of the Party in this domain.

First of all I should like to lay the greatest stress on the fact that, although there has been a considerable revival in the work of the conferences on production in recent times, we must see to it that these organisations take a still greater share in economic construction. Every functionary of the Party, the trade unions and the Soviets must be inspired with the consciousness that industrialisation can only be carried through successfully if it is accompanied by an increase of the activity and better organisation of the working class and by the raising of its cultural level.

Apart from increasing the share taken by the labour organisations in the field of economic reconstruction, (without which the idea of industrialisation would itself inevitably assume a bureaucratic character), we must see to it that a stop is put to the attempts to carry through the regime of economy at the expense of important interests of the working class. The Party must pursue such a policy, so that the situation of the working class and in the first place the situation of its worst paid strata must be continually improved in proportion to the growth of the whole of industry.

In recent times cases of the relaxation of discipline in the works and of increased slacking have been noticed. These occurrences must be removed by the efforts of the labour organisations and especially of the Party.

After the social insurance of the workers has been improved, the Party must achieve greater improvements in the housing conditions of the workers since at the present time both the economic development and the improvement of the standard of living of the workers as well as the cultural development of the working class depends in a large measure on the improvement of housing conditions.

At the same time the Party must devote more attention to combatting unemployment. In our circumstances the causes of unemployment are essentially different from those in capitalist countries. Unemployment exists in our country in spite of the increasing number of the workers employed in industry and is to a large extent bound up with the surplus of workers in the villages; it will therefore take a long time to overcome. The measures for combatting unemployment must not only be on the lines of developing industry and organising public works but also on the lines of various agricultural schemes. These measures which we have taken, for instance, in respect to the central black-earth district and the districts visited by failure of harvests, already show remarkable results. This year we must make preliminary arrangements for improving the settlement of the land and must increase the estimates in the Budget intended for this purpose.

In the theses, the platform of the Opposition has been called a "defeatist" platform. This expression called forth great objections on the part of the Opposition when the theses were discussed in the Politbureau. As we may take for granted that the adherents of the Opposition will attempt at this conference also to prove the inadmissibility of this expression, I should like to say a few words in its defence.

Lack of faith in the forces of the revolution, lack of faith in the forces of the working class prompt the Opposition to talk all along of a "coming", "approaching", "possible" defeat of the proletarian dictatorship. I would remind you of Comrade Trotsky's letter of October 8th 1923 to the Politbureau and of the document of "the 46" which dates from about the same period. These two documents contain similar statements. Comrade Trotsky wrote at that time:

"The Party may be overtaken by an extraordinarily severe crisis, and in that case the Party would be justified in accusing anyone who had seen the danger and not spoken

openly of it, of having valued the form more than the content."

What was the crisis in question in Comrade Trotsky's document? In the document of "the 46", the crisis is described as follows:

"Unless far-reaching, well thought-out, systematic and energetic measures are taken immediately, if the present lack of leadership continues, we are faced by the possibility of an extremely severe economic upheaval which would inevitably be linked with complications of our internal politics and with complete paralysis of our activities and capability of action with regard to external matters. It is easy to understand that nowadays we need this activity more than ever, on it depends the fate of the world revolution and of the working class in all countries."

And further:

"The economic crisis in Soviet Russia and the crisis of the fractional dictatorship within the Party will severely injure the proletarian dictatorship in Russia and the Russian proletarian party unless the situation is fundamentally changed in the immediate future. Being so heavily burdened, the dictatorship of the proletariat in Russia and its leader the R.C.P., cannot but enter on the coming period of new world cataclysms with the prospect of failures along the whole front of the proletarian fight."

Thus spoke and erred the Opposition in 1923.

The words of the new, united Opposition are permeated by the same disbelief in the forces of the revolution. I will read you a few quotations from the amendments proposed by Comrade Trotsky and Comrade Kamenev to the resolution of the April Plenum.

Comrade Trotsky writes:

"All reports indicate that our industry will meet the harvests of 1926 without any stores of goods, which may mean a repetition of the present difficulties on a larger scale. (The emphasis is Comrade Trotsky's.) In these circumstances, the good harvest, i. e. the potential growth of a surplus of agricultural goods may become a factor which does not accelerate the rate of economic development in the direction of Socialism, but on the contrary will disorganise industry and exacerbate the relation between town and country and, in the town itself, between consumers and State."

The same "repetition of the present difficulties on a larger scale" and the same prophecy of a crisis in the autumn is found

in Comrade Kamenev's amendment to the April resolution. He says:

"The economic period on which we are entering may, if the harvest is good — in addition to the general growth of industry — even intensify the difficulties described."

We said at that time, at the April Plenum, that it is impossible to satisfy those comrades; if there is a bad harvest, it is bad, if there is a good harvest it is worse still (laughter). If the crops fail — a crisis; if the harvest is good — also a crisis. Is this not lack of faith and deliberately causing a panic? The Opposition approaches every little difficulty and even such positive facts as a good harvest, with anxiety, in the anticipation of an inevitable general crisis. No matter whether what happens in our industry is good or bad, they speak of nothing but a defeat. They terrified us with a defeat in 1923 and they are terrifying us with a defeat in 1926. Through all these expressions of opinion there runs the red thread of disbelief in the powers of the working class, in the forces of the Party and the revolution.

The ideology of the Opposition is also defeatist in the sense that if the Party were to base its activity on the political platform, the price policy, the peasant policy, the two-million programme of the Opposition, the defeat of the revolution and of the dictatorship of the proletariat would really be absolutely assured.

There is of course a fundamental difference between the defeatism of to-day and the defeatism at the time of the imperialist war. At that time, the defeatists deliberately steered their course towards the defeat of the Czarist troops in the imperialist war, towards the overthrow of the regime of the landed proprietors and capitalists. It would of course be nonsense to accuse the Opposition of deliberately aiming at the defeat of the dictatorship of the proletariat in the Soviet Union. "Independently of their wishes" however, their lack of faith in the creative forces of the revolution and the working class make their platform a platform of defeatism.

Is it possible that Comrade Trotsky does not understand that at the time of the imperialist war, when Czarist Russia was taking part in the international slaughter, it was a very good thing to be a defeatist, it meant being a good revolutionary, Bolshevik and Communist. (Interruption: he did not know it at that time.)

It is quite a different thing to be a defeatist in a period when the dictatorship of the proletariat is carrying on a victorious campaign for the organisation of a socialist society. (Long continued applause).

From the Discussion on Comrade Rykov's Speech.

Comrade MILJUTIN:

Comrades, the sum of the tasks by which we are faced in the present period can be expressed as three main tasks: industrialisation, ensuring that the co-operatives play a leading part in the domain of exchange, and finally the development of the technique of agriculture, especially as regards raw materials. These are the three chief tasks; all the others are derived from them. The question is however how the tasks mentioned can be carried through in the present period. This will be the main difficulty, and we must realise it clearly. I shall only dwell on the most important questions of tactics and policy in carrying out and completing the chief tasks mentioned, all the more so because the Opposition and the "ultra-Left" Communists abroad who, by their nature, are identical with the Reformists, are opposing the carrying out and completion of these tasks, are opposing the policy of carrying them out.

It is well known that the chief task of the economic policy of the period of restoration is the union of workers and peasants which ought to be achieved in the process of the development of the productive forces of the country, in the process of the restoration of production. On this basis, as Comrade Lenin said, by way of practical work, we are attracting the peasantry to work at socialist construction, so that the peasant may realise

the advantages of our system over the capitalist system. One of the chief triumphs and achievements of the period of restoration was that we were able to carry through these tasks without great interruptions. When we look back we see that one of the most serious factors which complicated this process, was the notorious discrepancy in the matter of prices, against which we have fought and are still fighting. Taken as a whole, however, the task of union with the peasants has been carried through, and in this respect we have succeeded in enlisting the masses of peasants in work of socialist construction under the conditions of the dictatorship of the proletariat.

At the present moment, when we are completing the three chief tasks to which I have referred, this task is also a main task, and if we allow ourselves to deviate in any way from this path, it may be said that we are bringing our whole construction into very serious danger. What form of distortion might our policy take? Above all that of an incorrect estimate of the development of the village and therefore a wrong policy as regards the village.

The Opposition, with its theoretical founder, Comrade Preobrazhensky at its head, is now estimating the development of the village as a predominantly capitalist element. This is the attitude of mind of the Opposition. The Opportunists abroad estimate

the development of the village in just the same way. If we go further we remember that Kautsky, the renegade Kautsky, our chief opponent and the chief theorist of the 2nd International, estimated our economic development and our whole revolution essentially in the same way.

Comrade Preobrashensky characterises this development in the present time as follows:

"We know that capitalist accumulation in the village is developing, that this is the result of the weak effect of our State industry on agriculture, the result of the insufficient organisation of the rural poor in productive co-operatives. This means that the thread of economic development within the upper strata in our villages leading towards the creation of a group of capitalist farmers which was broken by the revolution, has been taken up again and fastened together by history."

This is his main theory. This is in essentials the main theory of the whole Opposition, which proves that it does not believe in socialist development amongst us. If it were proved that the majority of the rural population is following the capitalist path of development, it would be a danger, a serious danger. But is this true? No, it is untrue; it is a misrepresentation of facts. Comrade Rykov has already pointed out to us that the chief sign of the difference consists mainly of a **process of differentiation in the village**. I will not repeat the data which Comrade Rykov has quoted.

What then is the typical differentiation in the capitalist order? It consists in the decay of the middle peasants and in the formation of distinct poles; in the proletarianisation of the poor and in the crystallisation of large peasants. With us the process is different. **A rise of the peasantry is taking place. In our country, the middle peasants are not being swept away. As the productive forces develop, the main mass of the peasantry flourishes. This is the main distinction from capitalism, of which evidence has been given.** This is the first point. The second is the **form of the organisation of agriculture**. Is it growing towards the capitalist side?

Data concerning the co-operatives have been given here. It is true, the Opposition immediately expresses doubts as to whether the co-operatives are a socialist form or not. But I believe that this is the same kind of doubt which they abandoned not so very long ago, i. e. in respect of the character of our State industry. You will remember that before the 14th Party Conference, they had in exactly the same way doubts as to the socialist character of our industry, but at that time they concealed them as has been proved to them. Now they are, in essentials, opposing the Leninist views with regard to the co-operatives.

The course towards the formation of co-operatives is the path to Socialism. Comrade Lenin wrote in his well-known articles of the co-operatives as a path to Socialism, as a form which in many respects coincides with Socialism.

In our country the co-operatives have greatly increased in numbers in the last three years. At the present moment the agricultural co-operatives already embrace 30% of the farms. From the financial point of view they have thriven and become consolidated, their share capital has increased threefold, their profits have also risen. Accumulation in the co-operatives increases from year to year. We are also well acquainted with their relation to forms of private capitalism in the domain of the turnover of goods; of the three sections, State, co-operative and private capital, the co-operatives take the first place this year. This is an indisputable proof that our peasantry is on the whole advancing along the path of socialist development. The tendency of socialist development in the village is beginning to triumph over the capitalist tendency. This is the conclusion which we must draw.

From this arises the fundamental task of the further development of unity amongst the peasants which is being materialised by a whole number of measures in the field of taxation policy, in the field of providing the village with technical agricultural equipment and machines, products, goods etc. and in the field of the organisation of the sale of agricultural production.

Comrade Preobrashensky and the Opposition are proposing to us an essentially different policy. They argue as follows:

"The task of the socialist State is not to take less from the petty bourgeois producers than did capitalism, but to take more from the bigger incomes which are assured to the small producer by the rationalisation of the whole industry of the country, including the small farms."

This is their attitude which is contradictory to our whole policy. If it were to be accepted now, at the most difficult moment in the reconstruction of industry, it would lead to the disintegration of the peasantry, it would repei the peasantry instead of **attracting them** to the socialist economy.

The chief task in solving the question of industrialisation is to put this question in such a way as to consolidate the union between the workers and peasants; but we can only do this by a suitable system of measures with regard to the peasantry which must consist in the mechanisation of agricultural production, in an approach between agriculture and industry, in the development of local industry, in the development of those forms of industry which work up the raw materials of the peasants, in a definite policy as regards prices and taxation and in a number of measures which will help the poor peasants by promoting chiefly the collective forms of farming. This is the system of measures which confronts us in the period on which we are now entering, the chief measures for ensuring and consolidating unity.

If the peasantry received help in the period of restoration and saw that it could improve its farming and better its situation, it must now participate in the reorganisation of the whole of industry, seeing in this an advantage for itself, recognising the superiority of our system to the capitalist system. This is our task. Though we are in competition with capitalism, we do not compete with it by using the same methods as capitalism with regard to the peasantry; that would be a great mistake, which is fundamentally opposed to our whole line of action, which deviates from our whole policy. This is our chief tactical task, about which there is still much to be said, which will have to be put into concrete form throughout the period before us and which we must always steadily retain in our field of vision.

The second factor to which our attention must be devoted in carrying out and completing the tasks mentioned, is that of the questions (I do not know how to enumerate them completely here) of the quality of our work. They confront us now more urgently than ever. Comrades, we must admit that even in the solution of so enormous a task as the work of investment, we have probably spent in the current year more than twelve million roubles to no purpose. Comrade Ruchimovitch, the Representative of the Chairman of the Supreme Council for National Economy stated in his report on this question to the Soviet for Labour and Defence that the work of investment had to a large extent been carried through without system and without principles. Last year it took six months to get the scheme passed, and in the course of these six months it was changed at least three times by the Central Committee. I think a large number of those present will know, will feel, what an effect this had on the local work. In this respect we must entrust the local bodies with the questions of rationalisation more than we have done hitherto.

In this question, the comrades of the Opposition abroad, who are obviously instigated to it by those here, throw stumbling-blocks in our way by regarding the processes of rationalisation, of qualitative improvement, which are necessary for our competition with capital, from the same wrong angle of vision. The ultra-Left in Germany, represented by Weber, Urbahns, state in a pamphlet that the idealisation of the present, by no means ideal situation — as though we pretended that the situation here was ideal —, of the reciprocal relations in the factories, of the whitewashing of the methods of rationalisation etc. are more dangerous than the plain, unvarnished truth that these measures are due to the retarded rate of the world revolution.

Thus they regard the whole rationalisation in our country as a retreat from the methods of socialist construction in consequence of the retarded world revolution. It is a very stupid mistake so to misunderstand the extremely important process of rationalisation by which we are faced.

The third chief question (I cannot dwell at length on these questions) is that we must avoid crises. Our policy must be built up on a regard for an equal rate of development in our whole economic situation.

At the beginning of the present year we almost drifted into a crisis, partly under the influence of Comrade Piatakov and the policy of Comrade Sokolnikov, partly under the influence of the policy of Comrade Kamenev. We were within a hair's breadth of a crisis. The policy of an equal advance along the whole line is the best policy for competition with capitalism. Even with its present stabilisation, with that relative stabilisation of which Comrade Bucharin spoke in his report, capitalism is at present in a critical situation in some of its parts, now as regards the financial question, then as regards the question of markets; a state of crisis is an inevitable phenomenon of capitalism, it is dictated by the whole structure of capitalist economy. With us the whole structure of our economy makes it possible to avoid crises if we do not commit mistakes in our economic policy, in the management of our systematic economy. Those who would force upon us expenses which are not in keeping with our resources, which do not fit in with other parts of our national economy, are driving us directly on to the capitalist path, the path of crises — on to a path of ruin.

Comrades, socialist construction consists in our first of all consolidating the systematic arrangements of our economy, and secondly in carrying on the predominant part of the socialist forms of economics, of our industry and co-operatives in such a way that an improvement in the situation of the masses of workers and peasants results. These are the essential features and the practical content of socialist construction. He who does not understand this policy, who deviates from its path, is opposing socialist construction, is injuring the masses of both peasants and workers. The lack of understanding of all this forms the basis of the attitude taken by the Opposition and, unless it resolves openly to defend its point of view here and now, we may expect that a complete union of forces within the Party in carrying out a definite line of action, definite tactics, will ensure the continuation of socialist construction.

Comrade LARIN.

The whole Party or almost the whole Party is unanimous in its opinion on two points; firstly that the Opposition has been thrown to the ground and defeated, and secondly that the attitude taken by the Opposition was an objective symptom of the Party being encircled and pressed upon by the bourgeoisie.

At the present moment, the Opposition is beaten, the opinion of the Party is quite clear. Our duty now is to concentrate our attention on the question of what is to be done so that the Opposition which has been thoroughly beaten cannot again raise its head, and to prevent the occurrence of those ideological vacillations which take place in the Party, although only in small things.

Above all we must watch with increased attention that our own practice does not falter, that we avoid with all means in our power yielding to every pressure exercised on us by bourgeois encirclement to which the Opposition fell a victim.

I would like to give an example. All of us, the Party, are decidedly against the view of the Opposition that means should be taken from the co-operatives and from State trading, thus actually handing the turnover of trade over to private capital. In the meantime a report of the Centrosoyuz (Central Union of the Co-operatives of the Soviet Union) has been published in the papers in the last few days. The practice of our industrial trusts and syndicates, of all the organs of the Supreme Council for National Economy in their transactions with the Centrosoyuz last year, show that from quarter to quarter, in each of the last four quarters, there has been a perfectly regular reduction of that share of the whole sum of purchases which the industrial organs supply to the co-operatives on credit, that is to say that money has actually been withdrawn from the co-operatives. — We have objected to this on principle, whilst Comrades Piatakov, Smilga and others recently recommended just these measures. If we further consider the draft of the National Budget for next year which has already been issued and published, we find in it also a reduction of the allocation for the development of the co-operatives as compared with the allocation given last year.

I am not of the opinion that this is simply to be attributed to the circumstance that a comrade of the Opposition, Comrade Reinhold, was at the head of our Budget administration in the

People's Commissariat for Finance and that at the head of the Central Administration for State Industry of the Supreme Council for National Economy was another comrade of the Opposition, Comrade Piatakov.

The circumstance that the Opposition took a wrong view as to the prospects of our economic development, prompted it to set wrong tasks; they were not however the tasks which will be ours for a number of years to come. The whole attention of the Party was concentrated on the analysis of those wrong tasks instead of on the serious, chief points by which we are confronted.

I have read the existing literature of the Opposition and have endeavoured to get a complete picture of the economic views of the Opposition, and for this purpose I have read the new brochure written by Comrade Zinoviev which is circulating in the town and was obviously written after the July Plenum, giving an exposition of the conditions in which, according to his words, various sections of the Opposition are unanimous and which they oppose to the present policy of the Party. Comrade Zinoviev formulates these conditions very exactly according to points 1, 2, 3, 4; there are about 10 to 12 of these points.

In reading this formulation we see that they either oppose to the Party things which are wrong, incorrect tasks, to which I shall refer again, or matters, the contrasting of which to the line taken by the party, only provokes laughter. Thus, for example, one of the main points in which, according to Comrade Zinoviev, the united Opposition has arrived at an agreement and which it therefore opposes to the line taken by the Party, is the demand that from now onwards unshakeable unity should exist between the workers and the peasants. From this platform it would appear that those against whom the Opposition is fighting, i. e. we, the Party, the Central Committee, must be opposed to the firmness of this union, otherwise they could not set it up against us.

Now with regard to the wrong and to the actual tasks for a number of years to come. I shall not speak on the whole problem of our economics but only on those subjects which have been either misrepresented by the Opposition, brought on to a false plane, or disregarded. I base my arguments especially on this brochure of Comrade Zinoviev's and on the long report on the results of the work according to the prospective plan of industry given by Comrade Piatakov when he left the Presidium of the Supreme Council for National Economy.

The first prospect which the Opposition puts up for a number of years to come is the anticipation of a crying demand for goods, of an increased demand for goods. As a matter of fact, a task of a different kind will arise in this respect before us in the course of the next few years, and even the economic year on which we have already entered may possibly be to a certain extent a year of change in this respect; with every year, however, progress will be made in reducing the crying demand for goods. We shall not be faced by the prospect of an increase in the demand for goods but by the task of concerning ourselves in extending the market for industrial goods of general use.

In all calculations of the Opposition with regard to the measure of consumption, they quite impressively ignore the increase of the expenditure of the rural population on means of production, on the productive revival of agriculture, they ignore the increase of expenditure on the part of town-dwellers on the building of houses, on reviving manual trades and on other branches of industry. This ignoring has brought about an entirely wrong attitude towards the question of the prospects of the demand for goods, an attitude which is strengthened by their deliberately ignoring the significance of the growth of small and medium private industries and home industries. It is enough to say that an authoritative representative of the Opposition like Comrade Piatakov, in making calculations with regard to the growth of our production in the next five years, from which calculations conclusions are drawn as to the increase of the demand for goods and therefore as to the hopelessness of escaping from our situation, anticipates that in these five years the increase of small industries and home industries will only amount to 10%, not 10% per annum, but 10% in all the five years together. This is a monstrous suggestion.

This then is the first point. We must concentrate our attention on preparing step by step for the extension of the market

and for a number of measures connected therewith. This means secondly that, instead of withdrawing means from the co-operatives and State trading as is recommended by Comrades Piatakov and Smilga, we must, in the course of the next few years, devote our whole attention to those tasks by which we have faced the whole time, the tasks of taking possession, by means of the co-operatives, of the peasant market and of trade in the villages.

From a number of all kinds of publications and documents, it has become known that private trading predominates in the villages. From a summary report on investigations as to the present situation of the network of trade which was published yesterday by the Commission for Planned Economy, we learn that at present for every village which possesses a co-operative shop there are six with private shops. The gradual ousting of these private shops by co-operative shops in the course of the coming years, i. e. the strengthening of our support for the co-operatives will mean that the peasants will be able to buy a much larger amount of industrial products for the same sum of money, because the price of industrial products is much lower in villages in which there is a co-operative than in those in which there is none. This means that it will be possible to sell greater quantities of products in the form of industrial articles for general consumption.

I pass on to the next point, the question of agriculture. If we read the literature of the Opposition dealing with the question of agriculture (beginning with the very first appearance of Comrade Zinoviev with the demand that a horse should be given to every peasant not possessing one), and if we translate it into the language of economics and agronomy, we cannot but draw the conclusion that the Opposition regards our work in the domain of agriculture as the revival of the primitive, backward, reactionary **cultivation of grain** which was the backbone of the old village, and on the basis of which the poor strata of the village found it impossible to flourish rapidly and on broad lines. In reality however, our work in the domain of agricultural production in the next few years will bring about such a change in its direction and such an intensification, that it will considerably reduce the importance of cereals and encourage the peasants to cultivate on a large scale products of technical value, raw materials for industry and products of cattle-breeding such as butter, cheese, meat etc.

The fantastic measure of offering a horse to every peasant who does not yet own one, would, in view of our agriculture being based on the cultivation of grain — if such a thing were possible — lead to an intensification of the “crisis in the cultivation of grain” in our agriculture. It will only be possible to deal with the problem of the **surplus rural population**, which oppresses us, if we gradually change our agriculture into more intensive farming, a change which will not demand enormous outlay; for it will make it possible for the peasants to be in a better position with 6 or 7 dessjatines per farm than is at present, with our cultivation of grain, a family which possesses 10—12 dessjatines of land.

I believe that before long we shall measure the success of the work of this or that provincial committee in this or that rural province to a large extent by the size of the area of arable land on which the cultivation has been changed over from the old growing of corn, wheat, rye etc., to growing plants used in industry and for fodder, and according to how much of the attention of the provincial committee is directed towards seeing that the money advanced to the village is used for promoting the **building of cattle-sheds** and for working up the products of agriculture into butter, cheese etc. through dairy-farming. It is a matter of course that this will demand a corresponding policy in the town so that the products of this intensified agriculture will find sufficient sale amongst the urban population.

Comrade YAKOVLEV.

One of the most important questions at present is undoubtedly the question as to how the development of agriculture is to be linked up with our general task of the industrialisation of the country. Our chief task is the development of heavy industry. Comrade Lenin set us this task when he warned the Party that without heavy industry we should cease to exist

not only as a socialist country but as a “civilised country”. We are now actually engaged on the solution of these fundamental problems.

This is just the reason why we are directly faced by the question as to what the connection is and should be between our agriculture and this general task. In this respect, Lenin has more than once laid down general lines for us. On December 22nd 1920, Lenin, at the Soviet Congress, spoke to the effect that we must have an economic plan on a comprehensive scale for transforming the whole industry of the country, including agriculture, into an industry working with machinery on a technical basis. In this connection, when the Party for the first time approached the question of construction, he put the question of the association of industry and agriculture as follows: “If we speak of the restoration of agriculture, industry and transport, of their harmonious unification, we must also speak of an economic plan on a comprehensive scale.”

This at the same time shows the attitude the Party should take towards the question. Both wings of the Opposition, both Trotsky's wing and Sokolnikov's wing are fighting against Lenin's idea of the combination of industrial and agricultural development into one uniform economic plan. This is indeed the greatest error in their economic platform. As far as one can judge the attitude of this wing by their writers, Preobrashensky and Shanin, we see that, regardless of the complete difference in their conclusions, they all start from one and the same premiss. The explanation of the whole attitude of Comrade Preobrashensky is that he does not believe it possible for industry to develop rapidly unless the means are taken from agriculture on such a scale as, by its very nature, to cause an arrest of the development of agriculture or even to set it back. Shanin puts the question in exactly the same way. He also considers it impossible to achieve a rapid development of industry without forcibly arresting agriculture. He says straight out:

“The supposition, therefore, that in the immediate future our industry can develop at the same pace as agriculture, is essentially wrong. As a matter of fact, this problem is insoluble or at least cannot be solved without a large import of capital or a sudden, forcible arrest of the development of agriculture.”

(“Bolshevik”, No. 2, p. 70).

From the common premiss that a rapid development of industry is only possible through a sudden, forcible arrest of agriculture (anyone can understand that the carrying out of the proposal of the Opposition to withdraw fresh hundreds of millions from agriculture would necessarily cause such an arrest) they draw various conclusions; Preobrashensky is in favour of developing industry at the expense of agriculture. Shanin is in essentials in favour of arresting or, as he expresses it, “restricting” the development of industry. It is however perfectly clear that the basis of these various conclusions is a denial of Lenin's idea of the parallel development of industry and agriculture, of a development of industry which, while reckoning with the fact of the predominance of small and even very small farms in our country, at the same time changes these small farms, raising them to a higher level of co-operative organisation and of machine technic.

The denial of the Leninist type of connection of industry and agriculture has led to the attempt of the Opposition to introduce into the programme, into the norm, into the ideal, that which was an evil in our economic development, an evil which was bequeathed to us by the economic conditions of the times before the revolution. By their proposal to increase prices, the Opposition actually arrive at increasing the discrepancy between industry and agriculture, that discrepancy which is a continuance of the historical disproportion between them. The necessary withdrawal of means from agriculture which is explained by defects in our industrial development, is described by the Opposition as a norm, an ideal.

Another doctrine with which we must reckon is that defining the limits to which we can possibly withdraw means from agriculture. It is indisputable that within certain limits, means for industry have to be taken from agriculture. The whole question is one of degree. The Opposition has already worked out a whole number of theories with regard to the question

under dispute. Comrade Preobrashensky has written a whole library on the subject. Sokolnikov, who also holds the cards in his hand and who has concerned himself with taxation for many years, is another member of the Opposition. At the same time not one of them has ever honestly and objectively investigated the question as to how much we do take from agriculture and how much can be taken without arresting the development of agriculture, and in the long run of industry too.

The situation is in reality as follows. In direct taxation we receive about 252 million pre-war roubles less than in pre-war times (the direct taxation of the peasants before the war, including rent and ground-rent, amounted to about 564 million roubles; at present it amounts to about 312 million pre-war roubles). This means that the peasants pay about 467 million roubles less than before the war. On the other hand they pay more on the prices of industrial products, as the index of their takings is 1,46, whilst they buy industrial products according to an index of 2,404.

This comparison alone suffices to show perfectly clearly that our chief task in the domain of prices is exactly that of which the C. C. of the Party speaks, i. e. to work at closing the shears and at cutting down retail prices. The Opposition however which has never once taken the trouble to reckon out objectively what is taken from agriculture, what can be taken without injuring agriculture and industry, without destroying the alliance between workers and peasants, includes in its programme an increase of wholesale prices which inevitably involves a rise in retail prices for industrial products and consequently a widening of the shears.

In connection with this, we must be clear, in view of the present economic and political situation, as to what dangers would be caused by a further considerable increase of the means withdrawn from agriculture. By its very nature, the Opposition which has separated the question of agriculture from the question of industry, wishes to force the Party to consolidate and increase the difficulties and dangers which have already become apparent this year. Were the plans of the Opposition put into effect, it would, as the experiences of this year have shown, produce a reaction on agriculture and on the peasant masses of a double nature; first of all the arrest of the development of the cultivation of products used in industry and of intensive cattle-breeding, which has this year only been an alarming symptom, a warning in the midst of a general improvement in agriculture, would turn into a general stagnation in the development of agriculture.

Stagnation in the development of agriculture however would involve in the following year a crisis in industry which works up the industrial raw materials, a crisis in imports and exports and this would mean arresting the development of the process of industrialisation.

Furthermore, it must not be forgotten that, in view of the present political conditions, this would cause a reaction in the result of the next Soviet elections. In my work I have to talk with peasants daily, and what strikes me as new in the conversation of the peasants is that they have begun to understand the significance of the elections.

What then is the fundamental conclusion to which all this leads us? In opposition to the liquidatory platform of Shanin and those who inspire him, of Preobrashensky and those who inspire him, we must give the most thorough consideration to the question of the alliance between the development of industry and that of agriculture, and work it out in practice. In order that we may actually work out our programme of the development of heavy industry, a certain minimum of achievement in agriculture is absolutely necessary. This indicates the limits of the withdrawal of means from agriculture. Were we to exceed these limits, we should be pressing down agriculture below this minimum, and this would have an injurious effect on industrialisation. We have thus arrived at a practical solution of the question of the necessary alliance between industry and agriculture, as Lenin taught it us.

In this way the relation between the classes in the village is in our favour. In our favour also are the interests of the small and very small farms (did not Lenin in his last articles frequently remind us that our farming consists for the larger

part of "small" and "very small" farms). We are now in the position to summarize some of the results of the last three years regarding the question of the development of the classes in the village. We have three main sources to draw from: the drawing up of the lists of electors in the Spring, the investigation into the dynamics of agriculture, the statistical data of the People's Commissariat for Finance. All these data describe in a completely identical way the tendencies which have become evident this year. The most important factors have been expounded by Comrade Rykov in his report.

The chief peculiarity of the process of differentiation which is going on, is the fact of the development of a certain section of the village poor into middle peasants. This must not be understood as meaning that in this way the differentiation is abolished. The differentiation is continuing and must continue under the conditions of trading. This means that on the one hand there is an increase of the large peasant elements in the villages and on the other hand a growth of proletarianisation.

With all this we have not exhausted the processes which are going on in the village. The most important fact which must be understood and which the representatives of the Opposition have refused to understand for two years, is that during the last few years a fairly large section of the village poor have been appropriating the land which was given to them by the agrarian revolution. In other words, the agrarian revolution was not completed in the years 1917 to 1920. It was not completed at that time because, owing to the lack of equipment and the general economic conditions, the village poor were not able, in those years, to take possession of the land they had received. From this point of view it might be said that for a considerable section of the village poor the agrarian revolution has only actually taken place in the years from 1923 to 1926, because it was only in these years that they were able to take possession of the land for production.

This cannot of course be read in any of the old books, simply because in the old books no one could anticipate that under the Soviet Power with the nationalisation of land, with our land policy, our taxation and credit policy, the development of class relations in the village would proceed under the conditions of an economic boom. The old textbooks before the revolution taught that the harvests are a cause of stratification. Even in our time this effect of the harvests still persists. But at the same time the harvests now play a second part, that of a powerful factor in the rise of a considerable number of the farms of the village poor. Thus for a long time to come, the conditions for the development of the class distinctions in our villages will be in our favour, the fact of the comparatively slow growth of the large peasant elements with a simultaneous consolidation of the farms, not only of the middle peasants, but also of a section of the village poor, is also in our favour.

There is something else which is in our favour. We have had the practical test of the Leninist plan of running the villages on co-operative lines. In spite of all the defects which still exist, this plan has stood the most important practical test. At the same time, the extremely important circumstance has become evident that co-operation in the domain of the cultivation of products used in industry and of special products proceeds at a more rapid pace than in other domains, that in this respect the small and smallest farms are attracted in a greater measure to co-operation. The situation however is such that we can only raise the small and smallest farms, can only turn them into farms producing industrial raw materials by encouraging the development of intensive and special branches of agriculture. In this respect the interests of industry and agriculture coincide.

But they coincide on a still more important point. The development of intensive farming is only possible on the basis of co-operation and of the development of an industry which works up the raw materials of agriculture. Thus there is a deep-reaching coincidence between the interests of the development of socialist industry and of the co-operative socialist path of development of agriculture, which is extremely favourable for us. If not only the commissariats for agriculture work in this direction but all economic Soviet bodies and the whole Party, we shall acquire a powerful means, which has never before existed, for overcoming the limitations of small farming and raising them to the level of co-operation and mechanical

industry in such a way that this rise will not only be connected with the rise in industry, but will promote the rise in industry and give it a firm basis.

The Opposition simply refuses to study all these questions. It does not put the question in a Leninist way, it is opposed to the harmonious connection between the development of industry and the development of agriculture; it puts the question: either-or, either industry or agriculture, whereas Lenin's way of putting it was: both — both industry and agriculture in a reciprocal alliance. This or that task comes into the foreground according to the conditions of the period. There was a time when the duty of developing agriculture was in the foreground; this was in the first years of the new economic policy. Now the duty of developing industry is the one that counts. We must and will solve this main task of forcing the development of industry, as Lenin proposed it, by combining the development of agriculture and the development of industry in one uniform economic plan on broad lines.

The Opposition has suggested giving industry Dutch courage this year by doping it with a peculiar brandy. The fresh withdrawal of means from agriculture which has been proposed by the Opposition would be a dose of brandy of this kind. We should perhaps get a certain, rapidly evaporating effect for the coming year, but this would be succeeded by a bad "morning after" and the possibilities of a further development of industry would be cut off by the decline of agriculture. Our industry cannot make use of success which lasts a year and then rapidly evaporates, but it demands that, throughout the years, Lenin's magnificent plan of the growth of industry from year to year in a proper alliance with peasant farming should be carried through. We shall solve the main task, the problem of developing industry, and with it we shall also solve the problem of combining the plan for raising agriculture to a higher level of technique and of co-operative organisation with the development of industry.

Comrade MICHENKO.

It seems to me that the comrades of the Opposition must already be convinced that the line taken by the Party is right, and must desist from being a hindrance to it; it would be useful if they would get up on this platform and express themselves in a few warm words. Do you agree with the line taken by the Party or not? Otherwise, may I be permitted to say that your adherents in the provinces are still committing follies. A stop must be put to this nonsense.

As a counter-weight to the attacks of the Opposition, I should like to quote a few examples from life in the Donetz Basin, which are characteristic of the pace at which the restoration of our industry is proceeding. I quote an example from one of our districts, from the district of Artemovsk. Let us take mining. In our district of Artemovsk we anticipated raising 193 million poods of coal in the economic year 1924/25, and 285 million poods in the economic year which has just come to an end. We carried out this programme by 100 per cent. In the current economic year we raised our programme to 400 million poods. Let us take metallurgy. In the economic year 1924/25 the programme in the four works which are working amounted to 39 million roubles; in the economic year 1925/26 it was raised to 80 million roubles; in the current year it amounts to more than 100 million roubles. In accordance with the instructions of the Party as to the development of the metal industry, we have started three more works working this year. Let us take the other branches of industry; these also have developed at a terrific rate. Industry in our district has exceeded the pre-war limits. This is undoubtedly a tremendous achievement.

The development of agriculture is also not lagging behind and has already approached the pre-war level. As regards the

provision of the villages with machines, we have the following results: in the district of Artemovsk, 435 tractors are at work, we have introduced 392 tractors in the last two years. This also contributes to the industrialisation of the country. Comrades, a similar picture may be found in the other proletarian districts of the Donetz Basin, in the districts of Stalinsk, Lugansk etc. All the workers and members of the Party daily recognise these achievements as they deserve to be recognised. On the basis of economic growth, the situation of the working class is improving, their cultural level is being raised. There is now a great increase of the number of workers, there are now 170,000, of whom 115,000 belong to the industrial proletariat. This is undoubtedly a reflection of the sound line taken and carried through by the Party.

The comrades of the Opposition are not only making a noise within the Party by raking up individual defects of our work, but they are spreading it beyond the limits of the Party; there have been such cases with us in the Donetz Basin. They want to influence the Party from outside the limits of the Party, they seek support from those who have been expelled from the Party, from those who are "offended" etc. There have been cases of comrades of the Opposition who have come to the Donetz Basin where everything is black with soot, to various aunts, uncles, nephews etc. for their "health" and have concerned themselves with investigations. If they are asked: "Are you a Party member?" they reply: "I stand higher than a Party member". If one invites one of these persons who "are higher than a Party member" to the place where they belong, they disappear, the devil knows whereto.

With regard to industrialisation, the Opposition overwhelms us with reproaches that nothing is being done. But here I will quote the first real results of industrialisation by the Party, if only by examples from our district. Let us take the group of glass and chemical works, one of the most important branches of industry. In 1921, when the works were started, we had 40 poods of corn for the whole district; the workers, who were party members, collapsed with hunger and died at the turning benches. To-day we have the following picture. In the economic year 1924/25 we produced in these works goods to the value of 7 million roubles, in ten months of the economic year 1925/26 to the amount of 8 million roubles and in the current economic year we anticipate a production to the amount of 20 million roubles. Two of these works, have been fitted up with machinery. When delegations of workers come from abroad they are greatly astonished by our creative force.

The first results of industrialisation are as follows: if a glass vessel formerly cost 23 roubles, it will now cost us 11½ and later 10 roubles. In the old days, the works produced at the best 8000 glasses monthly, now they will produce 20,000. Formerly 1500 workers were required for the 8000 glasses a month, now only 800 are at work.

If we take the manufacture of bottles (it is well known that the question of the importation of bottles from abroad has been raised; now we shall obviously manage without importing them), we find that a bottle formerly cost 7 kopeks and now costs 3½—4 kopeks.

Well then, comrades of the Opposition, do not nag at the Party, do not stand in its way; help improve things if you are willing to work; if you are not willing to work, the Party will call you to order, as Lenin taught, whatever services you may have rendered in the past. What has been, lies in the past; the important thing is what you are now doing. If you have worked well in the past but are now committing follies, I assure you that the Party has grown so much, is so firmly consolidated, so thoroughly understands Lenin's teachings, that it will take any dignitary of the Party, any general without an army, and put him in the place where he can be of use.

Comrade Rykov's Concluding Words in Reply to the Discussion on the Economic Situation.

(Verbatim Report.)

Comrades, I have taken up so much of the time of the Conference by my report, that I will endeavour to be very brief.

In a whole number of questions received in writing and speeches in the debate, proposals have been made which, in my opinion, might improve the draft theses which have been recommended for your consideration. It therefore seems to me that the Conference ought to elect a commission for the thorough discussion of these improvements and amendments, whose duty would further be to lay before us a final draft resolution.

ON THE RATE OF ECONOMIC DEVELOPMENT.

In some of the questions I have received in writing it is pointed out that it is wrong to compare the rate of the economic restoration of the Soviet Union up to the present time with the rate of development in the countries of Western Europe. There is evidently some misunderstanding. I have quoted examples of growth in the capitalist countries in the pre-war period when capitalism was at the zenith of its development, in order to establish criteria for estimating the rate of our further growth. I have pointed out that we cannot expect any such growth in the future as we have had in the course of the last few years, when industry increased its production by 40% and by 60% per annum. Such a pace cannot be regarded as a norm or as a measure for the economic development in the period of reconstruction.

I have therefore quoted from the experiences of the Western European countries and America in the period of their development, when they were extending their original capital with the greatest success.

In other written questions I am asked to give comparative data as to the rate of the restoration of industry in the post-war period both in our country and abroad. The restoration in the countries of Western Europe has been adequately characterised in Comrade Bucharin's report. From this it could be gathered that, with the exception of America, hardly any country of any importance has exceeded the pre-war level. Those countries where the conditions are most favourable, are only either approaching the pre-war level or have exceeded it in a few branches of industry.

In comparing the rate of the process of restoration in our own country and abroad, we must however take into consideration that the countries of Western Europe suffered much less than we did from the imperialist war and have not passed through a civil war. The process of restoration in our industry only began four or five years ago; for the years of the civil war against Denikin and Koltchak cannot in any way be regarded as a period of the restoration of our industry, on the contrary, it was a period of its worst devastation. If we take all this into consideration, it seems natural to come to the conclusion that even in the rate of restoration we have out-distanced the European countries.

Those parts of the theses and the report which speak of the necessity of improving the management of our economy as well as of the whole apparatus and of reinforcing the fight against bureaucratism met with general approval in the debate. In private conversations, comrades from the provinces have told me that they could quote a large number of examples of bureaucratism which completely justify the guiding lines laid down in the theses. The regulation of the system of administration, the fight against bureaucratism, adaptation to our new tasks are now one of the fundamental questions of our construction.

THE WORK OF PLANNED ECONOMY, ITS TASKS AND ITS REDISTRIBUTION ACCORDING TO DISTRICTS.

The same applies to the system of planned economic work. I consider those comrades quite right who declare that in the future the work of planned economics cannot possibly be carried on on lines according to which the organ of Planned Economics of the Soviet Union and the organs of the People's Commissariat for Economics of the Soviet Union not only examine the plans and the guiding lines connected with them, but even decide various details down to confirming the exact estimates. By working our planned economy in this way we shall inevitably lose ourselves in detail and may overlook the important matters.

We must see to it that the work with regard to planned economy is distributed. The State Planning Commission is only now beginning to arrange plans according to districts and geographical areas instead of, as hitherto, according to branches of production (in the metal industry, textile industry etc.). We must reckon with the fact that economic geography, the situation of industrial centres and industrial districts, as they have existed till now in our country, are the result of serfdom and of Czarist times and frequently also of the selfish interests of the nobility and the landed proprietors.

Our wool industry is concentrated in the province of Simbirsk. In the province of Simbirsk there is neither fuel nor raw material for the development of the wool industry, and only when we study the history of the aristocracy of the province of Simbirsk, its connection with the commissariat and with army supplies, can we understand why just this province was a district for the development of the wool industry.

The destruction of the artificial fetters which capitalism, the nobility and the arbitrary rule in the old days fastened on the development of industry on the soil of our Soviet Union, must also lead to a change in the economic geography of our country and the creation of new industrial districts and new industrial centres.

With regard to economic geography, the process of industrialisation must lead to the rationalisation of production, to making the best use of the natural wealth of each district. The work of distribution must bring into relief the characteristic features of each separate district.

In this field of the work of our systematic economy and economic construction, we are only beginning to make progress.

Up to the present our immediate perspectives of the industrial development in the individual districts have not been determined with sufficient exactitude. The carrying out of the plans for the whole Soviet Union according to individual branches of production frequently leads to these plans not being sufficiently in harmony with the prospects of economic development in the separate districts. This factor of the distribution must be taken into consideration in the programme of the plan for a period of five years, which is to be finally drawn up in the immediate future.

Representatives of the provinces have, in their speeches, made far-reaching proposals with regard to the work of investment.

The Ukraine insists on the construction of an immense waterpower station on the Dniepr being started at once, and has already begun collecting for it among the population. Leningrad demands a power station on the Svir and the Volga district the construction of the Volga-Don canal. The interests of industry and the interests of agriculture demand that a railway connecting the cotton district of Central Asia

with the corn-growing district of Siberia be constructed as soon as possible. In the interests of the supply of fuel, it is necessary to build a main line connecting the coal-field of the Donetz Basin with the industrial centre. Personally I believe that the necessity for all these works has been convincingly demonstrated.

It seems to me however, that the Conference cannot now decide to which of these works preference should be given, that it cannot resolve or determine when any one of these pieces of work should be begun. If we have sufficient means, it would be best to begin two big undertakings, but I do not think that this year we shall have sufficient money. The question which of these pieces of work should be begun next year can only be solved when at least the State Planning Commission has given its expert opinion. I consider that urgent pieces of work are the construction of the railway from Turkestan to Siberia, the building of the power-works on the Dniepr and the work of investment in the oil-field of Emba.

I consider it necessary to call the attention of the Conference to the fact that in a number of districts a peculiar tendency to a "parochial policy" may be observed. This tendency consists in each district regarding industrialisation as an economic system according to which each district should be to a certain extent self-satisfying and independent, i. e. should possess a textile factory, a leather factory, a metal works etc. of its own, and should satisfy all the demands of the district with its own means, or that all the raw materials should be worked up in the district where they are produced. I do not consider these tendencies right. We cannot work up all the raw materials on the spot, because we have to steer our course according to large industry. The organisation of large industry depends on the raw materials of some districts being worked up in a small number of large factories, in the organisation of which not only the question of supplying them with raw materials but also the question of the supply of fuel, of means of transport, of workers etc. must be taken into consideration.

I have already spoken of the fact that there are among us some economists who understand industrialisation to be the building of a factory on every dessjatine. This is a peculiar form of industrialisation (interruption: Over-industrialisation!). It is difficult to imagine that even with the universal development of industry in our country, the typical agricultural districts will disappear altogether. We cannot for instance make it our aim to turn Siberia into an industrial area in the next five years. The industrialisation of the country means that industry should take a leading, predominant part in the whole economy of the Soviet Union, but this does not mean that industry must be of predominant significance in this or that province, district or even in each separate republic. These tendencies to separatism in the domain of industrial construction must be suppressed in the most decisive way.

There have been differences of opinion between individual speakers in the discussion as to whether centralised pressure or decentralisation is necessary. In my opinion, a centralised scheme and discipline are necessary in carrying out this plan. At the same time the fulfilment of the plan must be decentralised.

The unity of our investment of capital must be preserved, the interests of the whole economy of the Soviet Union as a single entity must be brought into harmony, conditions must be created for the carrying out of the plan which will make it possible to develop the initiative of the republics, the territories and provinces to their full capacity. This, in my opinion, is our immediate duty with regard to changes in the management of our planned economy.

OUR EXPENDITURE ON EDUCATION.

Comrade Lunatcharsky has complained about the inadequacy of the allocations for education, but has produced no statistical material. I must therefore quote a summary of the allocations for education, at least in the R. S. F. S. R. According to the data of the People's Commissariat for Finance, 56,5 million roubles were allocated in accordance with the

State Budget of the R. S. F. S. R. in 1923/24; for the year 1926/27 however, allocations of 124,8 million roubles are provided, i. e. within four years we have increased the allocations in the R. S. F. S. R. by two and a half times.

If we take the allocations from the State Budget and from the local budget together, we find the following: in 1924 184,5 million roubles were spent on education, for the current year provision is made for an expenditure of 418,8 million roubles. In 1924/25 9,7 millions and in the current year 11,7 have been allocated for scientific and educational institutions, which are under the People's Commissariat for Education of the R. S. F. S. R., i. e. the increase in this year amounts to 20,6%. These are the figures which Comrade Lunatcharsky evidently forgot to communicate to the Conference.

The position of the schools and the organisation of the education of the people are not at present such that we can imagine they will satisfy the rapidly growing cultural requirements of the population; the outlay for purposes of education must undoubtedly increase. This year they are only being increased in keeping with the general increase of the Budget.

The difficulty of a rapid improvement in the work of education, especially in popular education, is that this improvement demands very considerable outlay. According to the data of the People's Commissariat for Education there are about 200,000 elementary school teachers in the R. S. F. S. R. They are at present quite inadequately paid for their work, but an increase of their salaries, even by only 10 roubles a month, which would be perfectly justified, would demand even in one single section of our Soviet Union — in the R. S. F. S. R. — 24 million roubles a year. Thus the payment of the work of those engaged in education increases from year to year but not with the rapidity which we should like to see. The following are the salaries of the professors: in 1924 a professor received 80 roubles for 6 hours a week, in 1925 100 roubles and in 1926 110 per month.

In any case, with regard to those engaged in education, there can be no talk of a decrease, but rather of an increase of the funds for their salaries.

The distribution of the estimates and of the separate items of expenditure has not yet been examined by the Soviet of the People's Commissaries, and the draft Budget for the coming year is only the result of the preliminary work of the People's Commissariats, including the People's Commissariat for Education.

I think we should all realise that expenditure for education — and especially for technical education and for scientific work — is at the same time expenditure for industrialisation.

* * *

For the first time since the 14th Party Congress, the debates on the most important questions of economic policy have taken place without parallel platforms, written declarations, or even verbal statements from the Opposition. I do not know if we should interpret this as an agreement on the part of the Opposition with our theses. It seems to me however that, after its "declaration", the Opposition was under the obligation of coming on to this platform and stating exactly the nature of the differences of opinion which separates it from the Party (exclamations of: "Quite right!"). This was not only necessary for the Opposition but also for the whole Party. It is one thing, if the Opposition officially renounces its old platform with the "milliards" of taxation etc., which broke down at the most recent discussions in all the meetings of workers; it is another thing if it abides by its old platform. This platform was not only fundamentally wrong and to a considerable degree illiterate, it was also dangerous to the Party by reason of its demagogy.

The Opposition accompanied its proposals for an increase of taxation, about the two milliards etc. with an appeal to the non-party workers for a greater increase of wages and an appeal to the peasantry for the exemption of 40% of the peasants from the agricultural tax. The Opposition calumniated the Party by saying that its policy was non-proletarian and

promoted the rapid growth of the bourgeoisie both in town and country.

This platform, which is fundamentally false and, with regard to the relations between the proletariat and the peasantry, is anti-Leninist, threatens to destroy the alliance between the workers and peasants. It was represented in such a form, and loaded with such demagogic slogans that it gave the impression of being rather in favour of a general political fight in the country than of a discussion within the Party (Hear! Hear!). The Opposition ought to have come on to this platform and stated whether it still insisted on this platform or whether it renounced it.

I quote an example from which it can be seen what the Opposition was speculating on when it entered into the discussion. During the discussion, one of the members of the Opposition openly stated at a meeting that he disagreed with the Opposition. In the public explanation of the cause of the breach, he described his conversation with one of the leaders of the Opposition, who had said to him that the cause of the defeat of the Opposition was chiefly the backwardness of the working class (cries of: "Oho!") and secondly the "miscalculation" (I do not say unfulfilled "expectations") with regard

to the intensification of the economic crisis in the autumn of this year. (Cries of: "Not expectations, but hopes!"). In this explanation, the defeatist ideology of the Opposition became clearly evident.

Some of the comrades pointed out to me in a private conversation that "you don't kick a man when he is down". (Laughter.) We would all gladly have spared these people (Hear! Hear!), were we not responsible to the working class and to the country for the conduct of the Opposition and had not the platform of the Opposition spread on a large scale amongst the non-party workers and penetrated even into the village. The action of the Opposition was of great political significance (Hear! Hear!) and it is therefore the duty of our Party, which is fully responsible for the political situation of the country, to draw political conclusions from the discussion which took place, to estimate the value of the ideological platform of the Opposition and to take all the measures in its power to preserve the unity of the Party and the ideological solidity of the lines taken by the Party.

All this must be done in order to ensure the greatest success of socialist construction in our country. (Prolonged, tempestuous applause.)