

# Russia Revisited

*by Horace Gilbert*

In 1931 I visited Soviet Russia to observe the First Five Year Plan. Although I was and am an enthusiastic proponent of our free enterprise economy, as a student of industrial economics I was interested in the way a nation proposed to industrialize quickly, using the socialist method.

The principal impression I gained was that the program was most difficult. The establishment of heavy industry adequate for the production, first, of military goods and, eventually, of goods and services the Russian people could enjoy, was an overwhelming task. Foreign industrial know-how was being used extensively, and the socialist state was forcing capital formation at a high rate. Then general direction of the industrialization efforts was not hard to plan; the combination of Communist Party zeal with police-state methods was making possible some progress with the execution of the plan.

Last summer I revisited Russia to observe the industrial progress that had been made. I retraced much of the route of my 1931 visit: Moscow, Stalin-

grad, Rostov-on-Don, Kiev, and Leningrad. In a few cases I was able to visit the same factories. I flew from Copenhagen to Moscow in a new Russian jet; from Stalingrad to Rostov I traveled by boat over the new Volga-Don Canal; from Rostov to Kiev I went by rail; the rest of my trips were on an old-style propeller-type airplane.

In planning the trip I had decided to look especially at the consumers' goods section of the Soviet economy. Perhaps the ultimate test of the success of industrialization is the extent to which it has supplied the economic needs of the people. I knew that the successive Five Year Plans had continued to emphasize heavy industry and the production of military goods, and I remembered that the German occupation during World War II had wreaked great damage on many industrial installations. But even so I thought that now, 40 years after the Bolshevik revolution, significant progress would have been made in the production of consumers' goods. Furthermore, because of limited time, I had decided to concentrate on a small part of the total Soviet economy.

My interest in the progress Russia was making with consumers' goods derived from another consideration: In a socialist state, I had visualized, it should be possible to design a small number of products emphasizing functional usefulness, and to produce such articles by highly automatic methods.

In the United States and in other countries where production must adapt itself to the demands of style-conscious markets and frequent model changes, it is technically difficult to secure such production efficiencies. An extension of this thought leads to the possibility that a socialist state might successfully take over world markets, in the case of consumers' goods that are simply functional and easy to produce.

The significance of such a possible development is especially great when the sophisticated design and high costs of our products are noted. In many world markets, critically important in political respects, United States products are bought for prestige reasons, and thus miss the point of providing the com-



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*An economist returns to Russia after 27 years  
and discovers some surprising things about the country's  
industrial progress.*

mon people with a practical means of improving their well-being.

What did I find? Very little of what I expected. Consumers' goods are still a relatively neglected sector of the Soviet economy. I carried out my plan to examine closely what the Russian people are consuming. The easiest way to do this, in addition to keeping my eyes open, was to spend hours in the shops.

In the cities, people looked well enough, although their clothes were not made of good materials, and in style little quality was apparent. The shelves of the stores were loaded with goods and articles, many of which were like those in our general stores 50 years ago. Goods of modern design — such as electric irons — were in great demand, and when a supply reached the shops, queues formed quickly and the supply disappeared, perhaps for weeks.

Food stores appeared to be well stocked with staples, including meat, but fresh fruit and vegetables were scarce and most of them very expensive. The new boulevards of the cities have few automobiles on them, but individuals as private citizens are permitted to have cars. The number produced is small, so the waiting lists are long. Public transportation generally is good, especially the Moscow subway, so there is little real need for private automobiles.

Housing is still short in spite of major programs for construction of apartments. Private individuals are permitted to build their own houses, and this type of living is preferred. The pattern of consumer demands for material things, it can be seen, resembles that in this country, but the present level is severely proletarian. A beginning may have been made on what we would call comfortable living, but there is practically no luxurious living.

In the rural communities there is said to be little dissatisfaction with the simple products available; it will probably take a long time and several technical advances, such as availability of electricity, before the desire for better living becomes strong among the rural population.

My first concluding observation is that the Soviet

Russian consumer economy has attained a decent proletarian level, and, if this is what Marx intended, the Soviet socialist economic effort can be called a success. The fact that the picture is a drab one to American or Western European eyes should not be allowed to discredit the Soviet accomplishment.

But, most significantly, the Russian people, at least in the urban communities, are demanding a better life! There is wide discontent with the proletarian level of their economy. The official Communist Party doctrine—that Soviet Russia eventually will catch up with and then surpass Western Europe and even the United States in per capita productivity—is partly the reason.

In 1931 I heard the propaganda expression that through industrialization all Russians would have Fords and bathrooms — the symbols of the standard of living so earnestly desired. The statistical measures of the successive Five Year Plans do show marked overall progress, but the mean proletarian level reached as to present comforts is far behind the goal Russian consumers expected. On the Volga-Don Canal boat a lawyer from Sverdlovsk summarized his discontent with the situation in the statement, "But life is so short!"

Since my investigation of consumers' goods industries was somewhat frustrated by the situation I encountered, I turned to a sketchy observation of heavy industry. This was another story! The successive Five Year Plans for industrialization, in emphasizing heavy industry, have met with considerable success.

I was able to join a delegation of German and French engineers visiting the First State Ball-Bearing Plant, in Moscow. It is a showplace because it includes a completely automatic process for machining the ball-bearing components, their precision measurement with electronic devices, and automatic assembly of the matched components. It was truly something of which the Russians could be proud, except for one thing: its output was erratic and low. Technically it deserved to be a showplace, but operationally I am afraid it was not an unqualified success.

*The real problem facing the Soviet economic ministries is bureaucracy.*

*Parkinson's Law is in operation.*

The rest of this plant consisted of conventional ball-bearing manufacturing operations—unit machines operated principally by women, somewhat awkward materials handling, much visual inspection, and considerable hand work. The output of this section of the plant, however, was tremendous. It was not a showplace; we saw it incidentally on the way out.

Another very interesting plant was the Stalingrad Tractor Plant. I had been there in 1931, and I remembered some of the problems the management was trying to solve then. By good luck my request to visit the plant came to the Technical Director, who had been there in 1931, so I visited the plant under the most favorable circumstances. It produces 400 track-laying tractors a day, and 400 sets of parts for repair purposes. The operations include a few transfer machines, some special-purpose multiple-head machines, and occasional advanced-design materials handling equipment. As a whole, however, the layout was crowded and working conditions were unsafe.

Although the Stalingrad Tractor Plant represented high production, the Technical Director was most interested in talking with me about ways to improve operations. It was obvious to me that he would gain a great deal by visiting similar manufacturing operations in Western Europe or the United States, and I suggested such a trip. From his reaction, however, I gathered he held little hope that he would be permitted to go.

So much for my observations on Soviet Russian industry. The report is neither especially favorable or unfavorable. Slowly the real problem which the Soviet economic ministries are facing dawned on me: it is the administrative organization of the industrial operations, or, in a word, bureaucracy. So long as the economic sector consisted of the production of a limited number of fairly simple products, the centralized organization worked reasonably well. But the very success of efforts to increase production has created the problem: greater production in basic industries has made possible the expansion and more specialized division of heavy industries. These increases, in turn, have presented the opportunity to allocate more resources to consumers' goods industries. The administrative difficulty has increased

geometrically with this greater complexity. What may have been an effective bureaucracy began to break down. Parkinson's Law is in operation.

The key to this situation was revealed by Mr. Khrushchev himself, when, in a speech in February, 1957, he announced the decentralization of 141 All-Union and Republic ministries to 105 regional councils. In September, to adjust to the new situation, the Five Year Plan for 1956-60 was scrapped and was replaced by a Seven Year Plan for 1959-65, which was to follow two annual Plans. In April, 1958, the Machine Tractor Stations, by means of which the agricultural collectives had been rigidly controlled, were eliminated.

This move to permit the making of decisions by managers in closer relation to actual operations, and to lessen the rigidities of the bureaucratic monolith, undoubtedly was well-advised. Practically all well-managed large companies in the United States recognize the principle of decentralization in their administrative organizations. But for Mr. Khrushchev to order the correction of the difficulty was not to bring it about. The economic planning function could not be decentralized. After the order, the planning agency had to take on the important function of coordinating the regional councils. This meant that there had to be additions to the staff—and that there was a consequent tendency toward *re*-centralization.

I attach great significance to the difficulty Soviet Russia is facing in trying to run 100 percent of the nation's economic operations. Unless the bureaucratic friction can be reduced, the talents of able managers cannot be fully utilized, progress with industrialization will be slowed down, military projects will be delayed, and, most important from the political point of view, the pressure from Russia's urban population for a better living now, will increase.

Soviet Russia is up against a serious problem in the administration of its economy. It is too early to predict failure. We must guard against being overly impressed by the accomplishments embodied in such projects as Sputnik. By a system of priorities and with no regard for cost, Soviet Russia can very well excel in a few lines at a time. It is quite another thing to bring about needed advances on a broad front.