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Notes from the Meeting between Comrade Stalin and Economists Concerning Questions in Political Economy, 29 January 1941

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Summary:

Notes from L.A. Leont'ev's January 1941 meeting with Stalin, regarding drafts of two commissioned textbooks on political economy. Stalin gives his views on "planning", "wages", "fascism", and other issues.

Original Language:

Russian

Contents:

Translation - English

[In 1937 the Central Committee commissioned two textbooks on political economy, one for an introductory course edited by L.A. Leont'ev,[1] and the other for more advanced students edited by K.V. Ostrovitianov.[2] Leont'ev was instructed by the Central Committee to use A.A. Bogdanov's text Short Course on Political Economy as the basis of his work. [3] Leont'ev was joined in his editorial duties by the head of the Central Committee section for Agitation and Propaganda, A.I. Stetskii.[4] In 1938 they sent Stalin a draft of the textbook, which he edited and returned to the authors. In April, 1940, after Stetskii was arrested (for unrelated reasons), Leont'ev submitted another version to Stalin. Again Stalin was not satisfied with the textbook. A third draft was submitted at the end of 1940 and in January 1941 Stalin met with Leont'ev, key party leaders, and economists.[5] As the subheadings suggest, Stalin discussed his views on the "law of value," "planning," "wages," "fascism," and more. The minutes of the meeting were compiled from notes taken by Leont'ev, Ostrovitianov and A.I. Pashkov.[6] Though Stalin's specific references to parts of the textbook remain obscure, they are included to maintain the integrity of the document and to keep as close as possible to the original flow of the discussion.]

On the subject of political economy

[Stalin:] There are several different definitions of the subject of political economy: Engels defines political economy as the science of production, exchange, and distribution; Marx's definition of the subject is in his preparatory manuscripts for Capital; Lenin has a statement approving the definition given by Bogdanov in 1889. We have many pedants who will try to contrast one definition with another. We have become carried away with quotations, but quotations are a sign of our ignorance. Therefore we need to think carefully about the correct definition of the subject and stick to it, and pave the way for it.

If we write that political economy is the science of the historical development of the systems of social production, then people will not immediately grasp that we are talking about economics, i.e. about the relations of people. It is better to say: "political economy is the science of the development of social production, that is of the economic relations of people. It explicates the laws which guide production and the distribution of necessary consumer goods, in both the personal and in the productive sense." When I speak of distribution, I do not have in mind the prevalent, narrow meaning of the word that is the distribution of personal consumer goods. We are talking about distribution in the meaning used by Engels in Anti-Dühring that treats distribution as a form of ownership of means of production and consumer goods.

On the next page this should be amplified, ending the second paragraph with the following, "that is, how means of production, and hence other material goods necessary for human life, are distributed among members of society."

You know, of course, about Marx's preparatory notes to all four volumes of Capital. There is a definition of the subject of political economy. When Marx speaks of production, he also includes transport (regardless of whether near or far, whether he is talking about cotton from Turkestan or intrafactory transport.) For Marx all the problems of distribution are included in the understanding of production. What do people here think: is the definition outlined here correct?

COMMENT Without a doubt the outlined changes bring fundamental improvement.

QUESTION Is it right to bring in the separate word "social, productive" [obshchestvennye, proizvodstvennye] relations, isn't the word "social" not needed. Isn't production automatically social? Is it redundant?

ANSWER [Stalin:] No, we need to write with a hyphen "social-production," because production may include technical relations, but here we must be talking specifically about social-production relations.

QUESTION Would it not be more correct to speak of "personal and productive [proizvoditel'noe]" rather than "personal and production [proizvodstvennoe]."

After a short exchange of opinion it was written "personal and production [proizvodstvennoe]."

[Stalin:] If we take the proposed formulation of the subject, then we must reach the broad conclusion that questions of distribution in all formations need more attention. But there is very little said here about banks, exchange, and the market. This will not do. Specifically, the section on socialism also suffers from this.

On page five there are inconsistencies in style. Those need to be removed. It is written "it [political economy] is a historical science, studying the different modes of production and explaining the fundamental difference between each of them." You need to write in Russian, not with "studying" and "explaining" but a science, studied and explained.

On the law of value.[7]

[Stalin:] I am turning to the section on socialism. Some things have been improved, but much has been spoiled in comparison with what was previously in this section.

Here it is written that the law of value has been overcome. It then becomes unclear where the category of the cost of production [sebestoimost'] comes from. Without the cost of production it would be impossible to do calculations, impossible to carry out distribution according to labor, impossible to set prices. As yet the law of value has not been overcome. It is not true that we are in control of prices. We want to be, but have not yet achieved this. In order to be in control of prices you need tremendous reserves, an abundance of goods, and only then can we dictate our prices. But as of now there still is an illegal market, a kolkhoz market, and there still exist market prices. If there is no concept of value, there is nothing with which to measure income and income is not measured in terms of labor. When we shall begin to distribute according to need, it will be a different matter, but as of yet the law of value has not been overcome. We want to use it deliberately. We need to fix prices within the framework of the law. In 1940 there was a bad crop, and in Latvia and Estonia there was not enough bread and the price in the market quickly shot up. We sent 200,000 poods[8] of cereal there, and immediately the price dropped. But can we do the same thing for each commodity all over the country? No, we are far from able to dictate the price of every commodity. In order to do that we need to produce a lot. Much more than now. So far we can not dictate prices. Income from sales in the kolkhoz markets go to the kolkhozniki. Of course, for us it is impossible to use this income to buy the means of production, and that income to increase personal consumption.

The language of propaganda leaflets and posters appear out of nowhere in the textbook. This will not do. An economist should study facts, but suddenly we get "Trotsky-Bukharinist traitor. . ."[9] Why talk about the fact that the court established this or that? Where is the economics in this? The propaganda should be tossed out. Political economy is serious work.

COMMENT That was written long ago, when the trial was going on.

ANSWER [Stalin:] It is not important when it was written. Now a new version has been submitted and [the propaganda] is still in the book. It is inappropriate. In science we appeal to the mind. But here the appeal is to the gut or to something else. This ruins the work.

On planning.

[Stalin:] A lot of horrible words on the planned economy are spun out. Outlandish

things are written: "the direct social character of work in socialist society...The surmounting of the law of value and the elimination of the anarchy of production...The planned management of the economy as a means of realizing the conformity of production relations of socialism with the character of productive forces." Some sort of perfect planned economy is described. It needs to be put simply: under capitalism it is impossible to conduct production according to plan on a societal scale because of competition and there is private property that disconnects things. But in the USSR all enterprises are united by socialist property. Therefore we can and must conduct a planned economy. The planned economy is not our wish; it is unavoidable or else everything will collapse. We destroyed such bourgeois barometers as the market and trade, which help the bourgeoisie to correct disproportions. We have taken everything on ourselves. The planned economy is as unavoidable for us as the consumption of bread. This is not because we are "good guys" and we are capable of doing anything and they [capitalists] are not, but because for us all enterprises are unified. For them at most a few trusts or cartels can be unified within narrow parameters, but they are not capable of organizing the whole economy. (Here it is useful to remember Lenin's criticism of Kautsky on high imperialism.)[10] Capitalist industry, agriculture and transport cannot be run by plan. In capitalism the cities must gobble up the countryside. For them, private property interferes. Say it simply: for us things are unified, for them things are disconnected. On page 369 [of the draft of the textbook] it is written: "the planned running of the economy [is] a means of realizing the cooperation of productive relations of socialism with the nature of productive power." This is all nonsense, some sort of schoolyard bumbling! Marx and Engels wrote from afar, they should have spoken about contradictions. But why the devil are you feeding us those kinds of abstractions? Say it simply-they have a disconnected economy, property is disconnected, but here socialist property is unified. You are in control, and the power is yours. Speak more clearly.

You need to determine the tasks of the planning center. It should not only establish proportion. Proportion is not the important thing, it is fundamental, but just the same it is derivative.

What is the main task of planning? The main task of planning is to ensure the independence of the socialist economy from the capitalist encirclement. This is absolutely the most important task. It is a type of battle with world capitalism. The basis of planning is to reach the point where metal and machines are in our hands and we are not dependent on the capitalist economy. This is important. On this basis the plan of GOELRO[11] and the subsequent plans have been founded.

How should planning be organized? There, capital is spontaneously distributed according to profit. If we were to develop branches of the economy depending on their profitability, we would have been able to develop only flour milling, production of toys (they are expensive and yield a higher profit), and textiles, but we would not have had heavy industry. Heavy industry requires great investment and is unprofitable at the beginning. The departure from heavy industry is what Rykov[12] and his followers proposed. We overturned the law of development of the capitalist economy, put it on its head, or, to be more accurate, on its feet. We began with the development of heavy industry and machine building. Without the planned economy nothing would occur.

How are things going for them? Some states plunder others, they plunder the colonies, the unfree [kabal'ny] receive squatter's holdings [zaimy]. Here it is different. The basis of the planned economy is that we did not become dependent on the world economy.

The second task of the planned economy consists of consolidation of complete ownership of the socialist economic system and closing off the forces which give rise to capitalism. Rykov and Trotsky, in their time, proposed the closing of unprofitable

advanced enterprises. (The Putilovskii factory and others for example.) This would have meant the "closing" of socialism. Capital would have flown towards flour milling and the production of toys, because that is what brings profit. We could not follow that path.

The third task of planning is not to allow disproportion. Because the economy is so enormous, branches still have their place. Therefore it is necessary to have large reserves, reserves not just of funds but of the labor force as well.

You need to show something new to readers and not endlessly repeat the correlation of productive forces and production relations. This offers nothing. You don't need to praise our system too much and describe accomplishments that don't exist. Value exists and differential rent exists, but don't get into that.

I thought about the category of profit [pribyl']-to abandon it or to leave it?

COMMENT Maybe it would be better to use the word "income" [dokhod]?

MOLOTOV There are different kinds of income.

COMMENT Maybe socialist accumulation?

ANSWER [Stalin:] When profit is not yet removed it is not accumulation. Profit comes as a result of production.

QUESTION Should the textbook say that surplus products exists in socialist society? There was disagreement about this on the commission.

MOLOTOV We need to teach workers so they know that they work for the whole society and not just for their own family.

ANSWER [Stalin:] Without surplus products you can't build a new system. We need workers to understand that during capitalism they are interested in what they should receive, but in socialism they are concerned about their society and this raises the workers. Income remains but acquires a new character. Surplus products exist, but they don't lead to exploitation. Instead they lead to the growth of the well-being of the people, to the strengthening of defense, etc. Surplus product transforms itself.

For us, distribution is carried out according to labor. We have qualified and unqualified labor. What is the labor of an engineer? It is augmented simple labor. Here, income is distributed according to labor. It is impossible to distribute without the law of value. We think that all of the economy is conducted by plan, but it doesn't always work that way. We also have a lot of spontaneous action. We are conscious and don't calculate the spontaneity by the law of value as a matter of procedure. There, the law of value exists spontaneously, it brings destruction, and requires an enormous number of victims. For us the character of the law of value changes, takes on new content, and new form. We determine prices consciously, not spontaneously. In Engels there is talk of sudden change. It is a risky formula, but you can accept it if you correctly understand the sudden change from the realm of need to the realm of freedom. We must understand free will as a fundamental necessity, when jumps denote the transition from spontaneous unavoidability to fundamental need. For them the law of value acts spontaneously and brings great destruction. But we should run things in such a way that there are fewer victims. The results of the effects of the law of value need to be used consciously by us.

QUESTION There was confusion and discussion in the committee about whether there are commodities in the Soviet economy. In defiance of the majority on the

committee, the author refers to products, not commodities.

ANSWER [Stalin:] If we have a money economy it follows that there are also commodities. All the categories remain, but they take on a different character. For them, money serves as an instrument of exploitation, but for us it has a different content.

QUESTION Up until now the law of value was described as a law of the spontaneous market, determining also the spontaneous distribution of the labor force.

ANSWER [Stalin:] This is not correct. It is not right to narrow the way a question is put. Trotsky repeatedly reduced money to a means of calculation. He insisted on this before the transition to NEP and after the transition to NEP.[13] This is not correct. We answered him: when a worker buys something, does he calculate money or is he doing something else? More than once, Lenin and the Politburo indicated that this [Trotsky's] way of putting the question is not right, that it is impossible to reduce the role of money to a means of calculation.

COMMENT The term "surplus product" in socialist society is embarrassing.

ANSWER [Stalin:] On the contrary, we need to teach the workers that surplus product is necessary for us and their responsibility will increase. The workers need to understand that they do not only produce for themselves and their families, but also in order to create reserves for the country to strengthen defense, etc.

COMMENT Marx did not write about surplus product in the Critique of the Gotha Program.[14]

ANSWER [Stalin:] If you search for the answer to everything in Marx, you'll get off track. In the USSR you have a laboratory that has existed for more than 20 years, and you think that Marx should know more than you do about socialism. You see, Marx didn't predict this or that in his Critique of the Gotha Program! You need to work with your own heads and not string together quotations. There are new facts and a new combination of forces. Be so kind as to work with your heads.

On wages and the workday

[Stalin:] A few words on wages, on the workday, and on the income of workers, peasants and the intelligentsia. The textbook fails to show that people work not because Marxists are in power or because the economy is planned, but because they have an interest in working. We cling to our interests. Workers are not idealists and not idealistic people. Some think that it is possible to run the economy on the basis of wage leveling. There were theories about collective wages and the commune in the factory. With this industry will not push forward. Here, workers fulfill and overfulfill the plan because we have piecework for the workers, the bonus system for the leadership staff, and awards for peasants who work better. Not long ago Ukraine passed a law.

I will tell you about two cases: in the coal industry some years ago there was a situation where people working on the top received more than the workers below the ground. An engineer sitting in the office received one-and-a-half times more than those working in the mines. The leaders and managers wanted to bring up the best engineers and place them close to themselves. In order to make something happen people had to have an interest in it happening. When wages for the underground workers were raised then things got going. The question of wages is an important issue.

Take another example: cotton production. For four years running cotton production is

rising and that is because the system of bonuses has been revised. The more that is collected from a single area, the more they receive. People recognize their best interest.

The law on bonuses for the kolkhozniki in Ukraine has exceptional meaning. Get the people interested and people will push ahead, will raise their qualifications, will work better. They clearly understand what earns them more. There was a time when the intelligentsia and qualified workers were thought of as outcasts. This was our stupidity, when there were not serious conditions for production.

They talk of Stalin's six conditions.[15] You think this is something new. Things are said that the whole world knows, but that we have forgotten. Piecework for workers, bonuses for engineering-technical personnel, prizes for the kolkhozniki-these are the levers for the development of industry and agriculture. Use these levers and there will be no limit to growth in production. Without them, nothing will work. Engels mixed this up but good. At one time we boasted that technical workers and engineers will receive no more than qualified workers. Engels didn't understand a thing about production and mixed us up. It is just as absurd as the opinions of others; as if the leadership needs to be changed each time. If we went along that path everything would have fallen apart. You want to skip directly over to communism. Marx and Engels wrote with total communism in mind. The transition from socialism to communism is a difficult trick. We have yet to get socialism in the flesh and blood and we still need to put socialism right, still need to distribute according to labor as is necessary.

We have dirt in the factories and want to go directly to communism. And who will let you in? They are buried in rubbish but desire communism. Two years ago in one major factory they were raising hens and geese. What good is this? Dirty people are not permitted into communism. We need to stop being pigs! They talk about being let into communism. But Engels wanted to go directly into communism and got carried away.

MOLOTOV On page 333 [of the draft of the textbook] the following is written: "the decisive advantage of the artels[16] is that they correctly coordinate the personal interest of the farmers with their social interests, they successfully adapt the personal interests of the farmers with social interests.["] That depiction digresses from the issue. What is the correct combination of the personal interests of the farmers with society? What does "the successful adaptation of the personal interests of the farmers to the social interests" mean? This is an empty phrase, there is no concrete subject here. It appears as though everything exists rationally. But in fact it is far from the case. In principle we have correctly resolved these questions, but practically much remains incorrect and unsuccessful. This needs to be explained. Social economy must be put first.

Likewise, it is necessary to raise the question of piecework for wages. At one time this question was very difficult, the piecework system was not understood. For example a delegation of workers from the French syndicalists came and asked a question about why we support piecework in the bonus system when in capitalist conditions the workers are fighting against that. Now everyone understands that without progressives and without pieceworkers there would not be Stakhanovites[17] and shock workers. In principle that question is clear, but practically we have endless scandals. In 1949 we will have to return and repeat the decision of 1933. Elements pull us in the other direction. The leader wants to have good engineers by his side. We have not grown to the point where we are as pure as we would like to be. You embellish our reality too much. By no means have we become as pure as we would like. Criticism of our practical work is needed.

On fascism

[Stalin:] A few more comments on fascist philosophy. They write as if they have socialism. Economists need to expose this. Hitler says: "State, people! . . . our capitalists receive only 8 percent, enough with them!" The context for this question should be brought up in connection with the questions of competition and the anarchy of production, with the efforts of the capitalists to avoid competition, and with the theory of ultra-imperialism. We need to show that they are doomed. They propagandize in favor of the cooperative system, as if it was above the working class and above capitalists and as if the state looks after and thinks about the workers. They even arrest isolated capitalists (it's true that Thyssen[18] ran away.) We need to say that all of this is more demagogy, that this is pressure by a bourgeois state on isolated bourgeoisie who don't want to be subservient to the state's class discipline. You need to talk about all of that in the first section on the formation of cartels and unsuccessful attempts at planning. The second time talk about it in the section on socialism. Who for you, Mr. Fascist, owns the means of production? Individual capitalists and groups of capitalists do, which means you can not have real planning. It will only be leftover bits of planning because the economy is divided among groups of owners.

QUESTION Should we use the term "fascists"?

ANSWER [Stalin:] Call them as they call themselves: the Italians are fascists, the Germans are national socialists.

I had Wells[19] into this office and he told me that he didn't want the workers in power and didn't want the capitalists in power. He wants the engineers to rule. He said that he is for [U.S. President Franklin D.] Roosevelt whom he knows well and speaks of as an honest man committed to the men of the working class. They are disseminating the ideas of the reconciliation of classes with the petit-bourgeoisie. These ideas have gained a special place among fascists.

By the way, where the utopians are discussed. Here as well you need to talk critically about the idea of the reconciliation of the classes. There is, of course, a difference between the position of the utopians and the fascists. The difference favors the utopians, but to bypass this idea is impossible. Owen[20] would be ashamed if he were put in the same company as the fascists, but Owen needs to be criticized.

The abusive language needs to be removed from the book entirely. Abusive language doesn't convince anyone and more likely it even has the opposite results, causing the reader to prick up his ears and think: "if the author needs to swear, then it means he doesn't have everything straight."

You need to write in such a way that it doesn't come across that everything is bad for them and everything is good for us. Don't exaggerate everything.

COMMENT Here it is written that the state fixes the plan for just about everyone.

ANSWER [Stalin:] That is nonsense. In general there is a lot of philosophizing in the section on socialism. You need to write more simply.

QUESTION Is the chapter "Preparation of the capitalist mode of production" properly named? It implies that somehow there is a conscious preparation of it.

ANSWER [Stalin:] This is a question of terminology. You can use the word "prepared." The discussion is about the genesis of the appearance and the founding of the preconditions.

By the way, there is one more question on the preparation of the socialist mode of

productions. It is written here that socialism does not arise in the depths of capitalism. The question needs to be explained. The material preconditions arise in the depths of capitalism. The objective and subjective preconditions are established during capitalism. There is no need to forget that we emerged from capitalism.

[Source: ARAN fond 1705, opis 1, delo 166, listy 14-26. Translated by Ethan Pollock.]

[1] L.A. Leont'ev, Soviet economist, named a corresponding member of the Academy of Sciences in 1939.

[2] K.V. Ostrovitianov, Soviet economist, director of the Institute of Economics of the Academy of Sciences of the USSR, named a corresponding member of the Academy of Sciences in 1939 and a full member in 1953.

[3] Aleksandr Aleskandrovich Bogdanov (1873-1928), political activist and Marxist theorist. Bogdanov's *A Short Course in Economic Science* was praised by Lenin, despite their clear differences on philosophical and political matters.

[4] Aleksei Ivanovich Stetskii, head of the Agitation and Propaganda division of the Central Committee until the late 1930s when he was purged from the Party apparatus.

[5] For details see L.A. Openkin, "I.V. Stalin: poslednii prognoz budushchego," *Voprosy istorii KPSS* (1991, no. 7), p. 115.

[6] A.I. Pashkov, Soviet economist, named a corresponding member of the Academy of Sciences in 1953.

[7] Marx devised the "law of value" in the first volume of *Capital* to describe the role of labor in determining value (as opposed to prices) in the capitalist system. Since it was associated with capitalist exploitation, Soviet theorists assumed that it would disappear under socialism.

[8] One pood equals 16.381 kilograms.

[9] This was a common epithet of the period. It referred to Lev Davidovich Trotsky and Nikolai Ivanovich Bukharin, contemporaries of Stalin's in the higher ranks of the Party who were purged during Stalin's rise to power.

[10] Karl Kautsky, Marxist thinker and writer, leading theoretician of the German Social Democratic Party and the Second International. For Lenin's criticism of Kautsky's views of imperialism see V.I. Lenin, *Selected Works*, 3 vols. (Moscow: Progress Publishers, 1960-1966), I, p. 759.

[11] The State Project for the Electrification of Russia.

[12] Aleksei Ivanovich Rykov, member of the Politburo accused of "rightist deviation" and removed from the Politburo in December 1930. He was a victim of the purges of the 1930s.

[13] The New Economic Policy (NEP) was initiated by Lenin in the early 1920s and allowed for a mixed economy.

[14] Critique of the Gotha Program was a letter written by Marx in 1875 critical of a faction of the German Social Democratic movement.

[15] This is a reference to the six conditions affecting the organization of Soviet industry that Stalin outlined in a speech to a conference of economic leaders on 23 June 1931.

[16] An "artel" was an agricultural cooperative in which all land was pooled and worked in common and income was distributed according to work performed.

[17] Stakhanovites were Soviet workers rewarded for output beyond the production norms. The name comes from the Russian miner Alexei Stakhanov.

[18] Fritz Thyssen, a German financier who initially supported Hitler but left Germany in 1939.

[19] Herbert George "H.G." Wells (1866-1946), British writer who met with Stalin in 1934.

[20] Robert Owen (1771-1858), British manufacturer and social reformer who attempted to establish a cooperative community in Indiana.