

State industry of the USSR at the stage of its restoration

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Abstract

The authors of the paper propose to consider the features of the state industry development in the USSR at the stage of restoration in the mid-1920s via logical, comparative-historical, and problem-chronological methods. As a result, the general development of local industry, in comparison with the territory and number of people in national republics, is completely insignificant, and is an urgent task. The team of authors comes to the conclusion that during this period the industry was given the task of creating a united industrially developed national economic complex in the USSR.

Keywords: Industry, Economic Zoning, Development, National.

Industria estatal de la URSS en la etapa de su restauración

Resumen

Los autores del artículo proponen considerar las características del desarrollo de la industria estatal en la URSS en la etapa de restauración a mediados de la década de 1920 a través de métodos lógicos, comparativos-históricos y problemas cronológicos. Como resultado, el desarrollo general de la industria local, en comparación con el territorio y el número de personas en las repúblicas nacionales, es completamente insignificante y es una tarea urgente. El equipo de autores llega a la conclusión de que durante este período se dio a la industria la tarea de crear un complejo económico nacional unido industrialmente desarrollado en la URSS.

Palabras clave: Industria, Zonificación Económica, Desarrollo, Nacional.

1. INTRODUCTION

By the mid-1920s, the national economy as a whole was successfully restored as a result of the implementation of the new economic policy course in the USSR. Special attention was paid to industrial production. By 1925, the leadership of the Supreme Council of the National Economy of the USSR (VSNKH) announced that practically all state enterprises, which could be restored after the devastating effects of revolutions and civil war, had been put into operation. However, their total capacity could not satisfy the rapidly growing consumer demand of the population for industrial goods and create the necessary high-tech industrial base for the accelerated development of the country, which was on the verge of large-scale

industrial modernization. To solve the tasks enormous by their significance and scale on turning the USSR into a developed industrial power, in the mid-1920s the process of economic zoning consistently developed, with the goal of creating and planning the development of large economic regions in the country (CAGURIYA, 1925).

The basis for the development of such areas was to become industry which enterprises were divided (according to their importance) in the period under study into enterprises of all-union subordination (which were under the jurisdiction of the Supreme Council of the National Economy of the USSR) and enterprises of local importance, which were under the jurisdiction of republican structures of the Supreme Council of the National Economy, provincial councils of the national economy (GSNKH) and local economy departments (OMKH). In the course of the economic zoning process, a change was made in the administrative-territorial division of the country through the uniting of provinces into large regions. For example, the Central Black Earth Region (TSCHO) has become one of such large regions, which in 1928 united the four main provinces of the Black Earth Region: Kurskaya, Voronezhskaya, Tambovskaya and Orlovskaya, as well as a number of adjacent territories.

Important empirical material presented in publications for 1925 in the central press organ of the USSR's Supreme Council of the National Economy, the journal *Local Industry and Trade* as well as the *Materials of the III All-Union Congress of Soviets* printed in this edition and their discussion at a meeting of the Presidium of the

Supreme Council of the National Economy of the USSR with the Presidiums of the Supreme Councils of National Economy of the Union Republics provide a representative picture of the general state of industry, both all-Union and local, by the middle of 1925, revealing the problems and shortcomings in the development of various industries (GOKSU & SOMEN, 2018).

2. RESEARCH METHODS

The study is based on the objectivity, historicism and scientific character principles, which allow us to consider the process of formation and development of large economic regions in the USSR. For consistent proof of the hypothesis put forward, logical, comparative-historical, and problem-chronological methods were used, which made it possible to completely and reliably reconstruct the process of restoring the state industry of the USSR in the mid-1920s.

3. DISCUSSION

The purpose of this paper is to review the basic provisions set forth in the documents of the III All-Union Congress of Soviets and the Meeting of the Presidium of the Supreme Council of the National Economy and the Presidiums of the Supreme Councils of National Economy of the Union Republics held in May 1925, and also introduction to the scientific circulation of the substantive part of the

debates that ensued during consideration those provisions. From May 13 to May 20, 1925, the 3rd All-Union Congress of Soviets was held in Moscow. The report on the state of the country's industry was presented by the Chairman of the USSR Supreme Council of the National Economy Dzerzhinsky (SHKATOV, 1925).

The main focus of his report was on the state industry in the USSR. Dzerzhinsky noted that by mid-1925, about 70% of pre-war industrial facilities had been restored in the country. In addition, there was successfully overcome the sales crisis of 1923, which arose as a result of price scissors: an unjustified overpricing of prices for industrial goods and a sharp undervaluation of agricultural products. Having overcome the crisis, agricultural production reached 72% of the pre-war level, outpacing the industry development rate, but rural economy needed a significant intensification of production, which could only be ensured by further accelerated industrial development, primarily of the A sectors group. Analyzing the conditions of state industry by sectoral significance, the speaker noted the particular importance of the successful development of the fuel industry.

In particular, the oil production well-tuned in the USSR, not only provided for the internal needs of the country. The restoration and partial reconstruction of the Donbass mines allowed by 1924 to supply the USSR with coal, and in 1925 it was planned to sell abroad at least 160 thousand tons of Donetsk coal (JARAMILLO, 2018; KELLING & CORSO, 2018).

Significant success has been achieved also by the electric power industry. In general, by the beginning of 1925, electricity production in the USSR exceeded the level of 1913. Since 1923, metalworking has increased the volume of output by 2.66 times. By the middle of 1925, there was a more than double increase in agricultural engineering. By this time, the industry first began to produce domestic tractors. But, despite the generally positive development trends, by the first half of 1925, metalworking in the USSR was able to reach only 50% of the pre-war production level. The program for the development of the electrical engineering industry was successfully carried out. According to the plan, in 1924 the industry produced goods with an aggregate value of 53 million chervonets rubles. However, the sector could not overcome the shortage of products, and in 1925 the volume of output in value terms was planned at 71 million rubles, which slightly exceeded the pre-war level (SHAPIRO, 1925; LOBAO & PEREIRA, 2016).

The report noted the importance of the chemical industry not only for the needs of the defense industries but also for the development of agriculture, the production of modern building materials and consumer goods. However, in this case, it was not possible to overcome the acute shortage of products. Dzerzhinsky also noted the success of the textile industry development, which is the main indicator of the coupling with the peasantry. He noted that by the middle of 1925 the industry had reached 68.3% of pre-war production and its ongoing development continues. The shortage of the cardboard and paper industry production continued to increase, so it was decided

to purchase 105 thousand tons of fine paper abroad (SAHAROV, 1925).

One of the most acute problems of the state industry, noted in the report, was a shortage of working capital, caused by a weak material base of enterprises and the lack of necessary lending. For example, in 1913, on average in Russia in the turnover of each branch of the Russian industry, at least 200 rubles of loans were accounted for every 100 rubles of own money (that is, earned by enterprises as a profit). In 1925, this figure was significantly worse: mostly 50 rubles of funds taken on credit were accounted for every 100 rubles of own earned money. In this regard, the report noted that the issue of increasing credit is the main one, because if we were given a loan abroad, we would have in five years the same achievements that we would have in a year if to receive domestic loans. However, F.E. Dzerzhinsky emphasized that significant additional funds could also be obtained through the transformation of slow-moving goods and inactive stock at enterprises into their working capital (RUDINI, 1925).

The report paid special attention to the issue of wages. By the middle of 1925, the average wage level of workers in state industry was, according to the most optimistic estimates, 78.7% of the 1913 level. At the same time, the number of earnings significantly differed by industry and the lowest figures were precisely where, according to Dzerzhinsky, the advanced soldiers of the October Revolution, metalworkers and miners work. In 1925 the former had the average

salary in the industry at the level of 64.5% of the pre-war figures, and the latter had 52.8%. The report directly pointed to the underpaid work of Soviet workers in the state industry. It was noted that if to compare the growth of labour productivity and wages in large-scale industry, then the volume of output in production for 17 months of 1924 - the first half of 1925 increased by 54.5%, and wages - only by 27.4%. This is where the source of our success, - said Dzerzhinsky. The working class has made tremendous sacrifices to improve our industrial economy, but these sacrifices cannot last forever (KOMARINEC, 1925).

Now the VSNKH is faced with the task of organizing technical re-equipment of industrial production, which will make it possible to ease the work of the workers and increase the pay for their labour. Paying attention to the equipment, we must pay due attention to the technical staff; the thought, instructions and disposal come from them. We have some vestiges in relation to the leading technical forces. We still approach them as mercenaries. These remnants must be pulled up by the roots. In the final part of his report, Dzerzhinsky concluded that the main lever that led us to the modern level of our industrial achievements is the reduction of prices for industrial products and the campaign to raise labour productivity. The level of labour productivity depends on the height of wages, working conditions and the rest of the worker. The second condition is the state of the technical equipment of a plant. The third condition is the quality of raw materials and semi-finished products. Finally, the level of labour productivity depends on

the will of the workers to overcome all difficulties (CAGURIYA, 1925).

The report of the chairman of the Presidium of the USSR's Supreme Council of the National Economy caused lively debates. They have become particularly urgent when discussing the problem of the relationship between labour productivity and wages of workers in state-owned enterprises. In connection with the chronic shortage of skilled labour, all the speakers considered it necessary to set the task of organizing the reproduction of skilled regular labour force before the VSNKH. According to the report of the chairman of the USSR's Supreme Council of the National Economy F.E. Dzerzhinsky on May 20, 1925, it was adopted a number of important resolutions (MISHILEVICH, 1925).

1. Congress decided not only to maintain but also to accelerate the pace taken by the state industry.
2. The pace of industrial development had to be accelerated in all major industries. However, branches of the group A (production of means of production) were recognized as the priority: transport, metalworking, agricultural engineering, electrical and chemical industries, production of building materials. Of the branches of group B (production of consumer goods), the priority in terms of development rates was, above all, the textile and sugar industries, as well as large enterprises processing agricultural products.

3 A course was set for a further reduction of prices and cost of industrial products while improving the quality of products.

4. Congress decided to continue the policy of increasing the wages of workers, but the increase in wages should be based on the growth of labour productivity and reduction of production costs. Congress has noted the need to equalize the wages of workers of equal qualification by regions of the country and industries.

5. The government had to continue the course of gradual elimination of unemployment, and the improvement of the difficult housing conditions of workers.

The Third All-Union Congress of Soviets was closed on May 20, 1925. According to the results of its work, on May 25, 1925, in Moscow an extended meeting of the Presidium of the USSR's Supreme Council of the National Economy and Presidiums of the Supreme Councils of National Economy of the Union Republics took place.

As a keynote, the meeting heard a report by the Chairman of the Supreme Council of the National Economy of the RSFSR, BOGDANOV (1925) On the local industry of the RSFSR, which reflected the restoration dynamics of the local industry of the republican (Supreme Council of the National Economy of the RSFSR)

and local (GSNKH and OMKH) subordination and their most acute problems (BOGDANOV, 1925).

At the beginning of his speech, BOGDANOV (1925) noted that the management of the local industry by the Supreme Council of the National Economy of the RSFSR was carried out in accordance with the tasks set at the first meeting of local organs of the Supreme Council of the National Economy in January 1925 and approved by the Presidium of the Supreme Council of the National Economy of the USSR in the theses On the tasks of the Supreme Council of the National Economy of the RSFSR. According to the Supreme Council of National Economy, by the middle of 1925 (in his report, BOGDANOV (1925)) emphasized that this statistic is considered to be the most accurate) the proportion of local industry in the total volume of industrial output in the RSFSR in 1924 was about 300 million rubles. 236 thousand workers were employed at its plants.

BOGDANOV (1925) called a reduction in the number of operating enterprises in the oil, leather, clothing, linen, match and fat industries as the second sign of recovery of the local industry in the RSFSR. He noted that there was a process of merging them in order to consolidate, that is, there was a concentration of production. Thus, the number of enterprises in the leather industry for the year decreased by 20%, but the growth in production amounted to 42% in the first half of 1924/25, compared with the corresponding period of 1923/24, despite the fact that the process of concentration of tanneries was still not completed. Continuing to recapitulate the signs of recovery of the local

industry, BOGDANOV (1925) noted the improvement in the position of the local industry of the autonomous national republics and regions of the RSFSR. Recently, the Presidium of the Supreme Council of the National Economy of the RSFSR has taken the standpoint grounded on strengthening the industry of national republics, he said.

Another important positive trend that characterizes the signs of recovery in the course of the recovery process of local industry, noted in the report, was the course taken by the Supreme Council of National Economy to address the problem of abandoned and inactive small and tiny enterprises at the local level. Out of the total number of the smallest enterprises, which number was about 5 thousand, about 2 thousand were transferred under control of *ouispolkoms* (executive committees of the district Councils), about 1,200 were leased, and about 1,800 do not have their host. These 1800 enterprises are partly repaired, partly dilapidated, partly preserved and require funding. The draft decree that we submitted to Sovnarkom (Council of People's Commissars - author's note) speaks of an increase in the volume of private ownership from 25 to 200 workers. This decree will give an opportunity to realize more than a thousand of those enterprises on the ground.

The financial situation of the local industry in the RSFSR, as well as throughout the USSR, was insecure. The chairman of the Supreme Council of the National Economy of the RSFSR in his report noted that according to far incomplete data (since by May 1925, the consolidated financial balance was provided only by 25 provincial

local economic bodies), as of October 1, 1923/24 financial year, the total fixed capital of the local industry of the RSFSR amounted to 525 billion rubles. However, during the transition to chervonets at the final stage of the monetary reform, that figure was not recalculated with regard to the index 1.465. In the cumulative balance of industrial enterprises of the RSFSR, 50% of the fixed capital was owned by the Central Industrial Region, 14% by the Urals, and 6% by the North-West Region. That is, for the rest of the vast territory of the republic, the fixed capital of local industrial enterprises did not exceed 30%.

Among the most acute problems of the local industry, there was a significant lack of working capital and weak lending by credit institutions and, above all, by Prombank (the Bank of Industry). This problem has been repeatedly analyzed by experts. The Bank of Industry caused a lot of complaints about its work. There is an opinion, BOGDANOV (1925) noted –that Prombank plays a large role in financing local industry, but this turns out to be completely wrong. It is engaged in lending primarily to the all-union industry, and in relation to the local industry, it even reduces its operations. Indeed, according to the data for the 1923/24 fiscal year, lending of the all-union industry by the Bank of Industry increased from 52% to 57% and, at the same time, for the local industry of republican subordination this figure decreased from 49% to 43%. At the same time, the reduction in the small industry under the jurisdiction of OMKHs was from 39 to 33%. As a result, the main source of credit in the local industry was the State Bank.

In this regard, the assessment of Prombank's activities in the report of the Chairman of the Supreme Council of the National Economy of the RSFSR was quite harsh: If we compare the loan amounts, then Gosbank (the State Bank) falls to 75% and Prombank to 25%. We always say that Prombank should really be a bank of industry. In this case, we see the contrary. Analysis of the content of the report by BOGDANOV (1925) reveals the absence of a consolidated position in assessing the role and importance of local industry in the leadership of the Supreme Council of the National Economy of the USSR and the RSFSR. Head of the Supreme Council of the National Economy of the RSFSR P.A.

BOGDANOV (1925) blames the Chairman of the USSR's Supreme Council of the National Economy, Dzerzhinsky in a clear underestimation of the local industry, in the unjustified centralization of industrial policy by the USSR's Supreme Council of the National Economy when the largest and most efficient enterprises of republican subordination were transferred to all-union jurisdiction; as well as in supplying local industry with financial and technical resources by residual principle. It seems that, in addition to regional economic executives, far from all in the Supreme Council of the National Economy of the RSFSR, and even more so, in the leadership of the GSNKH and the provincial committees of the Communist Party were in agreement with this situation.

On the other hand, the central apparatus of the USSR Supreme Council of the National Economy headed by F.E. Dzerzhinsky saw the

rapid growth of regional industry actively lobbied by the numerically growing and economically strengthening local economic management nomenclature as the possibility of creating dangerous for the centre power manifestations of separatist tendencies at the local level. In any case, the USSR's Supreme Council of the National Economy was trying to strengthen the all-Union industry as much as possible, financing and supplying the local industry, as BOGDANOV (1925) said, ...by the residual principle.

The question of managing at the local level is far from being resolved. For if in a more or less economically typical region, there are a number of enterprises, one of which is subordinated to the region, the other is subordinated to the Ukrainian SSR or the RSFSR, and the third to the Union, then management becomes extremely difficult, and I have statements from a number of regions and provinces that such a situation is abnormal. The report of the Chairman of the Supreme Council of the National Economy of the RSFSR raised the question of organizing the management of the local industry. It was noted that since 1922, the executive committees of local councils have persistently asked to simplify their apparatus through the elimination of provincial councils of the national economy. We managed to do this, and we have 1.5 tens of Economic Councils left, but 2 tens of Otkomkhozoes (public works department - auth.) were created, to which the management of local industry was transferred.

The results of the work... turned out to be negative. If we compare the results (work of the local industry - auth.) of 10

Otkomkhozes, then by 1.10.1923 we had 120 thousand rubles arrived, but on 1.10.1924, we have 2300 thousand rubles' loss, because all industry means are being pumped out for the public works.

Representatives of the Republican Supreme Councils of the National Economy of Ukraine, Belarus, Georgia, Uzbekistan, Kyrgyzstan, the North Caucasus Territory, etc. have spoken at the debates on the report by BOGDANOV (1925) at the meeting. All the speakers noted a significant gap between the rapid growth of labour productivity of workers in relation to the extremely slow growing or even decreasing wages. In general, according to delegates from national republics and regions, the meeting concluded that the general development of local industry, in comparison with the territory and number of people in national republics, is completely insignificant, and is an urgent task.

4. RESULTS

At the final stage of the meeting, a number of resolutions were adopted; they were also approved by the Presidium of the USSR's Supreme Council of the National Economy on May 25, 1925. Among them, the most important and supplementing the decisions of the III-rd Congress of the Councils for the development of industry should recognize the resolution On the next work on the restoration of fixed capital of the industry.

5. CONCLUSION

In general, the decisions and resolutions of the 3rd All-Union Congress of Soviets and the second meeting of the Presidium of the Supreme Council of the National Economy of the USSR with the Presidiums of the Union Republics, adopted in May 1925, set a whole series of important and difficult tasks for the USSR to create a single industrialized national economic complex. As indicated in the documents, the solution of these tasks was possible on the basis of the country's transition to a planned economy.

The analysis of the documents cited in the paper shows that their most important provisions have not lost their significance and are relevant today in terms of using the historical experience to set and solve modern tasks in the course of implementing the industrial modernization policy in the Russian Federation.

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