

Five Conversations with Soviet Economists, 1941-1952

Record of Comrade J.V. Stalin's Discussion with Economists

Dated 29th January 1941

On Issues of Political Economy

On the Object of Political Economy

There are several definitions of the object of political economy: Engels' definition which views political economy as a science about production, exchange and distribution; there is the definition given by Marx in his preparatory notes to *Capital*; there is Lenin's point of view which accepts the definition given by Bogdanov in 1889. We have a lot of bookworms and they would attempt to counterpose one definition to another. We are very fond of quotations. And quotations are a sign of our ignorance. That is why we must rigorously think over the correct definition of the object of political economy and then standing inside of it introduce it.

If we write that political economy is the science about historically developing modes of social production, then people would not immediately understand that we are talking about the economy and relations between people. It is better to say that political economy is the science of the development of the relations of social production, i.e., the economic relations between people. This definition explains the laws governing the production and distribution of the necessary means of consumption for both individual and production purposes. When I speak of distribution, I have in view not the common notion of distribution in the narrow sense of the word, i.e., distribution of the means of individual consumption. We are talking about distribution in the sense in which it has been used by Engels in *Anti-Duhring*, (in [Karl Marx and Frederick Engels Collected Works, Volume 25](#), pp 5-312) where he analyses distribution as a form of ownership of the means of production and means of individual consumption.

On the next page, after completing the second paragraph, we must make an addition in the following words: 'i.e., how the means of production are distributed between the members of the society as, subsequently, also the material goods necessary for peoples' lives.'

You certainly know about the preparatory notes of Marx for the fourth volume of *Capital* (in [Karl Marx and Frederick Engels Collected Works, Volume 30](#)) There you have the definition of the object of political economy. When Marx speaks of production, he includes transport (independently of whether we are talking of long distance or short distance transport, about transportation of cotton from Turkestan or a factory's internal transport). With Marx all the problems of distribution are included in the concept of production. What do those present here think: is the definition being outlined here the correct one?

Remark: Unconditionally, the outlined changes bring about a fundamental improvement.

Question: Is it correct to use the words relations of 'social production' in the definition? Is the word 'social' not irrelevant here. After all, production is also social. Will we not have a tautology?

Answer: No, we must write 'social-production' with a hyphen, as, after all, there can be technical relations in production, here we must speak specifically of the relations of social production.

Question: Will it not be more appropriate to talk of consumption as 'individual and productive' instead of the words 'individual and production'?

After a short exchange of opinions 'individual and production' was written.

If we accept the proposed formulation of the object, then the general conclusion must be made that

the question of distribution in all the formations must be accorded much more attention. Otherwise, here, very little is said about banks, stock exchanges and markets. This will not do. In particular the section on socialism also suffers because of this.

There are stylistic irregularities on page 5. These must be removed. It is written 'it is a historical science, examining and explaining different modes of production and explaining the traits that distinguish each of them.' It should be written in proper Russian as not 'examining' and 'explaining', but the science that examines and explains.

On the Law of Value

I am coming to the section on socialism. A few things have been improved. But a lot has been spoilt in comparison to what was there earlier in this section.

It is written here that the law of value has been overcome. Then it becomes incomprehensible from where the category of cost arises, without which we cannot calculate, cannot distribute according to labour and cannot set prices. The law of value has not been overcome yet. It is not true that we are commanding with the help of prices; we want to command but cannot. In order to command with the help of prices, there must be huge reserves, an abundance of commodities. Only then can we dictate our prices. As long as there is an illegal market and a collective farm market, market prices would exist. If there is no value, then there is nothing by which to measure incomes. Incomes are not measured by labour. When we begin to distribute according to needs, then it will be an altogether different matter. But for the present the law of value has not been overcome. We want to consciously use it. We are compelled to set prices within the framework of this law. In 1940 the harvest was lower (in Russia – *ed.*) than in Estonia and Latvia. There was not enough bread and the prices jumped upwards. We threw in about 200,000 *poods* of bread and the prices came down immediately. But can we do this with all the commodities all over the country? No, we are far from dictating prices for all commodities. For this we have a great deal more to produce. Much more than presently. But at present we are unable to command with the help of prices. And also, the income from the sales in the collective farm market goes to the collective farm peasantry. Obviously with us the means of production cannot be bought with this income, and this income goes towards increasing the individual consumption.

Poster propaganda finds its way into the textbook. This will not do. An economist should study facts, and here all of a sudden: 'Trotskyite-Bukharinite traitors' what is the need to mention that the courts have established this thing and that? What is economic about it? Throw the propaganda out. Political economy is a serious matter.

Voice: It was written long ago when the trial was underway.

Answer: When it was written is irrelevant. Now the new edition has been presented and it is there too. And it is out of place here. In science we appeal to Reason. And here we are appealing to something like the belly and a bit to something else. This spoils the job.

On Planning

Regarding the plan for the economy a lot of terrible words have been piled up. What all has not been written. 'Directly social character of labour in the socialist society. Overcoming the law of value and elimination of anarchy in production. Planned conducting of the economy as a means of bringing the production relations of socialism in conformity with the nature of the productive forces. Some kind of a flawless planned economy is painted. Whereas one can say simply: -- under capitalism it is not possible to carry on production on the scale of the whole of the society, there you have competition, there you have private property, which separates. Whereas in our system the enterprises are united on the basis of socialist property. Planned economy is not something we want, it is an *inevitability*, otherwise everything would collapse. We have destroyed such bourgeois barometers as the markets and the stock exchanges, with the help of which the bourgeoisie corrects

the disproportions. We have taken everything up on ourselves. Planned economy in our system is as much inevitable as is the consumption of bread. And it is so not because we are all 'good boys', not because we are capable of doing everything, and they cannot, but because in our system the enterprises are integrated. In their system integration is possible only within trusts and cartels, i.e., within narrow limits, but they are incapable of organising an All-peoples' economy. (It is in place here to remind ourselves of Lenin's critique of Kautsky's theory of super capitalism). The capitalist cannot run industry and agriculture and transport according to a plan. Under capitalism the town must devour the countryside. Private property there is an obstacle. So, say simply: there is integration in our system, and in their system there is division. Here (page 369) it is written: 'planned functioning of the economy as a means of bringing the production relations of socialism in conformity with the character of the productive forces'. It is all rubbish, schoolboys' chatter. (Marx and Engels spoke long ago, and they had to talk about contradictions). But why in hell are you treating us to such generalisations? Say simply: in their system there is division in the economy, the form of property brings divisions; in our system there is integration. You are at the helm, and the power is yours. Speak simply.

We must properly define the objectives of the planning centre. Not only must it establish the proportions. Proportions are not of central importance, they are essential, but still secondary.

What are the main objectives of planning?

The first objective consists in planning in a way that ensures the independence of the socialist economy from capitalist encirclement. This is obligatory and is most important. It is a form of the struggles against world capitalism. We must ensure that we have metal and machines in our hands so as not to become an appendage to the capitalist system. This is the basis of planning. This is central. GOELRO and subsequent plans were drawn up on this basis.

How to organise planning? In their system capital gets spontaneously distributed over the branches of the economy depending upon the profits. If we were to develop various sectors according to their profitability we would have a developed flour-grinding sector, toy production (they are expensive and give high profits), textiles, but we would not have had any heavy industry. It demands large investments and is loss-making in the beginning. Abandoning the development of heavy industry is the same as that which the Rykovites had proposed. We have turned the laws of development of the capitalist economy upside down, have put them on their head, or more precisely on their feet. We have begun with the development of heavy industry and machine building. Without planning of the economy nothing would work out.

How do things happen in their system? Some states rob others, loot the colonies, and extract forced loans. It is otherwise with us. The basic thing about planning is that we have not become an appendage to the world capitalist system.

The second objective of planning consists in strengthening the absolute hegemony of the socialist economic system and closing all the sources and loopholes from which capitalism arises. Rykov and Trotsky had once proposed to close down advanced and leading enterprises (The Putilov Factory and others) as unprofitable. Going by this would have meant 'closing down' socialism. Investments would have then gone into flour-grinding and toy production because they yield profit. We could not have followed this path.

The third objective of planning is to avoid disproportions. But as the economy is huge, ruptures can always take place. Therefore, we need to have large reserves. Not only of funds, but also of labour power.

We should provide something new to the reader, and not endlessly keep repeating about the correlation between the relations of production and the productive forces. It does not produce any results. There is no need to go overboard in praising our own system and ascribe to it those achievements which are not there. Value exists and differential rent exists, but they are used differently. I was thinking about the category of Profit -- should we leave it out or to keep it?

Remark: Maybe it is better to use the word 'income'?

Molotov: Income is of different kinds.

Remark: (N.A. Voznesensky--*ed.*): May be socialist accumulation?

Answer: As long as profit has not been extracted it is not accumulation. Profit is a result of production.

Question: Should we have in the textbook that there is surplus product in the socialist society? There were differences of opinion on this matter in the Commission.

Molotov: We have to educate the workers so that they know that they work for the whole of the society and not only for their families.

Answer: Without surplus product you cannot build the new system. It is necessary that the workers understand that under capitalism they are interested in what it is that they are getting. But under socialism they take care of their own society and this is what educates the worker. Income remains but it acquires another character. The surplus product is there, but it does not go to the exploiter, but towards increasing the welfare of the people, strengthening defence etc. The surplus product gets transformed.

In our country distribution takes place according to labour. We have qualified and unqualified labour. How should we define an engineer's work? It is multiplied simple labour. With us incomes are distributed according to labour. It cannot be that this distribution happens independently of the law of value. We think that the entire economy is run according to the plan, but it does not always happen this way. There is a lot of spontaneity with us also. We knowingly, and not spontaneously, make calculations according to the law of value. In their system the law of value operates spontaneously, bringing in its wake destruction, and demands huge sacrifices. In our system the character of the law of value undergoes a change, it acquires a new content, a new form. We knowingly, and not spontaneously, set prices. Engels speaks of leaps. It is a risky formula, but it can be accepted, if we correctly understand the leap from the realm of necessity into the realm of freedom. We must understand freedom of will as necessity recognised, where the leap means a transition from spontaneous inevitability to the recognition of necessity. In their system the law of value operates spontaneously and it leads to large-scale destruction. But we should conduct things in such a way that there are fewer sacrifices. The necessity resulting from the operation of the law of value must be used by us consciously.

Question: In the Commission there were misunderstandings and discussions regarding whether there are commodities in the Soviet economy. The author, against the opinion of the majority in the Commission, speaks not about commodities but about products.

Answer: Once we have a monetarised economy, we also have commodities. All the categories remain but have acquired a new character. Money, in their system, serves as a tool for exploitation, but in our system it has a different content.

Question: Until now the law of value was interpreted as a law operating in a spontaneous market which determines the spontaneous distribution of labour power.

Answer: This is not correct. One should not narrow down the scope of the formulation of the question. Trotsky repeatedly limited money to its being an instrument for calculation. He insisted on this both before and after the transition to NEP. This is wrong. Our answer to him was: when a worker buys something, is he calculating with the help of money, or is he doing something else? Lenin repeatedly would point out in the Politbureau that such a formulation of the question is wrong, that one should not limit the role of money to it being an instrument of calculation.

Remark: Surplus product in a socialist society -- the term is embarrassing.

Answer: On the contrary, we have to educate the worker that the surplus product is needed by us, there is more responsibility. The worker must understand that he produces not only for himself and

his family, but also for creating reserves and strengthening defence etc.

Remark: In the *Critique of the Gotha Programme* (in [Karl Marx and Frederick Engels Collected Works, Volume 24](#), pp 75-99) Marx did not write about surplus product.

Answer: If you want to seek answers for everything in Marx you will get nowhere. You have in front of you a laboratory such as the USSR which has existed now for more than 20 years but you think that Marx ought to be knowing more than you about socialism. Do you not understand that in the *Critique of the Gotha Programme* Marx was not in a position to foresee! It is necessary to use one's head and not string citations together. New facts are there, there is a new combination of forces -- and if you don't mind -- one has to use one's brains.

On Wages and Workdays

A few words about wages, work-days and incomes of the workers, the collective farmers and the intelligentsia. In the textbook it has not been taken into account, that people go to work not only because Marxists are in power and there is a planned economy, but also because that it is in their interest, and that we have grasped this interest. The workers are neither idealists nor ideal people. Some people think that it is possible to run the economy on the basis of equalisation. We have had such theories: collective wages, communes in production. You will not move production forward by all this. The worker fulfils and over-achieves the plan because we have piece-work for the workers, a bonus system for the supervisory staff and bonus payments for farmers who work better. Recently we have enacted the law for the Ukraine.

I will tell you of two cases. In the coal industry a few years ago a situation was created when the people working overground received more than the people working in the mines. The engineer sitting in the office received one and a half times more than those who worked in the mines. The top leadership, the administration wants to attract the best engineers to their departments so that they sit by their side. But for the work to move ahead, it is necessary that people have an interest. When we increased the wages for the underground worker, only then did the work move forward. The question of wages is of central importance.

Take another example: cotton production. For four years now that it is moving uphill only because the procedure of paying the bonuses has been revised. The more they produce from a unit of land the more they get. They now have an interest.

The law on bonuses for collective farmers in the Ukraine has exceptional importance. If you go by peoples' interests they would move forward, would upgrade their qualification, work better and will clearly see that this gives them more. There was a time when an intellectual or a qualified worker was considered fit only to be social outcasts. This was our foolishness, there was no serious organisation of production then.

People speak of the six conditions of [Stalin](#). Come to think of it -- what news! What is said there is that which is known all over the world but has only been forgotten with us. Piece-work for the worker, a bonus system for the engineering and technical staff and bonuses for the collective farmers -- these are the levers of industrial and agricultural development. Make use of these levers and there would be no limit to growth in production and without them nothing is going to work out. Engels has created a lot of confusion here. There was a time when we used to boast that the technical staff and the engineers would receive not more than what the qualified workers get. Engels did not understand a thing about production and he confounded us too. It is as ridiculous as the other opinion that the higher administrative staff must be changed every so often. If we had gone along with this everything would have been lost. You want to leap directly into communism. Marx and Engels wrote keeping full communism in view. The transition from socialism to communism is a terribly complicated matter. Socialism has yet not entered our flesh and blood, we still have to organise things properly in socialism, we still have to properly set up distribution according to work.

We have filth in our factories, but we want to go straight to communism. But who will let you in there? We are sinking in garbage and we want communism. In one large enterprise about two years ago they started breeding fowl -- chicken and geese. Where does all this lead you to? Dirty people would not be allowed entry into communism. Stop being swine. And only then talk about entering communism. Engels wanted to go straight to communism. He got carried away.

Molotov: On page 333 it is written: 'the determining advantage of the *artel* consists in that it *correctly* combines the individual interest of the collective farmers with their social interests, that it *successfully* harmonises the individual interests of the collective farmers, with the interests of society'. Such a formulation of this question is avoiding the question. What is 'correctly combining the individual interest of the collective farmers with society's interests'? It is a hollow sentence which has very little of concrete substance in it. You get something like 'all that exists is rational'. In fact, it is far from being so. In principle we have come to a correct solution of these questions, but in practice there are a lot of things that are wrong and out of place. This needs to be explained. The social economy has to be placed first.

It is necessary also to pose the question of piece-work wages. There was a time that when this question was very complicated, the piece-work system was not understood. Visiting workers' delegations, for example, of French syndicalists, would ask why do we support piece-work and the bonus system, after all under capitalist conditions workers are fighting against it. Now everyone understands, that without a progressive system of payment and without the piece-work system there would have been no Stakhanovites and front-rank workers. In principle this question is clear. But in practice a lot of disgraceful things are happening with us. In 1949 [*sic.--ed.*] we are forced to go back and repeat the decisions of 1933. Spontaneity is pulling us to the opposite side. The top echelons want the best engineers to be by their side. We have not yet grown up to become as neat and tidy as we would like to be. There is a lot of colouring up of our reality, and we have not at all become as clean and tidy as we want to be. We must criticise our practice.

On Fascism

A few more observations on fascist philosophy. They write as if they have socialism. This needs to be exposed in economic terms. This is what Hitler says: 'The State, The People! our capitalists receive only 8%. That is enough for them!' The formulation of this question needs to be accompanied by throwing light on the question of competition and the anarchy of production, with the attempts of the capitalists to get rid of competition with the help of the theory of ultra-imperialism. It must be demonstrated that they are doomed. They are propagating a corporatist system, as if it is above the class of workers and the capitalists and the State cares and looks after the workers. They are even arresting individual capitalists (it is true that Thyssen could escape). One should say that in all of this there is more of demagogy, that this is just the pressure of the bourgeois State on individual capitalists who do not want to subject themselves to class discipline. It should be mentioned once in the section on cartelisation and their unsuccessful attempts at planning. Mention it again in the section on Socialism. In your system, gentlemen fascists, to whom do the means of production belong? To individual capitalists and to groups of capitalists and, therefore, you cannot have genuine planning, except for bits, as the economy is divided among groups of owners.

Question: Should we use the term 'fascists'?

Answer: Name them the way they call themselves: the Italians -- as fascists, the Germans -- as national-socialists.

In this cabinet I met [\[H.G.\] Wells](#), and he said to me that he is neither for the workers to be in power nor for the capitalists to be in power. He is for the leadership of engineers. He said that he supports Roosevelt whom he knows well and says that he is an honourable person and a person loyal to the working class. Petty ideas about a reconciliation of classes among the petty bourgeois do exist and are widespread. These ideas have acquired a special meaning with the fascists.

About the place where you talk about the Utopians. Here one should also critically mention the idea of reconciliation among classes. There, obviously, is a difference between the way the question is put by the utopians and the fascists, a variance in favour of the Utopians, but one must not circumvent this issue. Owen would feel very bad if he is put in the same rank as the fascists, but Owen must also be criticized.

The abusive style should be removed from the whole book. You do not convince anyone by abusing. You may sooner get the opposite results, the reader would become wary: 'since the author is being abusive, it means that not everything is clean'.

One should write in a way that we do not get the impression that everything in their system is bad, and everything in our system is good, one should not beautify things.

Remark: It is written here that the State formulates the plan for almost everybody.

Answer: It is nonsense. In general, there is a lot of philosophizing in the section on socialism. One should write more simply.

Question: Is the heading of the chapter 'Preparation of the capitalist mode of production' correct? Do we not get a slight impression that it was consciously prepared?

Answer: This is a terminological issue. One may certainly use the word 'prepared'. The issue actually is about the birth and the creating of the preconditions.

In fact, there is another question regarding the preparation of the Socialist mode of production. It is mentioned here that socialism does not arise within capitalism. It needs to be explained that the material preconditions are created within capitalism, that the objective and subjective preconditions are created within capitalism. It should not be forgotten that we have emerged from capitalism.

Composed according to the notes of Com[rades]
[L.A.] Leontyev, [K.V.] Ostrovityanov, [A.I.] Pashkov.

Record of the Discussion of 22 February 1950

at 23 hours and 15 minutes

There are two variants of the model of the textbook on Political Economy. However, there are no differences in principle between the two variants in the approach to the questions of Political Economy and the interpretations of these questions. Thus there is no basis for having two variants. There is the variant by Leontyev and this variant must be taken as the basis.

In the textbook we must give a concrete critique of the contemporary theories of American imperialism. On this question articles have been published in *Bolshevik* and in *Voprosi ekonomiki*.

People illiterate in terms of economics do not distinguish between the People's Republic of China and the People's Democracies of the countries of Central and South-Eastern Europe, let us say the People's Democratic Republic of Poland. These are different things.

What is People's Democracy? It contains at least such features as: 1) Political power being in the hands of the proletariat; 2) nationalisation of the industry; 3) the guiding role of the Communist and Working Peoples' Parties; 4) the construction of Socialism not only in the towns but also in the countryside. In China we cannot even talk about the building of Socialism either in the towns or in the countryside. Some enterprises have been nationalised but this is a drop in the ocean. The main mass of industrial commodities for the population is produced by artisans. There are about 30 million artisans in China. There are important dissimilarities between the countries of Peoples' Democracy and the Peoples' Republic of China: 1) In China there exists a democratic dictatorship

of the proletariat and the peasantry something akin to what the Bolsheviks talked about in 1904-05. 2) There was oppression by a foreign bourgeoisie in China, therefore the national bourgeoisie of China is partially revolutionary; in view of this a coalition with the national bourgeoisie is permissible, in China the communists and the bourgeoisie comprise a bloc.

This is not unnatural. Marx in 1848 also had a coalition with the bourgeoisie, when he was editing the *Neue Rheinische Zeitung*, but it was not for long. 3) In China they still face the task of the liquidation of feudal relationships, and in this sense the Chinese revolution reminds one of the French bourgeois revolution of 1789. 4) The special feature of the Chinese revolution is that the Communist Party stands at the head of the state.

Therefore, one can say that in China there is a Peoples' Democratic Republic but only at its first stage of development.

The confusion on this question occurs because our cadres do not have any deep economic education.

A decision is taken to recommend to the Commission, comprising of Comrades Malenkov, Leontyev, Ostrovityanov and Yudin, to complete the modification of the model of the textbook within a period of one month.

Drafted according to the notes of Com [rades]:
[L.A.] Leontyev, K.V. Ostrovityanov and [P.F.] Yudin.

Record of the Discussion of 24th April 1950

at 23.30 hours

I wanted to make a few critical observations about the new model of the textbook on political economy.

I have read about a 100 pages relating to pre-capitalist formations and to capitalism. I also looked at a little of the section on socialism. About socialism I will talk another time. Today I want to talk about the shortcomings relating to the section on capitalist and pre-capitalist formations. The Commission's work has proceeded along the wrong track. I have said that the first variant of the textbook model should be accepted as the basis. And this, evidently, was understood to mean that the textbook does not need any particular corrections. This is wrong. Substantial corrections are needed.

First and the main shortcoming of the textbook, which shows a complete ignorance of Marxism, is regarding the periods of manufacture and machine production under capitalism. The section on the period of manufacture capitalism is bloated, it has been allotted 10 pages and is more prominent than the period of machine production. In fact, the period of capitalist machine production is absent. It has simply vanished. The period of machine production has not been given a separate chapter, it has been allotted a few pages in the chapter on 'Capital and Surplus Value'. Take Marx's *Capital* ([Karl Marx and Frederick Engels Collected Works, Volume 35](#)). In *Capital*, the manufacture period of capitalism occupies 28 pages, and the period of machine production -- 110 pages. Also, in other chapters, Marx talks a lot about the period of machine production. Such a Marxist as Lenin in the work *The Development of Capitalism in Russia* ([VI Lenin, Collected Works, Volume 3](#)) paid especial attention to the machine period. Without machines there is no capitalism. Machines are the main revolutionising force which have transformed society. It has not been demonstrated in the textbook what actually comprises a system of machines. About the system of machines, literally only one word has been said. Therefore, the whole picture of the development of capitalism has been distorted.

Manufacture is based on the hand labour of artisans. The machine sweeps aside hand labour.

Machine production is large-scale production and is based on the machine system.

We have to take into account that our cadres, our youth -- our people have had 7-10 years of education. They are interested in everything. They can look up Marx's *Capital*, and Lenin's works. They can ask: why is it that the exposition of the question has not been done in the manner of Marx and Lenin? This is the main shortcoming. We must elaborate the history of capitalism according to Marx and Lenin. In the textbook a special chapter on the period of machine production is needed, and the one on manufacture needs to be shortened.

The second serious shortcoming of the textbook is that there is no analysis of wages. The main problem has not been elucidated. Wages are considered in the section on pre-monopoly capitalism as Marx has done. There is nothing about wages under conditions of monopoly capitalism. A lot of time has passed after Marx.

What are wages? Wages are a minimum for livelihood plus some savings. It is necessary to show what is the livelihood minimum, nominal and real wages, and to demonstrate it vividly and convincingly. We are fighting capitalism on the grounds of wages. Take the vivid facts of contemporary life. In France, where you have a falling currency, one receives millions, but you cannot buy anything. The English shout that they have the highest level of wages and cheap commodities. And they all the time hide the fact that though nominal wages may be high, they are still not enough to provide the livelihood minimum, not to talk about savings. In England the prices for certain products, bread and meat, are low, but the workers get them on ration in small quantities. Other products are bought in the market at inflated prices. They have a multiplicity of prices. And the Americans are very bumptious about their high living standards, but according to their own data two-thirds of their workers are not provided with the minimum livelihood. All these tricks of the capitalists have to be exposed. We have to show, on the basis of concrete facts, to these English workers, who have been for long living off the super-profits and the colonies, that the fall in real wages under capitalism is an axiom.

We could tell them that during the civil war with us everybody was a millionaire. During this war the prices were at their lowest, bread was sold for one ruble per kilogramme but the products were rationed.

With us the calculations of wages are done differently. It is necessary to show on the basis of concrete facts the situation regarding the real wages in the country. This has a great revolutionary and propaganda importance.

It would be correct to deal with the question of wages in the section on monopoly capitalism and to return to it in contemporary terms.

In the model of the textbook a large chapter is devoted to primary accumulation. You may talk about it in a few words in two pages. It is mentioned here how a certain duchess drove peasants away from their lands. Who are you going to impress today by all this? And more important things have been left out. The epoch of imperialism provides much more vivid examples.

Regarding the plan of the structure of the textbook. The section on capitalism must be divided into two parts.: under A -- pre-monopoly capitalism and under B -- monopoly capitalism.

Now about the object of political economy. In the textbook what you get is not establishing the object of political economy but rather an introduction to it. There is a distinction between determining the object of political economy and its introduction. In this context the second variant is closer to the topic, though, here too, you end up with an introduction. Some economic terms used by Marx are explained here. This helps the reader to move towards an understanding of the economic works of Marx and Lenin.

It is written that political economy analyses the relations of production. But this is not comprehensible for every one. You say that political economy examines relations of production and exchange. This is wrong. Take exchange. There was no exchange in primitive society. It was not

developed in slave society either. The term circulation will not do either. All this is not very useful for socialism too. It should be stated: Political economy examines the production and distribution of material goods. This is applicable to all periods. Production constitutes man's relation to nature, and distribution shows where the goods produced go. This is the purely economic side.

In the textbook there is no transition from the object of political economy to primitive society. Marx begins *Capital* with the commodity and why is it that you begin with primitive society? This needs to be explained.

There are two methods of exposition: one is the analytical and abstract method. This method begins with expounding the general and abstract concepts along with the usage of historical material. Such a method of exposition (it was used by Marx in *Capital*) is meant for people who are more prepared. The other method is historical. This method gives an exposition of the historical development of different economic systems and reveals the general concepts on the basis of historical material. If you want people to understand the theory of surplus value -- expound the problem from the moment surplus value arises. The historical method is meant for people who are less prepared. It is more accessible because it subtly leads the reader to an understanding of the laws of economic development. (He reads out the definition of the analytical and historical method).

In the textbook Engels' model of savagery and barbarism is used. This does not lead anywhere. It is rubbish. Engels in his work did not want to have any differences with Morgan, who at that time was moving towards materialism. That was Engels' business. But how does it concern us? People would say that we are bad Marxists once we do not adhere to the exposition according to Engels. Nothing of the sort. What we get here is a huge heap: stone age, bronze age, kinship system, matriarchy, patriarchy and to top it all savagery and barbarism. All this only confuses the reader. Savagery and barbarism were contemptuous expressions used by 'civilised' people.

There is a lot of gibberish in the textbook, unnecessary words and a lot of historical excursions. I have read 100 pages and have crossed out 10 and could have crossed out more. In a textbook there should not be even a single superfluous word, the exposition must be sculpted exactly. And here at the end of the section you have these antics: you imperialists are scoundrels, you have slavery, bonded labour, etc. All these are like Komsomol antics and posters. This wastes time and creates confusion. We need to influence people's minds.

About Thomas More and Campanella you say that they were isolated and that they had no relations with the masses. This only evokes laughter. Is this relevant? So what? Even if they had been close to the masses, what would that closeness have given us? That level of development of productive forces demanded inequality which arose out of the property relations. It was absolutely impossible to overcome this inequality. The utopians did not know the laws of social development. Here we have an idealist interpretation.

It is necessary that our cadres have a thorough knowledge of Marxist economic theory.

The first, old generation of Bolsheviks were very solid theoretically. We learnt *Capital* by heart, made conspectuses, held discussions and tested each others' understanding. This was our strength and it helped us a lot.

The second generation was less prepared. They were busy with practical matters and construction. They studied Marxism from booklets.

The third generation is being brought up on satirical and newspaper articles. They do not have any deep understanding. They need to be provided with food that is easily digestible. The majority has been brought up not by studying Marx and Lenin but on quotations.

If matters continue further in this way people would soon degenerate. In America people argue: We need dollars, why do we need theory? Why do we need science? With us people may think similarly: 'when we are building socialism why do we need *Capital*?' This is a threat for us -- it is degradation, it is death. In order not to have such a situation even partially we have to improve the

level of economic understanding.

The present number of pages are not needed – it has been bloated to 766 pages. It is necessary to have no more than 500 pages, and half of these must be devoted to pre-socialist systems and half to socialism.

The authors of the first variant have shown no concern about explaining Marx's terminology which is used in *Capital*. The most frequently used terms by Marx and Lenin must be introduced from the very beginning so as to enable the reader to understand *Capital* and other works of Marx and Lenin.

It is bad that there are no arguments and no fights in the commission over theoretical questions. Remember that your work is of historical importance. Everybody will be reading the textbook. It is now 33 years that Soviet power exists yet we do not have a book on political economy. Everyone is waiting for it.

In literary terms the textbook suffers from bad editing. There is a lot of gibberish, and excursions into civil and cultural history. It is not a textbook on cultural history. It needs fewer historical excursions. They need be there only when necessary for the illustration of theoretical propositions.

Get hold of Marx's *Capital* and *Development of Capitalism* by Lenin and use them as a guide for your work.

When the textbook is ready we will put it before the court of public opinion.

One more observation. In the textbook capitalism is examined only in the industrial sector. It is necessary that the whole of the economy must be taken into account. In *Capital* Marx is also predominantly dealing with industry. But his objective was different. He had to expose capitalism and its ills. Marx understood the importance of the economy as a whole. This is evident from the importance he accorded to the *Tableau Économique* of Quesnay. We must not limit ourselves only to elucidating the problems of agriculture in the chapter on land rent.

We have not only exposed capitalism, we have overthrown it and now we are in power. We know what is the share and importance of agriculture for the national economy.

As with Marx, in our programme too, insufficient attention is paid to agriculture. This must be corrected.

We must study the economic laws in their entirety. We must not neglect agrarian relations under capitalism and socialism.

According to the notes of:

[L.A.] Leontyev, [K.V.] Ostrovityanov, [D.T.] Shepilov, [P.F.] Yudin.

Record of the Discussion of 30th May 1950

Began at 19 hours and ended at 20 hours

Question: How do you think that the text on pre-monopoly capitalism should be submitted? By chapters?

Answer: Nothing would work out in separate chapters. We need an overall picture. That is why I asked for all the chapters to be submitted together. You cannot examine it in separate chapters. It is necessary to depict pre-monopoly capitalism as a whole, immediately give a review of the corresponding economic views, and give the criticism that Marx made of regarding the preceding political economy.

Question: Regarding the plan of the section on pre-monopoly capitalism, how do you intend to submit the portion on primary accumulation – in a separate chapter?

Answer: No, this would go into the chapter on the emergence of capitalism.

In the plan it is proposed to elucidate the question of 'Trading capital and trading profit' only in the XIIIth chapter, after having given the characteristics of industrial capital. Historically this is wrong. The analysis of trading capital should be given earlier. I would put the topic of trading capital before the emergence of the capitalist mode of production. Trading capital precedes industrial capital. Trading capital stimulated the emergence of manufacture.

(**Note:** We propose here to examine trading capital in the framework of the distribution of the surplus value under capitalism, and in the chapter on feudalism we talk about the role of trading capital of that period).

In that case the heading is ineffectual, then give the chapter-heading as 'Trading profit', otherwise people may understand you as saying that the trading capital emerges only during the period of machine production, and this is historically incorrect.

In general, you are avoiding the historical method in the textbook. In the introduction you say that the description would be conducted using the historical method, and yet you avoid it. The historical method is necessary in this textbook, it is not possible to do without it. Nobody with us would understand why trading capital is placed after the examination of the period of machine production under capitalism.

The tone used in the chapter on feudalism is also wrong, it is the popular bazaar tone of a grandfather explaining things to children. Everybody turns up in here -- the feudal turns up, the trader turns up, the buyers-up appear, like puppets on the stage.

You should picture the readership for whom you are writing. You should have in view not stereotypes but people who have finished 8-10 classes. And you are explaining here a word such as regulation and you think that without an explanation they would not understand. You have adopted a wrong tone. You speak as if you are narrating fairy tales.

In the chapter on feudalism you write that the town again separates from the countryside. The first time the town separated from the countryside was during the slave society, and then again it got separated under feudalism. This is nonsense. As if along with the slave society, the towns also were destroyed. The towns emerged during slave society. During the period of feudalism the towns remained. It is true that in the first period they developed feebly but subsequently the towns grew strong. The separation of the town from the villages remained. With the discovery of America and the expansion of the markets, trade was developed in the towns and huge riches were accumulated.

In the chapter on feudalism nothing is said about the discovery of America. Very little is said about Russia. You will have to say more about Russia, beginning with feudalism. In the chapter on feudalism you must throw light on feudalism in Russia until the Emancipation Act.

During feudalism there existed extremely large towns for the period: Genoa, Venice and Florence. During feudalism trade reached huge volumes. Florence could leave ancient Rome far behind.

Under slave society large towns and large-scale production came into existence. As long as there was slave labour, and cheap labour was available there could be large scale production, and big latifundia. Immediately as the slave labour became less available the latifundia started to be divided up. The earlier vivacity is already missing. But the towns remained, they stayed alive. Trade also was conducted, there were ships of 150 oars.

Some of the historians create an impression that the Middle ages were a time of degradation in comparison to the slave society, that there was no movement ahead. But this is incorrect.

In the chapter on feudalism you have not even mentioned what kind of labour was the basis of the feudal society. But you have to show that in the world of antiquity slave labour was the basis, and under feudalism it was peasant labour.

When the large latifundia in slave society fell apart, the system of slavery fell too, the slave was no

more, but the peasant remained. And even under the slave system there were peasants, but they were few and always under threat of becoming slaves. The Roman empire was conquered by the so-called 'barbarian' tribes. Feudalism arose when two societies confronted each other: on the one hand -- the Roman empire and, on the other -- the barbarian tribes, which fought against Rome. This question has been sidestepped, the 'barbarian' tribes have not even been named. Which tribes were these? These were the Germans, Slavs, Gallic tribes and others. These tribes at the time of the conquest of Rome had a commune system. It was particularly strong among the Germans where it was represented by the Mark. The agricultural commune began to coalesce with the remnants of the slave system of Rome and the Roman Empire. The Roman Empire exhibited remarkable endurance. First it broke into two parts: the western and the eastern Empires. Even long after the western Empire was destroyed the Eastern Roman Empire continued to exist for a long time.

It is necessary to clearly and precisely state that peasant labour was the main basis of the existence of the feudal society.

We always say that capitalism has its origins in the feudal system. This is true and unquestionable and it must be demonstrated historically how did this happen. One does not feel that capitalism was born within the feudal society. We do not have here the discovery of America. But, after all, the discovery of America happened during the middle ages prior to the bourgeois revolutions. They were looking for the sea route to India and hit upon a new continent. But this is not essential. What is important is that there occurred a huge degree of growth in trade and a big expansion of the market. Thus were created the conditions wherein the first capitalist manufacturers were able to break apart the guild system. Thus was created a huge demand for commodities and the manufacture system emerged in order to satisfy this demand. That is how capitalism emerged. All this is missing in the chapter on the feudal system. To write a textbook is no simple task. One has to deeply consider history. You have done a hack-work of writing the chapter on feudalism. That is how you have gotten used to delivering your lectures, all wishy-washy. And every one listens to you there and nobody criticises you.

The textbook is written for millions of people, it would be read and studied not only with us but in the whole world. The Americans and the Chinese would be reading it and it would be studied in all the countries. You must have a more qualified readership in view.

Slave society – is the first class society. It is the most engaging society before capitalism. The ills of class society have been taken to their limits in it. Now, when capitalism is facing trouble, it is reverting to the methods of the slave owners. In antiquity wars were conducted so as to acquire slaves. And Hitler in our time started a war to enslave other nations, especially the nations of the Soviet Union. This was also a manhunt. Hitler obtained slaves from everywhere. Hitler had transported millions of foreign workers into Germany, there were Italians and Bulgars and the inhabitants of other countries. He wanted to revive slavery. But he failed. Therefore, when capitalism is in trouble it reverts to the old and most savage methods of slavery.

The bourgeois textbooks talk a lot about the democratic movement in Antiquity and praise the 'Golden Age of Pericles'. It must be shown that democracy in the world of antiquity was a democracy for the slave owners.

I really request you to relate more seriously to the textbook. If you do not know the material study it from books and other sources or ask competent people. The textbook is going to be read by everybody. It will be an example for everybody. You must redo the chapter on the feudal system. It is necessary to show the source of feudalism. The slave owning elite was eliminated and slavery fell apart. But the land remained, the handicrafts remained, the *coloni* remained and the peasant labour remained. The town remained and they prospered towards the end of the Middle ages.

It is necessary to begin the age of capitalism with the bourgeois revolutions -- in England, in France, and the peasant reforms in Russia. By this time capitalism has already acquired its own foundation within feudalism.

It is better to bring a part of materials relating to the emergence of capitalism into the chapter on feudalism.

It is necessary to show the role and significance of state power in the period of feudalism. When the Roman Empire ended, the decentralisation of power and the economy began to take place. The feudals waged war against each other. Small kingdoms were created. State power became fictitious. Every landlord put up his own customs barriers. Centralised power became necessary. Later it acquired real force when nation states began to be organised on the basis of emergence of the national markets. The growth of trade demanded national markets. And here not a word is said about the national markets. The feudals obstructed trade. They fenced themselves off by means of various tariffs and taxes. It is necessary to mention this even if only in a couple of words.

The feudal system is more near to us -- it was there only yesterday. In this chapter one must speak about Russia and the peasant reforms, how the peasants were emancipated -- with land or without land. The landlords were afraid that the emancipation of the peasants would take place from below, therefore the State conducted the reforms from above. With us the system of serf labour was ended when the peasant reform took place, and in France -- it happened at the time of the bourgeois revolution.

In the chapter the propositions being discussed are correct. But all this is spread about, it is not concentrated and it is not done consistently. And the main thing is not mentioned. Which labour formed the central basis of the feudal society?

A quotation from Ilyich is cited to establish that the serf system was based on the stick. This quotation has been taken out of context. Lenin had paid a lot of attention to the economic aspect of the question. It is impossible to keep people under the stick for 600-700 years. The main thing is not the stick, but that the land belonged to the landlords. The land was the basis and the stick was the supplement. You take quotations from Marx and Lenin without thinking in what connection a particular thought was expressed.

Do not be stingy about economic ideas. By acquainting oneself with these ideas the reader gets a more concrete elucidation of the epoch. You must mention mercantilism and Colbert. Within the country Colbert brought down the tariffs but fenced off the State with high tariffs in order to stimulate the development of manufacture and capital in the country. Mercantilism existed prior to the bourgeois revolution.

I make some observations about the democratic movement in ancient Rome and Greece and have written about a page for you. In the chapter on slavery you had not given any criticism of the bourgeois theories of the democratic movement in ancient Rome and Greece. This movement is praised not only in the bourgeois literature but in some of the books with us. The French revolutionaries would swear by the name of the Gracchi.

It is necessary to elucidate by using the historical method once you have taken the job up.

One should not be carried away by the style of bazaar propaganda or popular language because then it would appear like a grandfather is telling stories.

It turns out with you that the town got separated from the countryside a second time. The separation was there and it remained, no reason for it to separate again. The old town under the slave system was not severed from the countryside. The separation of the town was further developed during the end of the Middle Ages. It's enough to recall such towns as Venice and Florence. Recall the hanses. What trade they had, what ships! The trading capital played a major role. The kings remained dependent on the large traders.

Venice conquered Constantinople. It hired soldiers and conquered it. The bounds of trade greatly expanded. Within feudalism a powerful trading class emerged. It was pocketing high dividends. In antiquity two of the biggest traders were -- one Hittite, whose name I do not remember, and one Phoenician by the name of Hiram. They had a lot of money and they would lend money even to the

state. But in comparison to the Fuggers they were nothing.

Question: In relation to your suggestion, it is not clear whether the question of the commodity is to be partly included in the section on feudalism, as it was in the model?

Answer: Of course, it is better to speak of the commodity in the chapter on feudalism. But the full question of the commodity in its entirety needs to be given in the section on capitalism. We agreed, did we not, on following the historical method.

Marx went according to another method. He began with the commodity as the economic cell of capitalism, investigated and turned it over from all sides. But you give the question of the commodity in parts and sum up in the chapter on capitalism. This makes it easier to master. It is necessary to give the theory of commodity in separate elements, as corresponding relations emerge.

Question: As we are going to jot down the economic thought of the period of pre-monopoly capital, what do we do with the explication of Lenin's works. Where do we put them?

Answer: In the chapter on pre-monopoly capitalism one must explain the works of Lenin right up to the publication of his work on Imperialism, or, to be precise, the publication of his article against Trotsky *On the Slogan of the United States of Europe* (in [VI Lenin, Collected Works, Volume 21](#), pp339-343). Here the works of the period of so-called free capitalism must be explained, when different countries were steadily coming up to the level of the others and occupying lands yet unoccupied by anybody else. Then a new period began -- a period of monopoly capital. Thus, the elucidation of Lenin's works must be done in two parts.

The ideology of capitalism in the pre-monopoly period is altogether different from the monopoly period. At that time the bourgeoisie would by all means run feudalism down, would talk of freedom, praised liberalism. It is altogether different under Imperialism, when the ideologues of capitalism throw away all the remnants of liberalism and glean the most reactionary views of the preceding epochs. Now there is an altogether different ideology.

Question: We have faced a similar question: in the section on pre-monopoly capitalism we explain a number of themes to which we never come back in the section on Imperialism, for example, rent from land. Can we give here concrete factual data relating to contemporary capitalism?

Answer: Obviously, you may. After all Imperialism is also capitalism.

Question: In the chapter about the period of machine production do we limit ourselves, as Marx did, only to steam-powered machines, or do we show the further development -- of the internal combustion and electrical engines, without which there is no system of machines?

Answer: Certainly, one must speak about the system of machines too. Marx, after all, wrote in the [18]60's and since then technology has progressed way ahead.

You will have to expand the chapter on feudalism by another 15-20 pages.

Question: Should we not make two chapters -- 1) the main features of the feudal mode of production and 2) decline of the feudal mode of production?

Answer: You decide this yourself as you find necessary. The chapter on feudalism has to be modified almost on the same pattern which was used for writing the chapter on slavery.

In the chapter on feudalism it is necessary to indicate the economic system of the 'barbarian' tribes. One must show what happened when the so-called barbarian tribes and slave-owning Rome met.

In the beginning there was no serfdom, it took place later. It is necessary to show how the relations of serfdom were created. Maybe it is necessary to divide feudalism in two periods: the early and the later.

About manufacture do not speak a lot, it is not the most interesting period of capitalism. Under manufacture the technology is old, in fact it is nothing more than bloated handicrafts. A new quality

is imparted by machines. Manufacture can be cut down, do not get carried away. The machine period changed everything.

A period of one month is insufficient to write the chapter on pre-monopoly capitalism. I think the writing of the textbook will take the whole of this year. And some of it might even take up part of the next year. It is a very serious matter.

We think that in the textbook we must print the names of all the members of the Commission and also print 'approved by the CC AUCP(b)'.

Drafted according to the notes of:

[I.D.] Laptev, [L.A.] Leontyev, [K.V.] Ostrovityanov, [A.I.] Pashkov, [D.T.] Shepilov and [P.F.] Yudin.

The words in brackets belong to the members of the Commission.

Discussion on the Issues of Political Economy

(15 February 1952, the discussion started at 22.00 and ended at 23.10)

Question: May the *Remarks on Economic Questions* be published in the press? Can we use your *Remarks* in scientific, research, pedagogical and literary works?

Answer: We should not publish the *Remarks* in the press. The discussions on the questions of political economy were held *in camera* and the people do not know about them. The speeches of the participants of the discussions were not published. It would not be understood if I come out in the press with my *Remarks*.

The publication of the *Remarks* in the press is not in your interest. It would be interpreted as if everything in the textbook has been defined beforehand by Stalin. I care about the authority of the textbook. The textbook must have an immaculate reputation. It would be appropriate if the contents of the *Remarks* come to be known by the people from the textbook.

One should not refer to the *Remarks* in the press. How can you refer to a document which has not been published? If you like my *Remarks* then use it in the textbook.

You may use it in your lectures, the faculty and political circles but without any reference to the author.

If an insufficient number of copies have been printed then we can make some more, but it should not be published in the press. The textbook gets published, a year or two passes then the *Remarks* may be published. It may then be included in one of the volumes of the works.

Question: [K.V. Ostrovityanov] In your [*Remarks on Economic Questions*](#) consumer commodities are mentioned, but are the means of production also commodities in our system? If not, then how do we explain the use of cost accounting (*khozrashyot -- tr.*) in the sectors producing means of production?

Answer: Commodities are everything that are freely sold and bought, for example bread and meat etc. Our means of production cannot in essence be judged to be commodities. These are not consumer items that go into the market and which are bought by anyone who wants them. The means of production we allocate ourselves. They are not a commodity in the generally accepted sense, not that commodity which exists under capitalist conditions. There the means of production are commodities. Here the means of production cannot be called commodities.

Our cost accounting is not the same cost accounting which operates in the capitalist enterprises. Cost accounting under capitalism operates in a way that unprofitable (*nerentabel'niye--tr.*) enterprises are closed down. Our enterprises may be very unprofitable, they may be altogether

unprofitable. But the latter are not closed down in our system. They receive subsidies from the State budget. Cost accounting in our system exists for the purposes of accounting, for calculation and for the balance. Cost accounting is used as a check for the enterprises' executives. The means of production only formally figure as commodities in our system. Only the items of consumption fall in the sphere of commodity circulation with us and not the means of production.

Question: [K.V. Ostrovityanov] Would it be correct to call the means of production as 'commodities of a special kind'?

Answer: No. If there is a commodity, it must be sold to everyone who wants to buy it. Expressions like 'commodities of a special kind' are no good. The law of value impinges on production of the means of production through the realisation of the consumer commodities. The law of value is needed here for calculations, for the balance and for checking the feasibility of the activities.

Question: [K.V. Ostrovityanov] How ought one to understand the terms -- general crisis of capitalism and crises of the world capitalist system, are they one and the same thing?

Answer: They are one and the same thing. I underline that one should speak about the crisis of the world capitalist system on the whole. With us often only a particular country is taken up, which is not correct. Earlier people would study the capitalist system only on the basis of the conditions in a single country -- England. Now for the evaluation of capitalism one should not take up a particular country but the capitalist system as a whole. The economy of all the capitalist countries is intricately interwoven. Certain countries are moving ahead at the cost of other countries. The limitations of the contemporary capitalist market must be taken into account. An example -- the USA find themselves in a good situation having eliminated competition from their main competitors -- Germany and Japan. The USA hoped to increase their production twofold on the strength of their monopoly. But nothing came of their plans of doubling production. The calculations fell through. One country -- the USA -- moved ahead and the others fell behind. But the situation is unstable, the situation would change in the future. A single country cannot be typical for evaluating the condition of capitalism. It is not correct to take up a single country, one should take up capitalism as a whole. I underline: one must study the world system as a whole, and with us we have got used to taking up a single country.

Question: [D.T. Shepilov] Can we consider the outline of the section 'Socialist mode of production' that is given in the *Proposals* on the draft of the textbook to be correct?

Answer: I agree with the outline contained in the *Proposals*.

Question: [A. Arakelyan] How do we call those parts of the National Income of the USSR which were given the name: 'the necessary product' and 'the surplus product'?

Answer: The concepts of 'necessary and surplus labour' and 'necessary and surplus product' are not suited for our economy. Does all that which goes towards welfare and defence not constitute necessary labour? Is the worker not interested in it? In a socialist economy we should be making the distinctions in approximately the following manner: Labour for ones own self and labour for society. That which in relation to a socialist economy was earlier termed as necessary labour coincides with labour for oneself, and that which earlier was called surplus labour is labour for society.

Question: [A. Arakelyan] Is it correct in place of the concept of the 'transformation' of the law of value in the USSR to apply the concept 'limiting the operation' of the law of value?

Answer: The laws of science cannot be created, destroyed, abrogated, changed or transformed. The laws must be taken into consideration. If we violate them, we suffer. An opinion is widespread with us that the time of the (operation of the -- *tr.*) laws is past. This point of view is frequently found not only among economists but also those engaged in practical work and politicians. This does not correspond with the concept of law. The proposition about the transformation of laws is a digression from science, this comes from philistinism. It is not possible to transform the laws of nature and

society. If it is possible to transform a law then it is also possible to abolish it. If it is possible to transform and abolish laws then it means that 'everything is possible for us'. Laws must be taken into consideration, grasped and utilised. It is possible to limit their sphere of impact. This is so in physics and chemistry. This is so for all science. One should speak not of transforming the laws but of limiting their sphere of operation. This would be more precise and scientific. No imprecision must be allowed in the textbook. We are coming out with a textbook on political economy before the whole world. It would be used at home and abroad.

We do not limit the laws, but the material objective conditions. When the sphere of operation of the law is limited the law looks different. The sphere of operation of the law of value with us is limited. The law of value is not exactly what it was under capitalism. It is not transformed with us but limited by the force of objective conditions. The main thing is that here private property has been eliminated and labour power is not a commodity. These are the objective conditions that determine the limiting of the sphere of operation of the law of value. This limiting of the law of value occurs not because we wanted it but because such is the necessity, such are the favourable conditions for such a limitation. These objective conditions impel us to limit the sphere of the operation of the law of value.

Law is a reflection of the objective process. The law reflects the correlation between objective forces. The law shows the correlation between the causes and the result. If a certain balance of forces and certain objective conditions are given then inevitably certain results follow. One has to take account of these objective conditions. If some of the objective conditions are missing then the corresponding results will be different. With us the objective conditions have changed as compared to capitalism (there is no private property and labour power is not a commodity), therefore, the results are also different. The law of value has not been transformed with us, but the sphere of operation is limited by virtue of the objective conditions.

Question: How should one understand the category of profit in the USSR?

Answer: A certain amount of profit is needed by us. Without profit we cannot create reserves, have accumulation, support fulfillment of defence tasks and satisfy social needs. Here we can see that there is labour for one self and labour for society. The word profit itself has become very dirty. It would be good to have some other concept. But what? Perhaps net income? Under the category profit we have hidden an altogether different content. We do not have a spontaneous capital flow and no law of competition. We do not have the capitalist law of maximum profit nor the law of average profit. But without profit it is not possible to develop our economy. For our enterprises even minimal profits are adequate and, sometimes, they can work without profits on account of profits of other enterprises. We ourselves distribute our resources. Under capitalism only profitable enterprises can exist. In our system we have very profitable (*rentabel'niye -- tr.*), somewhat profitable and totally unprofitable enterprises. During the first years our heavy industry did not produce any profit but started to do so later on. In general, the enterprises of the heavy industry during the initial period are themselves in need of means.

Question: [A.I. Pashkov] Is the position of the majority of the participants in the economic discussions on the issue of the linkage of the Soviet money and gold correct? Some of the followers of the minority, which rejects this linkage, state that in the *Remarks on Economic Questions Connected with the November 1951 Discussion* there is no answer to this question.

Answer: Have you read the *Proposals*? In my observations it is mentioned that on other issues I do not have any remarks regarding the *Proposals*. That means that I agree with the *Proposals* on the issue of the linkage of our money with gold.

Question: [A.I. Pashkov] Is it correct that differential rent in the USSR must be fully extricated by the state, as it was asserted by certain participants of the discussions?

Answer: On the question of the differential rent I am in agreement with the opinion of the majority.

Question: [A.D. Gusakov] Does the linkage between Soviet money and gold means that gold is a monetary commodity in the USSR?

Answer: Gold is a monetary commodity. Earlier with us the shape of things with the cost of production of extraction of gold was not good. Later we took steps to bring down the cost of production and things got better. We made a transition to the gold standard. We take the position that gold becomes a commodity and we will achieve it. There is, obviously, no necessity to exchange money for gold. It is not prevalent even in the capitalist countries.

Question: [I.D. Laptev] Do the Soviet state finances belong to the sphere of the basis or to the state-political superstructure?

Answer: Whether it is the superstructure or the base? (laughs). In general lot has been said on the issue of the base and the superstructure. There are people who even relegate Soviet power to the basis.

If you leave aside generalisations about basis and superstructure on this issue, then we have to proceed from socialist property. Our budget is fundamentally different from a capitalist one. Under capitalism every enterprise has its own budget, and the state budget encompasses a more narrow sphere than our state budget. Our budget covers all the income and expenditure of the peoples' economy. It reflects the status of the whole of the peoples' economy and not simply expenditure on management. It is a budget of the whole of the peoples' economy. Therefore, in our finances the elements of the basis predominate. But there are also elements of the superstructure present in it, for example, the expenditures on management belongs to the superstructure. Our state oversees the people's economy, our budget includes not only expenditure on the managing apparatus but on the whole of the people's economy. The budget has elements of the superstructure, but the elements of the economy predominate.

Question: [A.V. Bolgov] Is it correct that the agricultural *artel* would exist during the whole period of uninterrupted transition from socialism to communism whereas the agricultural commune is related only to the second phase of communism?

Answer: The question is meaningless. The *artel* is moving towards the commune, it is evident. The commune will be created when the functions of the peasant household of servicing their personal requirements will vanish. There is no need to hurry with the agricultural commune. The transition to the commune requires the solution of a mass of questions, construction of good canteens, laundries, etc. The agricultural communes will be created when peasants will be convinced of the feasibility of a transition to the communes. The *artel* does not correspond to the second phase of communism, more likely the commune corresponds to communism. The *artel* requires commodity circulation and, at least, for the time being does not allow for products-exchange, and more so does not allow for direct distribution. Products-exchange is after all still exchange, and direct distribution is distribution according to needs. As long as commodity production, sale and purchase exist, we must take these into account. The *artel* is linked with sale and purchase while direct distribution will develop only in the second phase of communism. When the agricultural *artel* will grow into a commune is difficult to say. It is not possible to say that the second phase of communism would already be in existence when the commune would be created. But to say that without the commune it is not possible to make the transition to the second phase of communism is also risky.

One should not imagine the transition to the second phase of communism in a layman's terms. There would be no particular 'admittance' into communism. Steadily, without knowing ourselves we will enter communism. Its not like an 'entry into the city', the 'gates are open -- enter'. In many of the collective farms the women members (*kolkhoznitsi -- tr.*) still do not want to be released from the bondage of household work, or hand over the cattle to the *kolkhoz*, so as to receive meat and milk products from it. But as for now they do not refuse to do so in the case of fowl. These are only the first green shoots of the future. At present the agricultural *artel* is not an impediment to the development of the economy. During the first phase of communism the *artel* will gradually grow

into a commune. One cannot draw a sharp line here.

It is necessary to bring the production in the *kolkhoz* to the level of whole of the society. There are a mass of complex questions here. The *kolkhozniki* need to be taught to have more consideration for the affairs of the society. At present the *kolkhozes* do not want to know about anything except their own economy. At present there is no integration of the *kolkhozes* at the district and provincial level. Should we not make a move from above in this case for creating an All-Union economic organ consisting of representatives of industry and the collective farms that would account for the produce of both the industry and the collective farms. One needs to begin with the accounting of the produce of the state enterprises as also of the *kolkhozes* and then turn to the distribution first only of the surplus produce. We must set up funds which are not to be distributed, and funds that are earmarked for distribution. It is necessary to steadfastly teach the *kolkhozniki* to have consideration for the interests of the whole of the people. But it is a long course and one need not to hurry. There is nowhere to hurry to. Things are moving fine with us. The aim is right. The path is clear, and all the orientations are set up.

Question: [Z.V. Atlas] Why is it that in the [Remarks on Economic Questions Connected with the November 1951 Discussion](#) the term 'monetary economy' is placed in quotations marks?

Answer: Once there is commodity circulation, there must be money. In the capitalist countries the monetary economy, including the banks, leads to the ruination of the workers, the impoverishment of the population and increase in the wealth of the exploiters. Money and the banks serve as means of exploitation under capitalism. Our monetary economy is not the usual one and is distinct from the capitalist monetary economy. With us money and the money economy serve to strengthen the socialist economy. With us the monetary economy is an instrument that we are using in the interests of socialism. The quotation marks are there so as not to confuse our money economy with the money economy under capitalism. The words 'value' and 'forms of value' are used by me without quotation marks. Money is also included here. A lot of factors determine the law of value with us, it indirectly affects the production and directly affects circulation. But the sphere of its operation with us is limited. The law of value does not lead to ruination. The biggest difficulty for the capitalists is the realisation of the social product, the transformation of commodity to money. With us realisation takes place easily, it moves smoothly.

Question: [G.A. Kozlov] What is the content of the law of planned and proportional development of the national economy?

Answer: There is a difference between the law of planned development of the national economy and planning. The plans may not take into account all that, which would be necessary to have been taken account of according to this law, according to its requirements. If, for example, a certain number of automobiles are being planned, but if along with this the corresponding amount of thin metal sheet is not planned, then in the middle of the year the automobile plants would come to a standstill. If a certain number of automobiles is planned, and a corresponding amount of petrol is not planned for then it would also mean a breach of linkages between the given branches. In these cases the law of planned and proportional development of the national economy makes itself felt in a serious manner. When it is not transgressed it sits calmly and its address remains unknown -- it is everywhere and it is nowhere. In general, all laws are felt when they are transgressed, and this does not go unpunished. The law of planned development of the national economy shows the lack of correspondence between the branches. It requires that all the elements of the national economy correspond mutually and develop in correspondence with each other, proportionally. The mistakes of planning are corrected by the law of planned development of the national economy.

Question: [M.I. Rubinshtein] How is the basic task of the USSR to be understood in the current period. In determining this task do we need to take as the starting point the figures per head of capitalist production according to the population of 1929 or do we need to take for comparative purposes the updated level of capitalist production which, for example, in the case of the USA due to the militarisation of the economy is higher than that of 1929? Is it correct to consider, as is

frequently done in publications and lectures, that the achievement of the quantity of production, indicated in your speech of 9th February 1946, signifies the decisive economic task of the USSR for the entry into the second phase of communism?

Answer: The method of calculation which proceeds from production per capita retains its force. Production per capita is the basic yardstick of the strength of countries. There is no other measurement which replaces this. It is necessary, to proceed not from the level of 1929 but from contemporary production. We require new calculations. It is necessary to compare our per capita production in terms of the current figures of the capitalist countries.

The figures I put forward in 1946 did not signify the decisive economic task for the transition towards the second phase. By achieving these figures we become more strong. This safeguards us from the peril of the enemy assault, from the attack of capitalism. But the decisive task which is indicated in the speech of 1946 does not as yet signify the second phase of communism. Some comrades are too much of a hurry to effect the transition to the second phase of communism. One should not be in excessive haste in this transition as one cannot create the laws. Yet others are thinking of a third phase of communism. The yardstick is old. For the purposes of comparison with those countries which are richer we need to use up to date facts. This means advancing forward.

Drafted according to the notes of Com[rades]

[L.M.] Gatovsky, [I.I.] Kuzminov, [I.D.] Lapytev, [L.A.] Leontyev, [K.V.] Ostrovityanov, [V.I.] Pereslegin, [A.I.] Pashkov, [D.T.] Shepilov and [P.F.] Yudin.

Taken into account are the notes of Com[rades]

Atlas, Arakelyan, Bolgov, Vasilieva, Gusakov, Kozlov, Lyubimov, Rubinstein.

Translated from the Russian by Tahir Asghar.