

ECONOMIC DEVELOPMENT IN THE U.S.S.R.

In the Soviet economic system, planning has pride of place, and indeed the whole financial system is subordinated to planned economic and social development. The State budget and the credit system are utilized to assist in controlling the fulfilment of the tasks set by the economic plans. The consumer, though free to shop where he likes and free to purchase, or not purchase, what is available, can exert no direct pressure to have those goods produced and sold which he desires, since there is no automatic price mechanism or other direct means of consumer guidance to the producer. Though the broad facts are well enough known, it is hard to come by any detailed information about economic developments in the U.S.S.R., because the necessary statistics and economic facts are not made available in official or academic publications in the same way as in Great Britain. Special interest, therefore, is attached to the work being done in the University of Birmingham by the Department of Economics and Institutions of the U.S.S.R. of the Faculty of Commerce and Social Science. This Department of the University publishes "Bulletins on Soviet Economic Development", based on painstaking research and investigation of the available literature, official publications and the press of the U.S.S.R. Bulletins Nos. 3 and 4 (August-September 1950) of Series 1 have now been issued, and these are to be followed by Series 2, which will examine the results of the Post-War Five-Year Plan in all the main branches of the Soviet economy.

In Bulletin No. 3, Dr. Alexander Baykov (head of the Department) and Mr. G. R. Barker make an important contribution on the Soviet financial system, in which they point out that expenditure in financing the development of the national economy is centralized, being effected mainly through the Union budget, whereas social and cultural (that is, education, health and social welfare) expenditure in the main is decentralized. The underlying idea is that social and cultural needs can be served more adequately in a decentralized manner, and therefore funds for these purposes are allocated through the local budgets, despite the fact that more than one-half of this expenditure is provided by allocations from the revenue of the Union and Republican budgets.

The revenue of the State budget is derived in part from the socialized sector of the national economy, and in part directly from the population. In the first category, the main sources of revenue are the turnover tax and deductions from the profits of enterprises. In the second, the largest items are subscriptions to State loans, and taxes and levies on the population. The turnover tax is the most important source of revenue, and it also plays an important part in regulating prices and controlling the financial activities of enterprises. It is calculated as a percentage of the wholesale transfer price of producer's goods or, as with agricultural produce, as a fixed monetary rate on the quantity of the product sold by the wholesale trade. An audit of the returns provides a check on the whole financial position of the enterprise and the degree in which it has fulfilled its production plan. The rate of the tax, which varies from a nominal 0.5 per cent to more than 80 per cent, is used for regulating prices and the profit of the enterprise.

The tax on profits has three main objectives, namely, fiscal, the stimulation of economic efficiency, and control of the productive and financial plans of the enterprises. The tax is paid from the actual profits, whether or not the planned requirements are fulfilled, thus providing an incentive to efficiency. Over-fulfilment of the plan increases, whereas under-fulfilment reduces, the amount available for capital investment, working capital and for bonuses to managerial staff and outstanding workers as well as for expenditure on housing and welfare.

Of the revenue derived directly from the public, the most important item is subscription to State loans. These channel the savings of the public into the State budget and are used as long-term credit for the development of the national economy. Rural workers pay taxes in kind as well as in money—the former by compulsory deliveries of definite amounts of agricultural produce to the State at fixed prices below the market price. Income tax and cultural and housing welfare contributions are progressive and also vary according to the source of the taxpayer's income, being higher on professional men, individual craftsmen and others engaged in private activities than on those employed by State or co-operative enterprises.

The two main items of State budget expenditure, apart from military and ordinary administrative expenses, are on financing the development of the national economy and on social and cultural measures. Grants are allocated from the State budget for financing the development of all branches of the national economy—industry, agriculture, transport, trade, housing, municipal services, etc. Grants for capital expenditure are placed to the account of enterprises in the specialized long-term credit banks, and grants for circulating capital to the current accounts of enterprises in the State Bank, which is the sole banking institution for short-term credit in the U.S.S.R.

During the Second World War, owing to enemy occupation of important agricultural and industrial territories, the income of the State budget was drastically reduced, while expenditure was greatly increased, not only by military requirements but also by the cost of large-scale evacuation of industrial and agricultural equipment and of masses of people from the invaded areas. Production of consumer goods was severely cut down throughout the war years and the production of agriculture also declined sharply. In the earlier years of the War, additional revenue was obtained by a surcharge on income tax and agricultural tax; but later a reorganization took place by which the bulk of the necessary additional taxation was derived from a special war-tax based not on the actual earning of the particular individual but on average incomes within groups, thus providing an incentive to greater work. An important source of revenue was that from State loans. State lotteries were resorted to and voluntary contributions towards the war effort were organized. Despite all expedients, however, the additional revenue was inadequate to compensate for the heavy fall in the proceeds of the turnover tax and deductions from profits. Budget deficits occurred from 1941 until 1943 and were covered by inflationary issues of money. After the end of the War, the turnover tax came to resume its

function as the main source of revenue, and the pressure of direct taxation was reduced.

This turnover tax is particularly adapted to the needs of the Soviet economy, and it can, for example, be used for facilitating or hindering the sale of a particular commodity. The effects of this tax on commodity prices are discussed in some detail by Mr. H. H. Ware in an article in Bulletin 4 entitled "The Function and Formation of Commodity Prices in the U.S.S.R.". He points out that, by means of the planned application of this tax, the retail prices of different consumer goods are adjusted to their existing and future planned supplies, relative to the market pressures of consumer demand. There is no free consumer choice since only those known consumer desires which meet with official approval are incorporated into production plans. Further restrictions on the consumer are seen in the absence of price competition among shops. Price competition only takes place in the 'free markets' of the collective-farm peasants, which transact about one-fifth of the rouble volume of all Soviet trade. Consumer choice exerts some pressure, however, on retailers, wholesalers, planners and producers in that, if the consumer refuses to buy the commodities at the price offered, the plans go unfulfilled. Planned retail prices would be 'too high' relative to demand and supply if the goods failed to sell according to plan, and 'too low' if they sold out so rapidly that they could not be kept in retail stock.

During the War, Russia found herself, owing to the scarcity of food and the short supply of consumer goods, in the position of there being "too much money chasing too few goods", and rationing was introduced. Unlike the British system, this was based on differential scales according to the category of the worker and the number of hours worked. This is described in an article by Dr. Baykov on "Internal Trade", in which he states that it was also possible to buy rationed articles legally, but at much higher prices, on the free *kolkhoz* markets for agricultural products. In 1944, the differential system was further expanded and the sale of rationed goods in special State shops in unrestricted quantities was introduced, though the prices were much higher than those of similar goods bought on the ration cards.

Rationing was abolished in December 1947 and was accompanied by a monetary reform. Unified prices were fixed at which goods could be freely sold by State and co-operative shops.

Bulletin 4 also contains an interesting article on Russian railways by Mr. H. Hunter. He states that, in the initial period of industrial expansion which commenced in 1928, the railways proved capable of handling a greatly increased volume of freight traffic without much expansion of the existing facilities. By 1932, the total route mileage operated was only 6 per cent more than that of 1928, even though this was the period in which the Turkestan-Siberian route came into operation. By that year, however, the railways were finding it impossible to handle all the traffic that was being offered, and in 1935 the State found it necessary to increase allocations of material and labour for the purpose of increasing the capacity of the basic routes on which it was decided to concentrate the traffic. This policy of selective improvement resulted in wide disparity between the best and the worst lines of the system. The campaign for regional self-sufficiency, which was inaugurated in 1939, has been continued since the War, and there has been much pressure to eliminate cross-haul traffic and to minimize long-distance hauls. Road

transport is not yet an appreciable factor in Soviet transport, and Mr. Hunter considers that its development is likely to be slow because the traffic which is being developed is that connected with the heavy industries.

The Bulletins contain a great amount of information and can be recommended to all those who are seeking an objective description of the Soviet economy. It is not easy to suggest improvements; but perhaps two points may be mentioned. The use of American terminology in some of the articles may prove confusing to British readers, and, since Soviet statistics of any value are so hard to come by, somewhat more care might be exercised in their editing; for example, the word 'milliard' in some of the tables seems to be misprinted for 'millions'.

NATIONAL FUEL RESEARCH INSTITUTE OF INDIA

THE National Fuel Research Institute of India, the plans for which were described in *Nature* of March 1, 1947, was opened by the President of the Republic, Dr. Rajendra Prasad, on April 22, 1950. Among those present were the Prime Minister, Pandit Jawaharlal Nehru; Sir C. V. Raman; Sir S. S. Bhatnagar; Sir J. C. Ghosh; Sir K. S. Krishnan; Sir J. J. Ghandy; Dr. J. W. McBain; Dr. D. N. Wadia; and the chief inspector of mines, Mr. N. Barraclough. The Governor of Bihar, His Excellency Shri M. S. Aney, presided. The Institute is situated at Jealgora, near Dhanbad, in the province of Bihar. It lies approximately 150 miles north-west of Calcutta, 65 miles north of Jamshedpur, and 5 miles only from the new fertilizer works at Sindri on the Damodar River.

The buildings consist of three main blocks, administrative offices, laboratories and technological block, respectively. The administrative building is to be connected by further rooms to the main laboratory block. At present, they are separated by about fifty yards, while the technological block is two hundred yards away, in order to avoid dust clouds and fumes from the grinding and carbonizing, and other plant, and the like.

The Administrative Block faces the main Sindri road, and has a floor area of about 14,000 sq. ft. It is divided by a central corridor running the full length. The rooms immediately near the entrance hall comprise a reception room, telephone exchange, and visitors' sitting room. The rooms on the wings are those of the administrative officer and the assistant director, the director's laboratory, the director's office, and director's secretary, the board room, the general office, and the accounts office. The above rooms are on the left wing. On the right wing lie the rooms for information and statistics, offices for the chief officers of the Coal Survey, a physical laboratory, engineering drawing office, the geology and the map room, and a large library and reading room. All the rooms are air-conditioned.

The Laboratory Block has a basement, the main floor, and (above) staff common room and lecture room. On the roof there is an emergency tank for water supply. The front building is due to be connected with the Laboratory Block by a 25-ft. covered passage, which enters into the two wings, each about 100 ft. long. These wing laboratories are planned to house rooms for fundamental research on colloids,