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Lenin and Economic Planning

LENIN was the founder and, during its formative years, the undisputed leader of the world's first planned, socialist economy. No wonder that the great economic debate of the 1960s and the reforms that followed in Soviet-type economies have been accompanied by an upsurge of interest in his views on economic planning and organization. It is often the fate of a classic to be all things to all men and Lenin did not escape it. Some participants in the debate present him as favoring decentralization of decision-making, autonomy of enterprises, reliance on economic calculus and incentives. Others remind us of a Lenin who said, "We Bolsheviks are centralizers by conviction, by tactics, by policy,"[1] and who wanted the whole economy to be directed from the center like one gigantic enterprise, relying on command rather than demand as a guide to resource allocation. The Chinese and the Cubans quote Lenin's proposals for the abolition of money and markets, his appeals for a resolute subordination of individual preferences to the common good. Some of the Czech and Polish reformers, on the other hand, invoke Lenin's authority as almost that of a patron saint of market socialism and of humanistic planning.

It is then of more than merely historical interest to explore Lenin's views on economic planning and the reasons for these apparent inconsistencies.

I

In his early writing Lenin equates planning with efficiency, and with static efficiency at that.[2] "The need for planning results from the very nature of modern technology as applied in large-scale industry."[3] Capitalism is capable of meeting this need to a limited extent only. It has managed to improve ef-

[1] V. I. Lenin, *Sochinenia*, 4th ed., XXVI, p. 91. All subsequent references to Lenin's works are to that edition unless otherwise indicated.

[2] i.e., maximum present output from given inputs rather than the rate of growth over time.

[3] III, p. 478.

ficiency of resource allocation *within* an enterprise through the use of modern management and accounting methods, motion study, etc. But relations *among* enterprises, among the manufacturers and users of a product continue to be governed by markets which Lenin views as primitive and wasteful institutions. "Market chaos," "market anarchy" are the favorite contexts in which he uses that word. In particular, a capitalist firm is too small a decision-making unit. Its information about future market trends is too uncertain and tenuous to correctly anticipate demand for its products. As a result, resources get misallocated to unwanted goods and the consumers' actual needs are not adequately met.[4]

As the economy becomes more complex, the cost of planlessness grows. It is true, there is one partial offset: the decline of competition and the rise of cartels. Unlike bourgeois economists who have traditionally deplored this phenomenon as impairing efficiency, Lenin welcomes cartelization. It increases the size of decision-making units, widens their horizon and makes possible planning on the scale of a whole branch of industry such as steel or oil rather than of a single enterprise. But, even though cartel management may be better informed and efficient, its decisions remain geared to the antisocial goal of profit maximization: of course Lenin looks upon profit as a measure of exploitation rather than efficiency; national economic planning which would coordinate the activities of various sectors and allocate resources rationally, in accordance with needs rather than with profits, remains outside the reach of capitalist countries. An important argument in favor of socialism is that it will institute a planned economy. The question is: how? What does Lenin mean by planning? These questions remain largely unanswered in his prerevolutionary writings.

Much of Lenin's criticism of unplanned "monopoly capitalism" is well taken. Profit maximization by cartels is certainly not conducive to an efficient resource allocation nor to a maximum consumer welfare which, as stated in the 1903 program

[4]XX, p. 135.

of the Russian Social Democratic Party, was to be the main objective of socialist economic planning. The capitalists' decisions *are* based on imperfect information; the markets' adjustments to change in demands *are* sluggish and wasteful. Lenin's emphasis on the informational inefficiency of capitalism makes one expect that his discussion of socialist planning would take up where his critique of capitalist planlessness left off. Such is not the case. He correctly saw an important source of capitalist waste in uninformed decisions but grossly underestimated the much greater and complex informational requirements of a planned national economy and the waste that would result if these requirements were not met.

What would be the planners' functions and the scope of their decisions, the relationship between the plan and the market? How would planners obtain the necessary information and at what cost? If the planned economy is highly centralized, will the planners not be overwhelmed by the sheer volume of information? If not, how will they assure that decentralized decisions conform to their objectives? Granted that profit is an imperfect measure of social welfare, what success indicator will they substitute for it? One can hardly blame Lenin for not providing *ex ante* solutions to all these problems in his prerevolutionary blueprints. It is puzzling, however, that he did not seem to be aware of the very existence of these problems. In September 1917 he still viewed the unprecedented task of constructing a national economic plan as a simple job to be done by bourgeois technicians as part of their compulsory labor obligation. Either they would turn out a workable plan or they would not eat.[5] And, notwithstanding the hard lessons of the years that followed, in 1920 he set a deadline of a mere two weeks for the bourgeois specialists called upon to prepare a ten-year development plan for the national economy. The deadline was then extended to two months and, finally, to eight months.

But perhaps Lenin gave little thought to theoretical and practical problems of economic planning and organization be-

[5]XXVI, p. 93.

cause they had already been satisfactorily handled by Marx? Hardly. Lenin repeatedly complained of having received little if any guidance from the classics of Marxism as regards the organization of a planned socialist economy. "It did not even occur to Marx to write a single word on this topic [of state capitalism] and he died without leaving any precise citation, any irrefutable instruction. And so now we have to extricate ourselves as best we can."[6] On another occasion he questioned the applicability of a key Marxist concept, the definition of the proletariat: "this is correct according to Marx, but Marx did not write about Russia."[7]

Instead, Lenin found a model to emulate in the wartime planned economy of imperial Germany, "the ultimate in modern large-scale capitalist techniques, planning and organization."[8] In December 1916, he sums up the lesson socialists can learn from German planning: "If Germany has managed to direct the whole economic life of a nation of sixty-six million *from one central agency* . . . the deprived masses are quite capable of achieving this as well."[9] Thus, long before the civil war broke out in Russia. Lenin had looked upon this highly centralized system, with central allocation of supplies, rationing of consumer goods and compulsory labor, as a prototype of the future planned socialist economy. Nor did he expect at that time that socialism would be introduced in Russia under wartime conditions. The German planners' top objective was hardly maximum efficiency, to say nothing of maximum consumer welfare: it was the survival of the political regime. Interestingly enough, Lenin saw Russia's future political system in "a state of the type of the Paris Commune."[10] He did not stop to think whether this political model, embodying the anarchic ideals of Proudhon, was compatible with the economics of General Ludendorff. One think which the two had in common was that they both originated

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[6]XXXIII, p. 249.
[7]XXXIII, p. 268. For a similar observation, see also XXVII, p. 376.
[8]XXVII, p. 306.
[9]XXIII, p. 202 (Lenin's italics). See also *ibid.*, p. 147.
[10]*Ibid.*, pp. 207-8.

in besieged fortresses: Paris of 1871 and the blockaded German empire of World War I.

On the day of the October Revolution, Lenin put a Bolshevik journalist and economist, Yuri Larin, informally in charge of reorganizing Russia's economy: "you studied organizational problems of the [wartime] German economy: syndicates, trusts, banks—take care of these problems in this country too."[11] This Larin proceeded to do, setting up a system of state cartels *(glavki)* and a number of other Soviet institutions, some of which survive to this day. Years later, Lenin still believed that "our task is to learn state capitalism from the Germans, to adopt it using all the power we have, not stopping at dictatorial measures in order to accelerate its adoption, not stopping at barbarian means in fighting barbarism."[12] He did not view German wartime planning as a set of emergency measures designed to cope with a temporary condition of abnormal scarcity, but as the most advanced stage of capitalism, its peak achievement: "the war has achieved what had not been achieved in twenty-five years: from monopoly they [the capitalist states] have passed to state monopoly."[13] It appeared natural that the communist planners should borrow the most advanced model capitalism had to offer. It did not occur to them that, if Marx, as Lenin puts it, did not write about Russia, neither did Rathenau.

II

In his *State and Revolution* and other writings of the fall of 1917 Lenin's main purpose is to prove the feasibility of establishing a socialist state in Russia. His blueprint deals with an interesting case of a centrally planned economy in which industry, apart from the already existing cartels, is not nationalized. Except for bread rationing and compulsory labor duty, there is no mention of direct interference with markets. Nevertheless, the socialist economy built with these building blocks

[11]As reported by Larin, in: *Narodnoe khoziaistvo,* 1918, No. 11, p. 16.
[12]XXVII, p. 307. This statement is repeated in XXXII, pp. 313-314.
[13]XXIV, p. 210.

is to be highly centralized, organized, as it were, into one giant factory, one firm. He compares it to the post office, which seems to imply that an enterprise would be little more than a mailbox, a repository for in- and out-going messages.

The crucial problem obviously is how to assure the compliance of privately owned enterprises with the socialist planners' commands. For this purpose Lenin proposes a rather strange combination of two channels of control. One is the State Bank, created through amalgamation and nationalization of all the existing banking institutions. It will have branches in each factory, each rural commune, and Lenin sees it as "nine-tenths of the socialist apparatus. . . . Socialism is unthinkable without large-scale banking."[14] This banking leviathan will forthwith establish a nationwide accounting of the production and distribution of commodities. The other control agency consists of detachments of armed workers to whom Lenin assigns the task of controlling bourgeois experts who will turn out the plan, bourgeois entrepreneurs who will carry it out, and bourgeois banking employees who will supervise the bourgeois factory managers. In a much-quoted statement Lenin reassures the reader (and himself) that the workers' task will be an easy one since "under capitalism . . . accounting and control have been reduced to extremely simple operations which can be performed by any literate person."[15] Four years later Lenin reappraised this position: "when the task is to build a Soviet economy, literacy alone is of little help. One needs culture. . . ."[16]

This is of course not the only weakness in Lenin's plans in 1917. One wonders about the huge bureaucracy his banking leviathan would tend to generate. What would entrepreneurs do in the probably not infrequent cases when signals reaching them from the markets, from the bank and from the armed workers would point in opposite directions? What incentive would they have to continue performing their entrepreneurial functions? In his attempt to transplant some of the institutions

[14]XXVI, p. 86.
[15]XXV, p. 445.
[16]XXXIII, pp. 51-52.

of German state capitalism into Russian soil, Lenin overlooked an essential difference in the position of "the bourgeois" in the two countries. In wartime Germany the bourgeois might have been willing to accept temporary restrictions imposed by a government which, according to Lenin himself, represented ultimately *their* interests. This made possible highly centralized planning without nationalization. In Russia, a socialist government could hardly count on the same degree of compliance, and sending detachments of armed workers into the labyrinths of profit-and-loss accounts was hardly the best method of reconciling the plan with the market.

The most likely explanation is that Lenin's main purpose at this stage was to show that, despite its low educational level, the Russian proletariat could operate a planned economy. Hence his insistence that accounting and control no longer require any specialized knowledge and that, where needed, people possessing such knowledge can be made by force to serve the planners' purposes. Lenin himself probably did not take too seriously his blueprints of 1917 for a coexistence of socialist planning with capitalist markets. He disclosed subsequently that even at a later date, in March and April 1918, he "completely ignored the problem of what role markets and trade should play in our economy."[17] And without coming to grips with that problem one could hardly discuss in operational terms any issue of socialist economic planning.

Meanwhile, markets refused to remain in the *ceteris paribus* compound and wait until Soviet planners would assign them a role to play. Inflation, profiteering, black markets, phenomena which had been prominent before the October Revolution, became even more serious in the months following it. During the period of War Communism beginning in June 1918 the dichotomy of plan vs. market was resolved in the form of an all-out fight against the market combined with little attention paid to planning. The latter consisted mainly of procedures for the distribution of existing stocks among various categories of

[17]XXXIII, p. 65.

priority users. Production, in the war-torn economy, was at a fraction of capacity and investment almost at a standstill. Nevertheless the period is important in the history of Soviet economic planning, less for its immediate achievements than for the impact it had on future attitudes, methods and institutions, many of which originated during War Communism. As regards Lenin's attitudes toward planning, the years of War Communism cover more than one-half of his active tenure as leader of the Soviet state and some of his most crucial economic decisions and programmatic documents (including the Party Program and the first long-term development plan, GOELRO) date from that period.

III

There are two schools of thought among Soviet economic historians about the policies which Lenin pursued during War Communism. According to one, they represented enforced, temporary measures taken in response to the immediate needs of the war and intended to end with the war. They therefore hardly reflect Lenin's image of a planned socialist economy. Did not Lenin himself say, at the close of that period, that "War Communism . . . was forced upon us by extreme misery, war and devastation. . . . It was a temporary measure"?[18]

One tends, however, to agree with an alternative interpretation advanced, i.a., by such historians as V. I. Billik, according to which Lenin employs the term War Communism here, as was common in those days, in a more restrictive sense than we do nowadays; namely, as referring specifically to only one measure, the confiscation of grain from the peasantry. Undoubtedly, one can hardly think of grain confiscation policies as a permanent feature of socialist planning.[19] But War Communism was more than that. In addition to such temporary measures designed to cope with emergencies, it encompassed long-term policies, several of which were also incorporated in the 1919 Program of the Communist Party: the transition to a moneyless

[18]XXXII, p. 321. For example, see Gimpel'son, E.G., "O politike 'voennogo' kommunizma," *Voprosy istorii*, 1963, No. 5.

[19]This point is well made by Alec Nove in his "Lenin As Economist," in Leonard Schapiro and Peter Reddaway, eds., *Lenin, the Man, the Theorist, the Leader* (New York, 1967), pp. 187-210.

economy, planning in physical terms, central allocation of supplies, complete nationalization. In fact, the most extreme measures of this nature were introduced at the time when the civil war was already ending and after the armistice with Poland had been concluded. The decisions to replace the government ruble budget with a commodity budget, to replace the ruble with a "labor unit," *tred,* as a measure of value and as an accounting unit, to abolish money, taxation and rent, to nationalize small-scale industry,[20] belong to this period.

One can also agree with Billik that if War Communism consisted only of temporary emergency measures, it is not clear why Lenin went out of his way to emphasize the fact that the New Economic Policy represented "a retreat," "a sharp turn." "A turn from what?" asks Billik. "The need to give up 'temporary' emergency measures that had been forced upon one is self-evident after the extreme circumstances have ceased to exist."[21]

Important policy decisions could hardly be taken without Lenin's concurrence. In some of the most fundamental ones announced during War Communism, his personal preferences are known to have been more extreme than the formulations adopted by the party. Thus in his original draft of the Party Program, he proposes "an unflinching policy of replacing commodity markets with centralized distribution on a national scale" as well as "the most rapid implementation of the most radical measures preparing for the abolition of money."[22] Characteristically, this formulation is more radical than the one actually adopted in the 1919 Program.

It therefore appears plausible to assume that in Lenin's view of a planned socialist economy there was little room for monetary measurements and for market socialism and that his preferences went in the direction of planning in physical terms and of direct allocation of supplies.

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[20]Cf. Billik, V. I., "V. I. Lenin ob ekonomicheskoi politike v 1917-1921 gg.," *Istoricheskie zapiski,* 1967, No. 80, p. 146; Arnold, A. E., *Banks, Credit and Money in Soviet Russia* (New York, 1937), pp. 106 ff.

[21]Billik, *op. cit.,* p. 141.

[22]XXIX, pp. 116-7.

His preference for a high degree of centralization of decision-making is also well established. "Communism demands the maximum centralization of the administration of large-scale production on a national scale. Consequently, the all-Russian center must have the indisputable right to give orders *directly* to all enterprises of a given industry."[23] He called for "the conversion of the economic mechanism into one huge machine . . . so that hundreds of millions of people be directed by one plan."[24] In October 1919 he received a complaint from Chicherin who believed that the excessive centralization of industry and limitations on the autonomy of plant management were contrary to the principles of communism. Lenin's answer was: "Unfortunately, there is as yet no genuine centralization."[25] In brief, it appears plausible to interpret some of the antimarket, anti-money, and procentralization policies that Lenin followed during War Communism as reflecting not only the necessities of the moment but also his long-term views about the nature of economic planning under socialism.[26]

IV

The New Economic Policy launched in March 1921 is viewed by Lenin as a retreat, an enforced retrenchment from the principles of War Communism. The new policy contains important elements of market socialism. Lenin now enjoins communists "to learn how to trade," to encourage local initiative rather than rely on commands from the center, to gear rewards to performance.[27] Enterprises receive a measure of autonomy

[23]XLII, p. 63. This pronouncement was quoted in recent years, i.a. by Leonid Brezhnev in support of the decree abolishing regional economic councils and reinstituting industrial ministries. See *Pravda,* September 30, 1965.

[24]XXVII, p. 68.

[25]XLIV, p. 232.

[26]It goes without saying that his long-term views were colored also by temporary characteristics of the Soviet economy. For example, his antimarket bias could have been intensified by the wartime wheeling and dealing of Russian tradesmen. No other person than Kerensky's vice-minister of trade and industry, Bernatskii, proposed in July 1917 "to make use of the private apparatus for the government's purposes" but added that "one must first disable its harmful instincts" (quoted by Laverichev, *Voprosy isorii,* 1963, No. 4, p. 53). This sounds very much like Lenin when introducing NEP. But then Lenin had had a firm disdain for "market anarchy" long before the war.

[27]XXXIII, p. 47.

and profitability becomes their main success indicator. Now Lenin appears to be leaning toward the view that profit maximization in a planned socialist economy may perform a socially useful role by improving efficiency and providing the state with investment funds. The new policy presupposes the use of money as a measuring rod and, if as late as May 1921 plans were still discussed of abolishing money and replacing it with "labor units," by November 1922 Lenin sees in the stabilization of the purchasing power of the ruble the main precondition for the victory of communism.[28]

Just as in the case of War Communism, the question arises: to what extent did NEP represent a response to the passing needs of the economy, a tactical concession of the *reculer pour mieux sauter* type, and to what extent did the new policies correspond to Lenin's long-term vision of a planned socialist economy? Lenin himself never defines NEP as a superior stage of development but only as an enforced retreat. He would rather have organized barter between the nationalized industrial sector and peasant farming than markets regulated from the center. Nor is he convinced that, even with the "commanding heights" in the hands of the socialist state and with powerful means of persuasion and compulsion available to it, regulated markets would obey the system's directors. Drawing a balance sheet of the first year of NEP, Lenin warned that the state's economic machine, which was entrusted with the implementation of the new policies, in fact disobeyed their intent. He compared that machine to

> —a car which refuses to obey the driver and does not run in the direction in which it is being steered. Instead it follows the orders of someone or something else . . . of speculators, private capitalists or both. In any event, the car . . . is running in quite a different direction from what the man who is sitting at the steering wheel imagines. This is the basic thing that we must remember about the problems of state capitalism.[29]

Nor was the outcome of this struggle between the driver and the car, between the plan and the market, too certain. Lenin

[28] *Ibid.*, p. 386.
[29] *Ibid.*, p. 250.

warned that unless the all-out electrification of the economy and especially of its rural sector could be carried out within ten to twenty years, "the restoration of capitalism is inevitable." On the other hand, if electrification succeeds, free trade and socialism may coexist.[80] The meaning of this somewhat cryptic prophecy may be inferred from contemporary sources: by becoming dependent on electric power supplied from central stations, farmers would become dependent on the state.[81] By acquiring levers of control over agricultural production, planners would acquire sufficient influence over marketing as well.

If, despite his awareness that the planners' control over the market forces was apt to be very imperfect, Lenin nevertheless embarked upon the New Economic Policy, it was because he had little choice. The remote chance of a restoration of capitalism in a distant future was preferable to the risk of an immediate collapse, had the policies of War Communism been continued. It is important, however, that the failure of those policies was not considered conclusive proof that the system itself was at fault. On the contrary: it was thought to have failed because it was too advanced for the primitive Russian setting.

For example, the highly centralized system of War Communism had resulted in a proliferation of bureaucracy, a slowdown in the decision-making process and informational bottlenecks. Lenin now warned that the bureaucratization of economic planning was a serious danger and that if communism ever perished it would be by drowning in the bureaucratic swamp. The revival of markets under NEP was intended to dry up that swamp by providing direct links between producers and buyers and eliminating bureaucratic intermediaries. Lenin thought that centralization breeds bureaucracy not *per se*—say, because of the volume of the flow of information—but only if it takes place in a country with low educational and living standards where the private sector consists of millions of backward production units. In such a country markets become a necessary evil, "the only way to link tens of millions of peasant farmers

[80]XXXIII, p. 302.
[81]L. Trotsky, *Sochinenia,* XV, p. 237.

to the industrial sector."[32] This implies that as educational and living standards improve, as large-scale modern farms and "a splendidly mechanized industrial sector" develop, the need for the markets will decline. One may then have centralization without bureaucracy and the plan will replace the market as the link between the agricultural and the industrial sectors. If this interpretation of Lenin's position is correct, it implies that market socialism is hardly a suitable organizational form for an advanced socialist economy, but rather a transitional stage through which socialist planning in an underdeveloped country must pass before it can reach for better forms. In this sense, War Communism may have been, as a contemporary economist put it, "a breakthrough of the future into the present."[33] One also wonders whether such a transitional stage would be necessary were a communist revolution to take place in an advanced capitalist country such as Germany, where Lenin's prerequisites for a marketless planned economy were already present.

To return to Russia, Lenin defined NEP as a long siege of the capitalist fortress made necessary by the failure of the frontal assault.[34] How long a siege? In October 1920, he expected communism to be achieved within one to two decades,[35] i.e., apparently after the fulfillment of the GOELRO plan. Since there is no evidence that this expectation was affected by the NEP interlude, this would put an upper limit to the anticipated duration of NEP.

In the meantime, while enjoining his socialist managers "to learn how to trade," Lenin did not want them to forget the old principle of War Communism that from sale to jail is only one step. His ambiguous attitude is best exemplified in a letter to the ministry of finance, dated February 1, 1922. The letter deals with what was perhaps the basic issue of his decentralization policies: how to engineer the success of decentralized decisions. Lenin begins as would a reasonable proponent of

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[32]XXXI, p. 394; XXXIII, p. 90.
[33]Kritsman, L., *Geroicheskii period russkoi revolutsii*, 2nd ed., 1926 p. 77.
[34]XXXIII, pp. 59-77.
[35]XXXI, pp. 274-5.

market socialism *à la* Oskar Lange: "I believe that trusts and enterprises in *khozraschet* have been set up for the explicit purpose of making them responsible, fully responsible for not incurring any losses." But then as Lenin goes on, a strange metamorphosis takes place: "If this is not achieved, all members of the executive board ought to be taken to court and punished with long prison sentences (which may be suspended), with confiscation of all their belongings, etc."[36] On being informed of a delay that occurred in transmitting orders for hydraulic turbines for the Volkhov hydroelectric project, Lenin's reaction is: "Find the guilty ones without fail and let them rot in jail."[37] He even proposed to imprison all those delegates to the Eighth Congress of Soviets who failed to provide the local libraries of their districts with the text of the electrification plan.[38] In contrast to Lange's model of socialist planning there is a distinct tendency here to rely on a method of trial-and-terror, while, at the same time, advocating "socialism built on incentives and . . . on economic accountability."[39] The problem of assuring that socialist managers make the most of the resources entrusted to them is undoubtedly a difficult one. But presenting them with the decision-making rule proposed by Lenin, "make profits or go to jail," does not solve the problem. In a way, Lenin applies here a wartime method to the solution of a peacetime problem, a practice which was to become more common in Soviet planning under Stalin. But what may serve well the cause of survival does not necessarily help the cause of economic efficiency.

V

But exactly how important an objective was economic efficiency in Lenin's eyes? This brings us to a broader question: what functional significance did socialist economic planning occupy in his political program? We have already noted that in his prewar writings, Lenin saw the main advantage of socialist planning in a more efficient satisfaction of consumer needs. But after the Revolution, his overriding objective was to retain

[36]XXXV, p. 468.
[37]XXXVI, p. 502.
[38]XXXII, p. 374.
[39]5th edition, XLIV, p. 151.

power. This has to be borne in mind since some of Lenin's choices of planning and organizational schemes, which may have had adverse effects on both consumer welfare and productivity, were entirely rational from the viewpoint of the planners' (i.e., in this case Lenin's own) preferences if they resulted in an appropriate gain in political power. Lenin himself stated his priorities quite clearly.

> The dictatorship of the proletariat in Russia has brought with it greater sacrifices, greater misery and toil than have ever been known in history. Most probably it will happen the same way in any other country.
>
> The question arises now, how to allocate these hardships? . . . According to the principle of justice or that of majority? No. We must act as practical men. We must distribute them so as to preserve the power of the proletariat. *This is our only principle.*[40]

Of course, one might argue that this objective does not necessarily enter into conflict with those of consumer welfare or efficiency: the better satisfied the consumers and the more efficient the producers in a planned socialist economy, the more secure the foundations of the communist party's rule, which Lenin customarily identified with the power of the proletariat. By the same argument, however, economic policies aimed at an equitable distribution of hardships or at satisfying the majority's preferences would also solidify the party's power, gaining for it goodwill, consent, popularity, etc. Lenin quite properly emphasized that the preservation of power was his "only principle" of decision-making in cases when objectives, each of them worthwhile in itself, entered into conflict.

But even accepting Lenin's criteria for appraising the significance of a planned economy, one could hardly argue (as is sometimes done) that his economic policies were invariably "rational" by virtue of the fact that they were "successful": did not the Communist Party retain power? By the same token, even if the extreme centralization and an all-out nationalization of small-scale industry under War Communism were a net economic

[40]XXXII, pp. 464-5 (speech of July 1, 1921. Italics supplied).

loss, were they not justified from the viewpoint of increasing the government's control over the economic process? The question is of some interest and it is possible that it was considered at the time when the decisions in question were made in 1920. It appears plausible, however, to argue that even in terms of Lenin's criteria, such decisions were erroneous. As centralization reached a point where, in Trotsky's words, the movements of each locomotive had to be directed from Moscow, the planners' grip over the nation's economic activity was loosened rather than strengthened. They lacked the necessary information to make informed decisions and the communications facilities to transmit them in time. As a result, if reports from the factories reached the center at all,

> . . . they were late and, given the small size of the apparatus, it was not feasible to provide timely direction . . . from the center. Consequently, the directives reaching a factory were either uninformed and did not correspond to the actual situation, or else they came late and only added to the confusion.[41]

Since, according to some calculations, the complexity of planning increases as the square of the number of enterprises, nationalization of small-scale industry greatly increased the informational requirements of the planning process without increasing the system's ability to supply and digest the required data. In general, while Lenin had keen insights into the historical and sociological origins of the Soviet bureaucracy, he tended to underestimate the informational problems which were giving rise to it, such as the relationship between the degree of centralization and the volume and speed of the required information. To the extent that markets and the price system are allowed to operate, they supply some of the desired information since a market is a machine not only for allocating resources but also—albeit an imperfect and sluggish one—for generating, processing and supplying information. Lenin had shown more understanding of this in his critique of capitalism than in his

[41]Rozenfeld, O., *Promyshlennaia politika SSSR* (Moscow, 1926), pp. 122 ff.

writings and activities after the Revolution, especially those prior to the NEP days.

VI

Some of Lenin's most quoted pronouncements on economic planning are contained in letters to G. M. Krzhizhanovskii, chairman of the GOELRO (electrification) Commission and later of Gosplan, the State Planning Board. As a rule, the advice he gives is sound and realistic, if somewhat pedestrian. He castigates the rosy optimism of early Soviet plans and advises the planners to base their calculations on pessimistic assumptions. In particular, the annual plan's goals are to be built around the critical bottleneck sector (agricultural marketings at the time). He also suggests the use of an optimal and minimal variant based on alternative estimates of the expected performance of the sector. He orders the construction of index numbers which would permit "the appraisal of the situation of our whole economy" at least once a month.[42] Finding little assistance in Marx, he is willing to borrow ideas on economic planning and organization from any source, including the hostile Russian Vasily Grinevetskii and the skeptical German professor Carl Ballod,[43] an open-mindedness which contrasts favorably with the Soviet planners' subsequent attitudes.

But perhaps the most noteworthy feature of his advice is not what it contains but what it does not contain. Conspicuous by its absence is what was to become *the* distinctive characteristic of Soviet economic planning under Stalin, the objective of rapid economic growth at almost any cost. In his last article, "Better Less but Better," Lenin writes: "We must become inspired by a salutary distrust of a rash, rapid advance. . . . We must adopt the rule: better a smaller quantity but a better quality. I know how difficult it will be to stick to this rule. I know that the opposite approach will be infiltrating our reality by thousands of loopholes . . . [but] this is the only way in which we can

[42]XXXIII, p. 10.

[43]These influences are discussed in my "Planning Without Theory, 1917-1967," *Survey*, July 1967, pp. 117-120; and "Grinevetskii and Soviet Industrialization," *Survey*, April 1968, pp. 100-115.

. . . create a republic really worthy of the name Soviet, socialist, etc."[44] Like the young Marx of 1844, the old Lenin of 1923 is a somewhat different man from that known to the reader of the bulk of his writings. Had he lived longer, he might have developed his ideas of 1923 and incorporated them in actual institutional solutions. As it was, the apparatus he created in Russia was not well suited for their implementation and "better more even if worse" seems to describe more aptly the subsequent tendencies in Soviet planning.

One would have expected that economists by profession would have been the group considered most suitable to implement Lenin's latter-day precepts. Their influence during the formative period of Soviet planning was, however, kept to a minimum. Although an able economist himself,[45] Lenin thought of economic planning in terms of the noun rather than the adjective. The GOELRO Commission which he entrusted with the preparation of the nation's first long-term plan for the development of the national economy was composed of some two hundred scientists, engineers and agronomists, with virtually no economists among them. Some Marxist economists' objections that the plan thus prepared represented a collection of engineering targets, which should be approved and coordinated by economists, were summarily dismissed.[46] Instead, Lenin sent the plan for approval to another enginering body, the national congress of electrical engineers. Lenin's original proposal for the composition of the first State Planning Board does not contain the name of a single economist. Some were added thereafter by way of a compromise.

It is interesting to note that while in his critique of capitalism Lenin proceeds from the position of Marxist economics, his approach to the problems of *socialist* planning occasionally suffers from a technocratic bias. There is little insight that an

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[44]*Pravda,* March 4, 1923.

[45]Nove, *op. cit.*

[46]Cf., in particular, Miliutin in *Ekonomicheskaia zhizn,* February 19, 1921; Larin, *ibid.,* February 24, 1921; Lenin, XXXII, pp. 114-122.

engineering optimum may differ from the economic optimum or, indeed, that economists have some specialized knowledge and techniques to contribute. This may be related to Oskar Lange's famous quip that Marxist economics, in which Lenin excelled and which he used creatively, is essentially an economics of capitalism, whereas "bourgeois" theories of optimal resource allocation, in which Lenin showed little interest, find their full applicability in a planned, socialist economy.