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Production Statistics and the Devaluation of the Ruble

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In September of this year the State Planning Commission of the U. S. S. R. announced that Soviet output for the second quarter of 1948 exceed that of the 2nd quarter in 1947 by as much as 48 per cent. However, the State Planning Commission itself does the most severe job of deflating this figure when, in another announcement, it states that ^{production in} the first six months of 1948 exceeded the plan by only 5 per cent. Furthermore, not all ministries had fulfilled their quotas. Of the four that had not, one concerns luxury goods, and the other three all relate to industries directly connected with the means of consumption for the wide masses: food, local industries (light industries have been decentralized to a great degree), and timber. It is necessary to remember that the goal for housing was, in the first place, very modestly set, yet the timber industry has been consistently behind the plan. So critical is the situation that a new decree permits private construction of dwellings. Needless to say, it is the bureaucrat, not the ~~wide~~ broad Russian masses (20 million were left homeless by the war), who will benefit by this decree. Finally, none of these figures tell you anything of physical production, the only real measure of the growth of productive forces. While these figures, in percentage form, have been released to the United Nations, which also has figures for 1947, showing an increase of production of 22 per cent over 1946, no figures have been made available to that body for 1946.

1317

This is not accidental. As is clear from Voznessensky's latest book, the period 1946-1947 was one of severe crisis of reconversion. It is now clear that the Soviet Union did not emerge from this crisis till the first quarter of 1948, and that its emergence in that period is directly connected with the devaluation of the ruble. Contrary to the Kremlin claim that the devaluation was aimed at "speculators" and benefitted the workers, devaluation can be proven to be connected not only with prices but with production. Let us take a second look at the devaluation of the ruble which the Soviet Economists have called "The Historic Reform", and historic it was. (Cf. especially "The Historic Reform (Monetary Reform, 1947)" by Dymshitz and Slavny in Soviet Finances, #12, Rus.)

As is well-known by now, the Soviet Ministers of the USSR, and the Central Committee of the All-Union Communist Party (B), under the signatures of Stalin as the President of Soviet Ministers, and Zhdanov, as the Secretary of the Central Committee of the CP, decreed on December 14, 1947 that the cash ruble be devalued 10:1; that deposits in the banks be preserved up to 3,000 rubles, but thereafter, up to 10,000, the exchange proceed on the basis of 3 old rubles for 2 new ones, and over 10,000 the exchange proceed on a 2:1 ratio; and that bondholders have their bonds honored on the basis only a 3:1 ratio. The decree explained the necessity of the move on the basis of: (1) an increase in money circulation "has happened in all states taking part in the war"; and (2) that carrying out of currency reform is "a usual matter in all states after great wars." It hastily added that the manner of execution in the Soviet Union "differed radically" from that in capitalist countries. The difference, stated the decree, consists of the fact that, basically, this is done not at the

expense of the proletariat, but at the expense of "speculative elements", who took advantage of the fact that "market prices" were 5 to 10 times "state prices" and thus enriched themselves. "It is intolerable," continued the ukase, "that speculative elements that enriched themselves during the war, and accumulated considerable sums of money should have an opportunity to buy up goods after the abolition of the rationing system."

To further illustrate the benefits the masses got from this new law, the decree claimed that the government "succeeded in preserving unaltered the pre-war state prices for rationed goods," and the government now not only orders the preservation of the wages, but is initiating a 10 to 12 per cent decrease on means of consumption goods. The editorial in the Pravda pointed out how this confirmed Stalin's speech of February 9, 1946, where he had mentioned that there would be an increase in the production of means of consumption goods and this would raise the living of the toiling masses "by means of a consistent lowering of the prices of commodities."

The Kremlin bureaucracy could ^{have} given us no better means to deflate the pretense that the devaluation of the ruble benefitted the workers than to point to the trend in the Russian economy since Stalin made that 1946 speech. Let us follow that trend. On February 9, 1946 Stalin proclaimed the Fourth Five Year Plan, which projected a great increase in means of production, and some increase in means of consumption. He pointed out that this increase in the means of consumption goods will be especially beneficial to the masses since it will take place "by means of lowering of the prices." He further promised the abolition of rationing by the end of that year. 1946, however, saw no abolition of rationing. It ended, instead, with an increase in the price of means of consumption goods which,

to judge by the few figures then released, amounted to about 180 per cent.

1947 followed with, more or less, fulfillment of the year's plan so far as means of production goods were concerned, but was fully behind in means of consumption goods. Stalin-Zhdanov then pompously announced that rationing is abolished, and prices cut 10 to 12 per cent. They failed to make only one thing clear. The decrease related to the wartime inflated prices. Instead, they tried to give the exact opposite impression, insisting that state prices had remained unaltered during the war. We need but publish the 1940 prices alongside the "decreased, uniform" prices to give the lie to that claim:

	1940	1947
	(in rubles and kopeks)	
bread, kg.	.85	3.00
milk, liter	2.10	3.50
flour, rye		4.80
sugar	5.00	15.00
beef	18.00-20.00	30.00
butter	28.00	64.00

These few basic items show that the one basic commodity, black bread, increased more than 300 per cent; on the whole the prices of these commodities, plus those for kerosene, cotton and galoshes, show a rise of 180 per cent. It is true that wages for that period rose about 50 per cent and that prices have further been decreased 10-12 per cent, but that still leaves the standard of life of the Russian worker (he earns between 500 to 900 rubles a month.) greatly deteriorated from its pre-war standard. Voznesensky even makes what sounds like a fantastic admission, that personal consumption by civilians and soldiers dropped to 35 per cent of the national product during the war. No wonder that the demobilized soldier with severance pay and some loot in his pocket was slow to return to the factory grind. Neither did the housewife. Production had reached a critically low stage and

1320

the plan stood in danger of complete collapse. The decree of the devaluation of the ruble followed. It was not so much a move against "speculators", although it surely cleared the Soviet scene of much loose money, as a move to compel the workers back to the factory and the farm.

The devaluation of the ruble had the immediate effect of confronting the masses with complete starvation or the return to work and wages. That the decree worked is seen in the glowing statistics for production in 1948. A direct admission of this comes from the issues of the Pravda for June of this year. Pravda states that "the workers available for rationalized industry and state farms" in the first quarter of 1948 increased by as much as two million. It points out that this rate of increase is as much as that for the whole of ^{only} two previous years, when demobilization alone was the main factor. That not all these had been speculators is clear from the statement that the "new workers include housewives, youths in their teens and former factory workers."

The connection of the devaluation of the ruble with production is not the full story. The question of price reappears. The increase in production is a relative term, and concerns mainly means of production, not means of consumption industries. The crucial feature therefore remains not the level achieved, but the trend of development. What happens when rationing is abolished while there is a low level of production; in which direction do prices, not merely free market prices, but state-controlled prices tend? A good indication is what happened the last time rationing was abolished and a "uniform" price established. That was 1935, the year Stakhanovism was created, and price movements showed a four-fold to ten-fold increase. Altho the 1947 decree pompously promises that this will be the last sacrifice, the Russian masses ^{know} *daily an increased burden.* — 10/3/48 1321