

# THE PRICE SYSTEM IN THE SOVIET UNION

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## I. Problems

In a certain sense, the bourgeois economics has mainly been concerned with the analysis of price and interest rate in studying the economy of capitalism. Such an approach has analogously been attempted for the clarification of the socialist economy giving rise to a number of misunderstandings. For instance, it is a well-known fact that the impossibility or the difficulties of the planned economy was concluded from the evaluation of the barometric function of prices by some bourgeois economists during the course of a controversy on planned economy, which has proceeded after the twentieth.<sup>1</sup> Against such an approach, the analysis of the functions of prices in the Soviet economy as socialist economy has been proposed by those, who positively admit the possibility of planned economy. Such an attitude is taken for instance by Dobb and Sweezy in their theory of planned economy in favor of the Soviet economy. Another approach of a similar nature has also been tried by bourgeois economists with respect to the turn-over tax.

This paper was mainly motivated by such a situation, and we shall not concern ourselves in this paper with such an approach itself or the criticism and analysis of the price system in the Soviet Union, but confine ourselves to its clarification. An analysis or clarification is attempted in this paper of the commercial system or the price variation or its mechanism in the Soviet Union. The first task of the author is therefore the clarification of the variety of prices in the Soviet Union, although they are sometimes referred to simply as the Soviet price. Such a clarification is followed by an analysis of the relations, which are in existence between the various constituents of these prices.<sup>3</sup> Such an analysis would certainly

<sup>1</sup> The controversy here mentioned of is that centering around the "theory of economic calculation," which was presented by a number of bourgeois economists, who observed the Soviet socialist system in its infancy in twentieth. The theory was proposed for the purpose of disapproving the possibility of the planned economy. Among the exponents of the theory are Ludwig von Mises, Max Weber, Boris Bratskus and F. A. Hayek. The third part of Sweezy's "Socialism" constitutes a critical introduction to the theory, although it is somewhat too introductory.

<sup>2</sup> Cf. Maurice Dobb, *Soviet economic development since 1917*, London 1948, Chap. I.; Paul Sweezy, *Socialism*, 1949, Pt. 3.

<sup>3</sup> In view of the limited length of the paper, we shall confine ourselves only to the first problem and the second one will be fully discussed at another occasion.

has its own merit. It however remains preliminaries to other more detailed studies and is elementary in such a sense. The author nevertheless dares to designate the proposed study as elementary not only in the sense that it provides us with the starting point of our further discussions, but in the sense that it is the very foundations on which any scientific discussion on Soviet economy is based and without which the scientific nature of the discussion is not guaranteed any more.

Even if we do not dash to such an excuse for remaining "elementary" in our subsequent discussions, it is easy to see that the study of the Soviet prices has a significance different from that of the price system in capitalist countries, because the prices in the Soviet Union are the so-called planned prices as will be explained in what follows and are therefore not under the direct influence of the relation between demand and supply. In the Soviet Union, the institutional factors therefore play a very important role in determining or changing prices. This is the main reason why we shall be concerned in what follows mainly with the institutional side of the prices in the Soviet Union.

## II. *Prices of Manufactured Products*

### (1) Retail prices and wholesale prices

#### a. Retail prices

"The state retail price is the final price, at which citizens and kolkhoses buy goods from the state or cooperative retail business."<sup>4</sup> The state retail price (государственные розничные цены, staatliche Einzelhandelspreise) here mentioned of is in the first place the universal price (единые цены) and at the same time the planned price.<sup>5</sup>

The present system for planned prices was first introduced in the period from 1930 to 1935. Up to this time, the highest price and the highest commercial price were fixed by the government and dealings were carried out by commercial agencies at the price thus fixed. In 1930, three fourth of all the dealings concentrated on the state or cooperative business. In view of this fact and the reform of the tax system in 1930 (which was adopted at the central committee of the party on December 5, 1929 and put in effect on September 2, 1930.) as well as that of the banking system in the same year, it can be said that the present system of planned prices was founded in the period from 1930 to 1935.<sup>6</sup>

This period at the same time coincided firstly with the establishment of the socialist economy and secondly with the abolishment of the rationing

<sup>4</sup> Л. Майзенберг, Ценообразование в народном хозяйстве СССР. 1953., стр. 149.

<sup>5</sup> Hans Langer, *Das Preissystem der Sowjetunion*, Berlin 1953. S. 16.

<sup>6</sup> Hans Langer, *a. a. O.* SS. 41-43.

system. Laying aside the former, which is too well-known to be described here, a brief account of the latter is better made here. After the ration system during the War Communism (1918—1920), the system was again put in effect in 1928, while the so-called commercial dealings (Коммерческая торговля; Kommerzhandel) were also put in practice in the following year allowing some commercial activities outside the rationing system. In 1932, the scope of the rationing system was reduced and the free market was officially approved. In 1933, 40% price reduction was put in effect and the rationing system was abolished in 1934. Simultaneously with the abolishment of the rationing system the present system of prices was established. (It is said that 47% and 35% reduction of prices were put in effect respectively in 1935 and 1936, while the price reduction from 5 to 16% was made of manufactured goods in July, 1937.<sup>7</sup>) Summing up, the establishment of the present price system in the Soviet Union coincides with the period, at which the Soviet government succeeded in Socialist industrialization (1935—36) as well as the collectivization of agriculture and establishment of socialist economy, while the production and distribution of necessities of life were much improved as a result of the successful execution of the second five-year plan.

As was mentioned above, the state retail price is universal throughout a region. Therefore, some commodities are on sale at a price, which is the same only within a certain district, while some others are sold at the same price throughout the whole Union. The former is called the union price (союзные цены), while the latter is designated as the local price (локальные цены).<sup>8</sup> In the former are included the goods, which are handled in large quantity (such as textile, tobacco, toilet articles, tea, fuel and spirits.) On the other hand, the latter include grains, animal and plant oils, manufactured meats and margarine. The mechanism of the price determination of these goods will be summarised in what follows.

The retail prices at restaurants and hotels should be discussed separately. In accordance with the nature of the facilities, at which the commodities are on sale, their prices are divided into three categories, while the prices are classified into two according to the character of their own.

From the stand-point of the price policy of the Soviet Union, restaurants and hotels are classified into three categories in accordance with the facilities at their disposal. In the first category are included restaurants, high-class cafes and the dining rooms attached to national theaters, while in the second category are included hotels, public dining rooms, ordinary

<sup>7</sup> Hans Langer, *a. a. O.* SS. 92—93. —The rationing system was put in practice during the years from 1928 to 1934 and from 1941 to 1947. About the reintroduction of the rationing system during the World War II and its abolishment, refer to author's "*Economy of the Soviet Union*" (in Japanese) (Iwanami-Shoten, 1953), pp. 54—57, pp. 168—176, and "*Studies on Soviet Economy*" (in Japanese) (Keiso-Shobō, 1954), pp. 140—153.

<sup>8</sup> Академия наук СССР. Политическая экономия. Учебник 1954г., стр. 512.

dining rooms, tea houses and cafes. On the other hand, to the third category belong the branches of the dining services, which are operated for workers and students. Such services are provided free of charge with place, illumination, heating, water supply and transportation equipments by the organization or school, at which the branch is located. In other words, these branches constitute the dining rooms attached to these factories, clubs and schools. The prices of commodities on sale are therefore highest at the facilities of the first category followed by those respectively belonging to the second and third categories.<sup>9</sup>

Another factor, which is responsible for the determination of the prices of the commodities available at these public places is the kinds of these commodities. Those which are sold at the union or local prices are also on sale at these prices and such things as tobacco, match and bread come under this category. On the other hand such things as fruits, cakes, sweets and refreshments are available at the prices respectively with 20 %, 10 % and 5 % commercial extras (накидка; Handelszuschläge) at the above-mentioned three kinds of facilities. Furthermore, tea, beer and alcoholic drinks are sold in glass or cup at the prices, which depend upon the nature of the facility. Lastly, the meals, which are served at these facilities, are available at the retail price within the limits set by the Ministry of Domestic Commerce in accordance with the category of the meal and facility, at which it is served.<sup>10</sup>

#### b. Wholesale prices

The state wholesale price (государственные оптовые цены; die staatliche Grosshandelspreise) is the supplier's price, at which commodities are delivered from the sales center of each industry to other socialist enterprises or commercial organizations.<sup>11</sup>

Just like the state retail price, the state wholesale price is also universal. In fact, the unification by planning of these state wholesale prices is the very foundation of the similar unification of state retail prices. "One of the most difficult problems in determining prices in industries under a socialist regime, is to establish a unified price system for manufactured goods, more exactly, to fix a price, which is universal to one and the same kind of commodities."<sup>12</sup>

<sup>9</sup> G. L. Rubinstein, B. I. Gogol, A. G. Kulikow, W. I. Moskwin, *Die Oekonomie des Sowjethandels*, (Gesamtredaktion M. M. Lifiz.) Berlin 1953. SS. 547—8. (The original of this book was published in Russian in 1950. Проф. Г. Л. Рубинштейн, доц. В. И. Гоголь, доц. А. Г. Куликов, доц. В. И. Москвин, под редакцией проф. М. М. Лифица, Экономика советской торговли. Москва 1950г.)

As the Russian edition is not available to the author, all the references in this paper are to German translation of it above cited.

<sup>10</sup> G. L. Rubinstein et al., *a. a. O.* S. 548.

<sup>11</sup> См. Л. Майзенберг, там же., стр 93., Vgl. Hans Langer, *a. a. O.* S. 50.—Wholesale price of agricultural products will be dealt with later on.

<sup>12</sup> G. L. Rubinstein et al., *a. a. O.* S. 551.

Nevertheless, the unification of the price system and the requirement for its planning are inseparably connected with the economic system of the Soviet Union. Such a close connection is for instance evidenced by the revision of the wholesale price system, which was put in effect on January 1, 1949. As a result of the revision, the unification of the wholesale price system (the same price for the same commodity!) was strengthened with the effect of changing the relation in the price system of various commodities. The revision had also the effect to strengthen the role, which would be played by the wholesale price in improving the productivity of labor as well as in more successfully managing the enterprise of independent finance. At the same time, the subventions given to the heavy industry (дотация; die staatliche Subvention) was abolished.<sup>13</sup> The Soviet Government was induced to take such a measure mainly because of the close connection between the unification of the wholesale price system and the improvement of labor productivity on the one hand and the extension of the independent finance system on the other. These points will further be elaborated in what follows. (See Table 1.)

Table 1. Relation between costs and profits unit: rouble

State universal price (wholesale price including turn-over tax)	A enterprise	B enterprise	C enterprise
	100	100	100
Costs (a)	<b>40</b>	<b>45</b>	<b>50</b>
Mean planned costs	45	45	45
Mean profits (10%)	4.5	4.5	4.5
Turn-over tax	50.5	50.5	50.5
Wholesale price excluding turn-over tax	49.5	49.5	49.5
Net profit (b)	<b>9.5</b>	<b>4.5</b>	<b>-0.5</b>
b/a (%)	<b>23.75</b>	<b>10.0</b>	<b>-1.0</b>

Source of information: Hans Langer, *Das Preissystem der Sowjetunion*, Berlin 1953, S. 30.

Remarks: Figures not in gothic indicate the part fixed by state, while those in gothic are the one each enterprise has the right to change.

As is clear from the above table, the enterprise with higher productivity has the privilege of gaining more than those with lower productivity and higher costs, in case the wholesale price be fixed the same. It is shown that they sometimes even suffer from substantial loss. If no subvention is granted and no exception allowed of the wholesale price, the only way left for these losing enterprises is the reduction of costs. In such a way, the universal system of wholesale prices and the independent finance system are functioning to the effect of forcibly highering productivity.

<sup>13</sup> Hans Langer, *a. a. O.* SS. 60—67.

More detailed descriptions will be made in the sequel of those factors, which have the effect of determining prices. But, the problems concerning the turn-over tax will be here taken up in reference to the classification of wholesale prices. The turn-over tax is not levied upon most of the production goods. Accordingly, the wholesale price of goods, such as coal, timber, chemical products and machines, is simply the sum of the cost and the profit of the enterprise concerned and does not include the turn-over tax and the extra for the wholesaler.<sup>14</sup> The prices of cement and metallurgical products also do not include the turn-over tax, but include profits as well as the expenses necessary for wholesaling.<sup>15</sup> Such an extra is not required with respect to the goods of the former category, which are directly delivered to consumers without passing through any wholesaler. On the other hand, cement and metallurgical products are delivered to consumers only through the respective wholesaling organization of the industry concerned, which demands the said extra charge for delivery and sale to outside consumers. (Such a price is called the wholesale price of the industry. (оптовые цены промышленности) and will be discussed presently.)

The turn-over tax is levied upon all the consumption goods and oil, which is one of the production goods.<sup>16</sup> The wholesale price of these goods is therefore the sum of the cost, profit of the producer, turn-over tax and the expenses as well as profits of the wholesaler.

In case the turn-over tax is not levied and the enterprise is itself responsible for delivering the produced goods to consumers without going through any intermediate organization, there is no difference between the wholesale price of the enterprise (оптовые цены предприятия; die Fabrikgrosshandelspreise) and that of the industry, to which the enterprise in question belongs (оптовые цены промышленности: Industrie-grosshandels-preis). (Examples: coal, timber, chemical products and machinery.) On the contrary, these two kinds of wholesale prices are not the same, if the turn-over tax is levied, or the collection of products is made by the industry for the common delivery to wholesalers. (Examples: cement and metals)<sup>17</sup>

At any rate, the wholesale price of the enterprise is most important and the plan for production is made taking into consideration the price. —“The amount of production in an industry should be planned in accordance with the wholesale price of the enterprise and the unit quantity of the production.”<sup>18</sup>

<sup>14</sup> Л. Майзенберг, там же. стр. 93.

<sup>15</sup> Л. Майзенберг, там же. стр. 94.

<sup>16</sup> Л. Майзенберг, там же. стр. 94.

<sup>17</sup> Л. Майзенберг, там же. стр. 94. These two kinds of wholesale prices were formerly designated as respectively delivery prices (отпускные цены) (which corresponded to the wholesale price of the enterprise) and wholesale prices (which corresponded to the wholesale price of the industry concerned being called оптовые цены.)

<sup>18</sup> G. L. Rubinstein et al, *a. a. O. S.* 551.

Table 2. Reduction rates of the wholesale prices  
on July 1, 1950  
Percentage to the price as on January 1, 1949

Iron ore	20 %
Steel	37—47 %
Compressed pig iron and steel	15—50 %
Synthetic texture	10 %
Chemical products	20 %
Cement	20 %
Benzene	20 %
Machinery and equipments	20—30 %
Railway transportation fee	10—40 %
Waterway transportation fee	15—25 %
Motor car transportation fee	8 %
Cart transportation fee	12 %

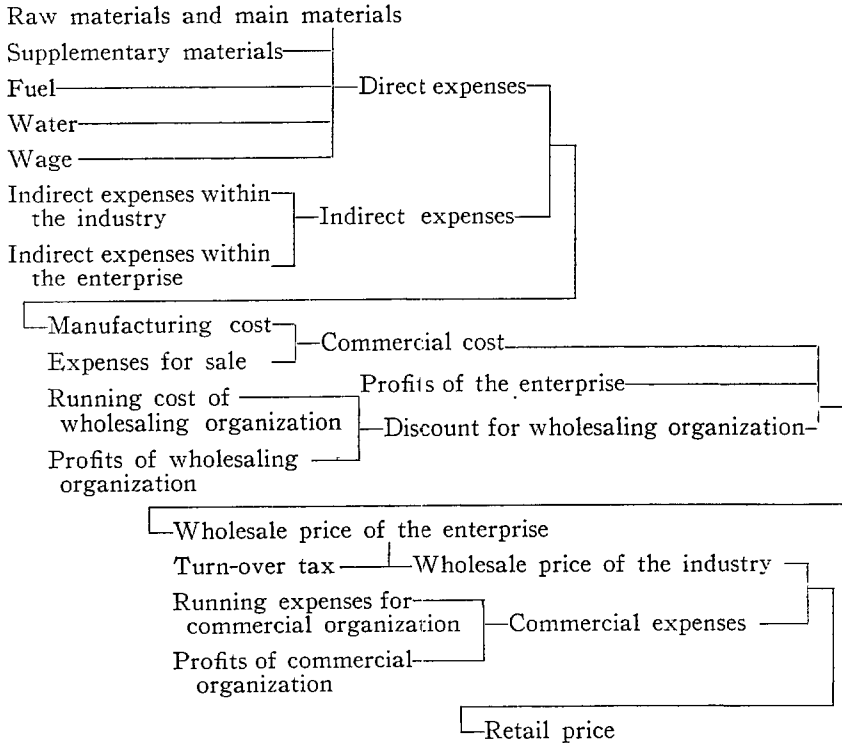
Source of information: Hans Langer, Das Preissystem der Sowjetunion, Berlin 1953, S. 68.

Figure 1. Structure of state retail prices

Raw materials, Main materials, Supplementary materials, Fuel, Water supply, Wage	Direct expenses	Manufacturing Cost	1. Commercial Cost	The wholesale price of the enterprise	The wholesale price of the industry	The retail price
Expenses in the industry Expenses in the enterprise	Indirect expenses					
Expenses for sales						
2. Profits of the enterprise						
3. Running expenses of the wholesale organization Profits of the wholesale organization			Discount for the wholesale organiza- tion			
4. The turn-over tax						
5. Running expenses of the commercial organization Profits of the commercial organization			Commercial expenses			

Source of information: G. L. Rubinsten, B. I. Gogol, A. K. Kulikow, W. I. Moskwin: *Die Oekonomik des Sowjethandels*. (Gesamtredaktion M. M. Lifiz) Berlin 1953, S. 544.

Figure 2. Construction of state retail prices (Chart for explanation)



As was already mentioned, state retail prices have been cut down as often as seven times from 1947 up to 1954.<sup>19</sup> With respect to wholesale prices, the price reduction was made on January 1, 1950, of metals, chemical products, construction materials, timber, wood products and machinery as well as of railway transportation fees. The price cut was shortly followed by another more extensive one in July, 1950. (See table 2.) On March 1, 1951, the wholesale price reduction was made of the products of light and food industries.<sup>20</sup> Seeing from a more general point of view, it is observed that the reduction of state retail prices has been based upon that of state wholesale prices, which is made possible only by the reduction of the constituent part of wholesale prices such as original costs and the turn-over tax.

<sup>19</sup> See (7).

<sup>20</sup> Hans Langer, *a. a. O. S.* 68.



## (2) Components of the price

The structure of the state retail price is illustrated in Figure 1, which is also presented in a more explanatory form in Figure 2.

Following is an example, how the actual process of price determination takes place. As is clear from Table 1, which illustrates the relation between the cost and profit, the turn-over tax and the profit are dictated by the state. As a result, the original cost is practically dictated by state and the difference between the planned cost and actual cost is the gain or loss of the enterprise in question. With such assumptions, we next present an actual case of price determination, which is due to Hans Langer. (1) The retail price is 1,200 rubles, (2) The turn-over tax is 20 % of the wholesale price (the wholesale price of the industry) including the turn-over tax, (3) The planned profit is 5 % (the wholesale price of the enterprise) excluding the turn-over tax, (4) The commercial expenses (Handelsspanne) are 5 % of the retail price. With such assumption, various rates are all statutory and the actual price is calculated as in Table 3. In this case, if the cost is more than 866 roubles 40 kopeck, the profit is less than 45 roubles 60 kopeck and conversely in the converse case.

Table 3. Process of price determination

Planned cost	866.40
Planned profit of the enterprise	45.60
Wholesale price excluding the turn-over tax (wholesale price of the enterprise)	912.00
Turn-over tax	228.00
Wholesale price including the turn-over tax (wholesale price of the industry)	1140.00
Commercial expenses	60.00
Retail price	1200.00

Source of information: Hans Langer, *Das Preissystem der Sowjetunion*, Berlin 1953, SS. 16—17.

## a. Costs

The following points are worthy mentioning of costs (себестоимость die Selbstkosten).

(1) In a long run, the cost constitutes the basis of the wholesale price, but in the actual process of calculating the price, the wholesale price has the effect of determining the cost.

(2) In the formation of the price, the cost is determined not by the actual costs, but as the planned cost.

(3) In the Soviet economy, the cost is in the tendency of decreasing and much effort is being made for its further reduction.

In a speech entitled "New situation—New tasks of economic construction (новая обстановка—Новые задачи хозяйственного строительства), which was delivered by Stalin on June 23, 1931, he urged the Soviet heavy industry, in particular, its machinery producing department to free it from its dependence upon the income from light industries or agriculture, as had been the case so far. He further pointed out that the source of funds necessary for it was the reduction of prime costs.<sup>21</sup>

The reduction of prime costs has the effect to realize higher profits promoting the accumulation of funds. The reduction of costs is therefore one of the tasks of primary importance. At the same time, it always involves many difficulties as is illustrated in Table 4. In fact, the reduction of costs never attained the goal as set during the course of the second five-year plan.

Table 4. Plan of reducing costs and results in the second five-year plan

Year	Reduction planned	Result
1933	1.5	0.5
1934	4.7	3.7
1935	6.7	4.1
1936	7.4	4.0
1937	8.2	0.1
Total	26.0	10.0

Source of information: Hans Langer: *Das Preissystem der Sowjetunion*. 1953. S. 58.

At first, the enlarged reproduction of the heavy industry was only made possible with the income from agriculture and light industries. Such a situation was mainly due to the underdevelopment of the Soviet economy at large. In other words, costs were higher than wholesale prices giving a room for raising profits. The turn-over tax was naturally not levied upon the products of heavy industries, while the resulting loss was taken care of by subventions. "In case the price be lower than the planned cost, the resulting loss should be covered by the financial funds (governmental subventions). ...These subventions made a positive contribution to the development of heavy industries during the first five-year plan as well as at the beginning of the second five-year plan, which laid down the foundations for the industrialization of the socialist economy."<sup>22</sup> In April, 1936, a decree was enacted to the effect of abolishing the system of governmental subventions to heavy and timber industries.

<sup>21</sup> И. В. Сталин, Сочинения, т. 13, стр. 74-76, 77-78.

<sup>22</sup> G. L. Rubinstein et al, *a. a. O. S.* 551.

The war economy, which was started in 1941, changed the whole situation. "The governmental subventions were made necessary in order to keep the price of producing means at the same level as that in per-war times."<sup>24</sup> The system of subventions thus introduced was again abolished between 1949 and 1950.<sup>25</sup> Thus, the relation between costs and profits as constituent factors of the wholesale price, which has hitherto been confined to light industries, was for the first time extended to heavy industries. (With respect to the turn-over tax, they are not the same.)

#### b. Profits

Together with the turn-over tax (налог с оборота; die Umsatzsteuer), profits (прибыль) is a social net income (чистый доход общества) constituting a basis for the accumulation—enlarged reproduction.<sup>26</sup> This corresponds to what has hitherto been called "surplus products."

The profits as accumulated funds are different from the turn-over tax with respect to the facts that the latter plays a very important role in the Soviet economy providing it with means of collective accumulation of funds, while the former has played but a trivial role in the Soviet economy in spite of its being a source of the self-investment of each enterprise.<sup>27</sup>

Taking into consideration the above characterization of profits, the profits raised by each enterprise are classified by their use as follows: —(1) The self-investment to the enterprise, (2) the increase of circulating means of the enterprise, (3) the funds for the extension of the enterprise, (4) the covering of the planned loss and (5) the transfer to the director's funds.<sup>28</sup>

For the items (1) and (2), 20—25 % and the amount up to 60 % are respectively used of the profits, while the transfer to the director's funds (фонд директора; Direktorfond) is different in each industry. It is 1—5 %, 1 %, 2 % and 2.5 % respectively in manufacturing industries, commerce, construction and various enterprises supplementary to agriculture such as M.T.S.<sup>28</sup>

What has generally been stated about the functions of profits in the Soviet economy should also be taken into consideration in observing the determination of the amount of profits. The profits of an enterprise are fixed by state as planned profits, which are the left-overs of its social net income, a large part of which is taken away by the central government.

<sup>23</sup> G. L. Rubinstein et al. *a. a. O. S.* 551.

<sup>24</sup> G. L. Rubinstein et al. *a. a. O. S.* 551.

<sup>25</sup> G. L. Rubinstein et al. *a. a. O. S.* 551. This point was already in II. (1), (b), which is concerned with wholesale prices.

<sup>26</sup> См. Политическая экономия. учебник. стр. 473— 476. Also refer to my paper, "Accumulation in the Soviet Economy" in *Economic Review* (in Japanese) Vol. 5, No. 4, p. 273.

<sup>27</sup> This point was already mentioned. Refer to *loc cit.* "Accumulation in the Soviet," pp. 271, 273 and 274.

<sup>28</sup> Hans Langer, *a. a. O. S.* 23.

The profit rate (уровень рентабельности) in Soviet industries is calculated as follows: —Suppose the amount of production be 15 million roubles in terms of the wholesale price excluding the turn-over tax (the wholesale price of the enterprise) and the cost be 10 million roubles, then the profits are 0.5 million roubles with the profit rate, which is calculated as follows:

$$\frac{10,500,000 \text{ roubles} - 10,000,000 \text{ roubles}}{10,000,000 \text{ roubles}} \times 100 = 5 \%$$

As for the relation between the reduction of cost and profit rates, "The rate of the increase of profit is surpassing that of the cost reduction and the profits rate is increasing more rapidly than profits themselves."<sup>29</sup> In the above example, letting the cost be reduced 10 %, the profits which are calculated as follows:

$$10,500,000 \text{ roubles} - (10,000,000 \text{ roubles} \times \frac{100 - 10}{100}) = 1,500,000 \text{ roubles,}$$

become three times as much, while the profit rate, which is:

$$\frac{10,500,000 \text{ roubles} - 9,000,000 \text{ roubles}}{9,000,000 \text{ roubles}} \times 100 = 16.7 \%,$$

becomes more than 3.3 times as much.<sup>29</sup>

#### c. Turn-over tax

The author has already published a paper concerning the turn-over tax (налог с оборота; die Umsatzsteuer). See "The Accumulation in the Soviet Economy" in "The Economic Review" of the Hitotsubashi University, Vol. 5, No. 4. As there are many problems involved in the turn-over tax, detailed analyses will be left to another paper to be devoted to these problems.

#### d. Commercial expenses

The commercial organizations purchase goods at the wholesale price of the respective industry and sell them at the state retail price. The difference between the former and the latter is commercial expenses (торговая наценка; Handelsspanne). By commercial expenses, the commercial organization covers its circulation expenses (пздержки обращения), while its net income (чистый доход) (i. e. profits (прибыль)) is also obtained from it. In most cases, commercial expenses are calculated as a discount fixed in advance in proportion to the state retail price. In some other cases, the expenses are raised as an extra (нагидка) to the wholesale price.<sup>30</sup>

<sup>29</sup> Л. Майзенберг, там же; стр. 72.

<sup>30</sup> In view of the limited length of the paper, more detailed explanation will not be attempted here. См. Политическая Экономика. Учебник. стр. 513; Л. Майзенаберг, там же, стр. 84—92; Hans Langer, *a. a. O.* SS. 34—37; G. L. Rubinstein et al., *a. a. O.* SS. 565—578.

### III. *Prices of Agricultural Products*

In the Soviet Union, agricultural products are placed on commercial routes through the following channels: (1) the spot trading with tractor stations (натуроплата М. Т. С.), (2) the state procurement of the agricultural products compulsorily delivered from kolkhoses, (3) the procurement by reservation of manufactured agricultural products based upon the contract between state and the kolkhos, (4) the free delivery of surplus agricultural products to co-operatives and governmental organizations, and (5) the sale through commercial net-works of kolkhoses.<sup>31</sup>

The system of compulsory delivery (Обязательные поставки; die Pflichtablieferung) was first put in practice with respect to the grains produced in 1933. From 1940 on, the system has been enlarged and revised with a view to applying it to other kinds of agricultural and live-stock products and the producers of agricultural products owe a duty to state of selling their products to it. The amount is fixed as the "norma" of the compulsory delivery (норма обязательных поставок) and the basis of the price, at which the producer delivers the products to state, is the procurement price (заготовительные цены; die Beschaffungspreise).

The contract system (контрактация; das Konstraktsystem) is now in practice mainly with respect to manufactured agricultural products and these agricultural products are delivered to procurement organization according to such a contract. Now that almost all the industries are state-owned, the kolkhos (or individual farmer), which produces manufactured agricultural products, are not allowed to sell its products except through state procurement organizations and the price of such a procurement is called the procurement price.<sup>32</sup>

The compulsory delivery and that by a contract are called the state procurement (здаготовка, staatliche Beschaffungen) and these deliveries are made at the procurement price (заготовительные цены; die Beschaffungspreise). On the other hand, the delivery in the case of (4), and the price of such a delivery is the buying price (закупочные цены; die Aufkaufpreise). Further in the case of (5), the delivery is made at the market price of kolkhos (or the free price).

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<sup>31</sup> Refer to my article *The gradual transition from socialism to communism* (in Japanese) p. 299. and *System of agriculture* by Hideaki Ikeda (pp 115 f) in *The Analysis of Soviet Economy* compiled by Kazuo Nonomura and Tanenori Soezima 1954 (in Japanese) (Published by Keiso-Shodo). Also refer to Л. Майзенберг, там же, стр. 191.

<sup>32</sup> Политическая Экономика. Учебник. стр. 491-3; G.L. Rubinstein et al., *a. a. O. S.* 158; Л. Майзенберг, там же, стр. 193.

(1) The procurement price, buying price and the wholesale price of agricultural products

a. The procurement price

The procurement price in the case of compulsory deliveries and that in the case of contracts have respectively a different effect to the management of a kolkhos. The former is mainly in practice with respect to manufactured agricultural products, which are exclusively delivered to state, because almost all the manufacturing industries are under the state control. The total income and the condition for the enlarged reproduction of a kolkhos is therefore wholly determined by the procurement price of agricultural materials or the supplementary form of realizing production costs (*otovarivanie*).<sup>35 36</sup> With respect to the former, the delivery at the procurement price however contributes only partially to the income of a kolkhos, the total income and the condition for the enlarged reproduction of which are further determined by the buying price and the kolkhos market price beside the procurement price (and the "norma" of compulsory deliveries).<sup>37</sup>

The cabinet is responsible for fixing procurement prices.<sup>38</sup> These prices are usually shown as universal throughout a region, but one and the same procurement price is proclaimed in case the production of the goods is restricted to the region.

The local difference of the procurement prices are for instance respectively 1 against 1.8, 1 against 2.8, and 1 against 4 with respect to macholka, beat, and potatoes.<sup>38</sup> Taking into consideration the supply and demand relation of agricultural products, such a local difference of prices is introduced with a view to making the best use of transportation and avoiding the confusion of the supply and demand of agricultural products.<sup>38</sup>

The procurement price also differs according to the quality. For examples, long-fibered cotton, perfumed tobacco and white cabbage of higher quality are respectively priced 50—100 %, 25—75 % higher than the ordinary ones.<sup>38</sup> Even within the same kind of goods, prices differ according to the different standard. For instance, there are respectively three and five standards of macholka and tea. Even in case such a difference of prices be not provided for, prices are from time to time advanced or reduced

<sup>35</sup> The original word is *отоваривание* and its German translation is *Warenabgeltung*. It is also tentatively translated "system of reimbursement by goods" or "system of commodity delivery." The system is originating in the procurement of manufactured agricultural products by state-owned manufacturing industries, in which farmers were paid not only by cash but also by the manufactured goods in need in rural communities. About its meaning as given by Stalin, refer to his "Economic Problems of Socialism in U.S.S.R." 1952, (*Экономические Проблемы Социализма в СССР*).

<sup>36</sup> Л. Майзенберг, там же, стр. 193—194.

<sup>37</sup> П. Майзенберг, там же, сс. 194—195.

<sup>38</sup> G. L. Rubinstein et al, *a. a. O.* S. 559.

according to the quality.<sup>39</sup> All these measures are taken for the purpose of improving the techniques of agriculture.

At the outset of the second five-year plan, a premium was given to the part of the delivery over the previous plan in response to the proposal of Stalin.<sup>40</sup> For in the case of tobacco, 50 %, 100 % and 200 % are additionally paid for the delivery, which respectively exceeds 10 %, 10—25 % and more than 25 % of the delivery as originally planned.<sup>41</sup>

b. The buying price

The buying price and the free market price of kolkhos are both of the same nature being the price, at which the kolkhos is allowed to dispose its surplus products upon finishing its compulsory delivery. However, the latter is determined by the relation between demand and supply, while the former is fixed by state. Further, the former is in general lower than the latter.<sup>42</sup>

The buying price and kolkhos market price are competitive with each other. When the kolkhos market price is low, kolkhoses become more interested in selling their products at the buying price to co-operatives and state agencies. The same holds in the converse case.<sup>42</sup>

c. The wholesale price of agricultural products

The grains procured by procurement and commercial organizations are on sale at the wholesale price (оптовые цены; die Grosshandelspreise). In the wholesale price of agricultural products are included the procurement or buying price, premium, (Prämienzuschläge), reduction or extra by quantity (Qualitätsab-oder-zuschläge), transportation fee, extra price (Preisauflschlag) to be received by procurement or commercial organizations and commercial expenses (Handelsspanne), from the last-mentioned of which are raised the profits for these procurement and commercial organizations.

(2) The kolkhos market price and free price

In the commercial activities in the Soviet Union, there should be included besides those socialized commerces (state and co-operative commerces) kolkhos commerce (колхозная торговля; Kolkhoshandel). Such commercial activities are originating from an ownership system peculiar to

<sup>39</sup> G. L. Rubinstein et al. *a. a. O.* SS. 559—560.

<sup>40</sup> According to Maizenberg, it was first given to cotton in 1935 and later extended to other manufactured agricultural products. (Л. Майзенберг, там же, стр. 196)

<sup>41</sup> The rate is based upon G. L. Rubinstein et al., *a. a. O.* SS. 559—561. Also refer to Л. Майзенберг, там же, сс. 196—198 and Hans Langer, *a. a. O.* S. 75.

<sup>42</sup> Л. Майзенберг, там же, стр. 195.

<sup>43</sup> G. L. Rubinstein et al. *a. a. O.* S. 563.

<sup>44</sup> Постановление Совета Народных Комиссаров СССР и Центрального Комитет ВКП(б) от 13 мая 1932 года «О плане хлебозаготовок на урожай 1932 г. и развертывании колхозной торговли хлебом» The resolution was published in "Pravda" 's May 7 number of 1932. (Сталин, Сочинения, т. 13. стр 393.

kolkhoses, which are still remaining side by side with the people's ownership, i.e. state ownership.

Such a commerce, which will henceforth be called kolkhos commerce, was first authorized as a system at the period, when the kolkhos system was established. On May 5, 1932, the joint session of the People's Commissariats of the Soviet Union and the Central Committee of the Communist Party adopted a resolution entitled "On the procurement of grains harvested in 1932 and the development of kolkhos commerce"<sup>45</sup> and openly authorized kolkhos commerce.

In the market thus formed, there appear as sellers (1) the kolkhos, which finished its compulsory delivery and (2) the members of a kolkhos, who sell the agricultural products raised in the land annexed to their houses and the cattles of their own. In addition, there also appear as sellers (3) individual farmers and (4) urban residents who sell the products of their side works. On the other hand, buyers are (1) those co-operatives, which are authorized to purchase goods for resale within their network of sales.<sup>46</sup>

Consumptions of Soviet citizens are therefore mostly taken care of by the goods, which are on sale at state-owned stores at state retail prices. But, a small part of their consumptions are further taken care of by the agricultural products, which are sold at kolkhos market prices in kolkhos markets. It is therefore necessary to make some explanations on the kolkhos market price or the free price, which constitutes a part of the price system of the Soviet Union.

In outlining the kolkhos market, Hans Langer, author of "The Price System in the Soviet Union", characterizes the kolkhos market price as follows, "The characteristics of the kolkhos market lie in the fact that kolkhoses and its members are allowed to sell there their surplus agricultural products at the price and time they like as well as in the fact that the prices in the market thus formed are determined only by the relation between demand and supply."<sup>47</sup>

So stating, he emphasizes the following: Firstly, unlike the state retail price, the kolkhos market price is not fixed by the state, but a free price. Secondly, the price is determined by the producing costs as well as by the relation between demand and supply.

<sup>45</sup> G. Rubinstein et al, *a. a. O. S.* 356.

<sup>46</sup> Hans Langer, *a. a. O. S.* 81.

<sup>47</sup> Hans Langer, *a. a. O. S.* 81.

<sup>48</sup> On January 7, 1933, Stalin made the following statement on the occasion of a joint session of the Central Committee and Central Controlling Committee of the Communist Party: "For these several years, we have succeeded in completely driving away from the circulation of commodities individual merchants, business men and all kinds of brokers. This does not however necessarily mean that we have also succeeded in wiping away the possibility that individual merchants and brokers might again appear by the principle of atavism in the circulation of commodities and avail themselves of the kolkhos commerce, which is one of the most



The kolkhos free market is not merely a free market as existing in capitalist economy. In the market, neither speculator nor broker is seen participating in transactions there, of which only participants are producers and consumers in the strict sense of the words. The kolkhos market price is therefore not a free price in capitalist sense.<sup>49</sup>

The kolkhos market price, which is determined not by state, but solely by the relation between demand and supply utterly in disregard of the total amount of transactions, might appear rather dangerous to the successful execution of the total economic plan and the state price system. Such a danger is however remedied by the following three situations. Firstly, although the state does not directly control the supply from kolkhoses to the market, the state is in possession of almost all the means of production including M.T.S., thus being in a position to exert its influence upon the demand and supply relation in kolkhos markets. Secondly, the greater part of agricultural products comes in the hands of state through its centralized procurement. Thirdly, as a consequence of the above situations, the best part of consumption goods is under the control of organized commerces.

The last-mentioned some needs more detailed explanations. In the years from 1935 to 1936, 3.4 % of grain, 21.3 % of potato, 16.5 % of vegetable and 31.3 % of milk products were placed in kolkhos markets. In 1939, the goods equivalent to some thirty billion roubles were dealt in these markets covering 20~25 % of the total supply of foods and other materials necessary for everyday life. In 1940, the transactions in kolkhos markets constituted 19.0 % of all the retail transactions, while they were 12.0 % in 1952.<sup>51</sup>

The state retail price, not the kolkhos market price, is therefore playing a leading role in the delivery of consumption goods or foods.<sup>51</sup> On the other hand, the kolkhos market price is equivalent to, or little less than the state price, when the amount of currencies and the goods at the disposal of state or co-operative commerces are in equilibrium. This was for instance the case with bread, meat and butter in pre-war times. On

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profitable fields for them. Indeed, kolkhos members themselves might be induced to begin a speculation. ...We have nevertheless a regulation recently enacted by the Soviet authorities providing for the prohibition of speculation and the punishment of brokers. As you know, this regulation is by no means too generous. "(Сталин, Сочинения. т. 13. стр. 204.) (Japanese translation p. 228) The regulation, which was mentioned by Stalin, is the resolution at the joint session of the Central Executive Committee of the Soviet Union and the People's Commissariats held on August 22, 1932, entitled "On the struggle against speculation." (Постановление Центрального Исполнительного Комитета и Совета Народных Комиссаров Союза ССР от 22 августа 1932 года «О борьбе со спекуляцией» (cf. "Pravda, August 23, 1932) During the last war, speculation were again fairly prevalent due to the loosening of leadership of socialized commerces.

<sup>49</sup> G. Rubinstein et al., *a. a. O. S.* 375.

<sup>50</sup> Hans Langer, *a. a. O. S.* 82.

<sup>51</sup> Hans Langer, *a. a. O. S.* 83.

the contrary, the free price becomes a little higher than the corresponding state price, when there takes place a temporary or local shortage of goods. This was the case with vegetable, milk and milk products in pre-war times.<sup>51</sup>

The most important contribution of kolkhos market to the Soviet commerce, which is now in the process of taking responsibility of maintaining people, is its effect of regulating and supplementing the process at relatively low expenses. In other words, it is playing a role of ventilator remedying various difficulties, which take place temporarily or locally in socialized commerces. This was the case immediately after the formation of kolkhoses. In case such difficulties are prolonged over fairly a long period with a nation-wide scope, much importance is attached to the kolkhos market with the rise of the kolkhos market price and the confusion of the Soviet price system. This was really the case during the last war.

In view of its mobility and adaptability to the local economic condition, the kolkhos market price is playing a role of a "test market" (Probenmarkt), which presents in a small and local scale the general economic situation prevalent in a wider scale. In this sense, the kolkhos market acts as a barometer to indicate the condition of people's maintenance.