

SPECIAL NUMBER

Russian Party Discussions IV.

English Edition.

Unpublished Manuscripts - Please reprint

- INTERNATIONAL - PRESS CORRESPONDENCE

Vol. 4 No. 16

29th February 1924

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Address delivered by

Comrade Rykov

**at the meeting of the Party Nuclei Bureaus and of the active Party Workers, on the
29th December 1923.**

As in the discussion on democratic centralism what is really sought, is the physical exhaustion of the adversary, I step upon this platform with a half audible voice, and in an extreme state of exhaustion.

The lack of a co-speaker is bound to render my task considerably more difficult. I should like to limit my time in every possible way, so that at this meeting the Central may hear a complete criticism of its policy in the sphere of economics; I am especially anxious to deal with those parts of our resolution against which objections have been raised.

The absence of a co-speaker shows that, with regard to the essential character of the resolution with reference to the present tasks of economic policy, there do not exist any differences of opinion sufficient to cause that group of Party members who have organized themselves as an opposition in the question of democratic centralism to submit any parallel decisions to the Party. This is the more comprehensible as it is impossible to say, with reference to practical work, which of us bears the most responsibility for the actual carrying out of our economic policy during the past year. For if I, for instance, am chairman of the Supreme Political Economic Council, comrade Pyatakov is my deputy; and while comrade Kshishanovsky, who supports our views, is chairman of the State Planning Commission, comrade Pyatakov is his representative, and comrades Preobrazhensky and Smirnov are members of the State Planning Commission, comrade Smirnov being at the same time, I believe, a member of the presidium of the State Planning Commission, and so forth. Thus all the leading organs who bear the responsibility for the practical execution of economic plans, share the responsibility equally between the two parties. In my opinion this should prevent the discussion on economic questions from sinking down to the level of such trifles, anecdotes and excuses, as our discussion on the inner Party situation has sunk. Another reason why I declare this is, that naturally neither I nor the Central can maintain that every necessary step has already been taken in the sphere of our economic life.

Neither I nor the Central of the Party, nor the Party as a whole, can maintain that no error whatever has been committed in the execution of our economic policy. This applies especially to comrade Sokolnikov. The discussion on the

economic question and the economic question will be closely bound up with all questions of our financial policy. I must declare in advance that the Central takes the responsibility for the fundamental lines of our financial policy, but that neither the Central nor comrade Sokolnikov can take the responsibility for those deficiencies which have existed, still exist, and unfortunately will continue to exist, independently of the composition of the Central of our Party.

We must endeavor to keep the discussion on our economic policy on the level of principles, and to confine ourselves to illuminating the fundamental factors of our economic policy and our economic practice. If you examine the principles of the Central, you will see that these fall into three main parts. The first of these parts comprises the results of the activity of the Party and of the Soviet apparatus in almost every sphere of our economic practice.

The second part contains the criticism and ascertainment of this or that error which may have been allowed to creep in, and the third part refers to those practical measures whose execution we regard as indispensable for the immediate future.

Why was it necessary to give an account to the Party of those successes gained last year in the sphere of economics? In my opinion this necessity arose from the fact that an accusation was raised from out of the midst of the opposition of the Central, immediately before the last plenary session, to the effect that the policy pursued by the Central had brought the country to the verge of ruin. As you are aware, the last plenary session of the Central and of the Central Control Commission resolved not to send out the documents referring to the differences of opinion within the Central. It is true that the addresses on the economic policy are filled with a large number of figures, and are thus bound to be tiresome to a certain extent, but I consider it incumbent upon me to make mention of the accusation thus brought up against the policy of the Central.

I believe, and hope to be able to prove, that precisely the contrary of this accusation is true, and that there can be no talk whatever of the Party or the Central having brought the country to the verge of ruin, but that on the contrary, the results of the past year, in every sphere of our economics were more successful by far than those attained

in the previous years. I therefore proceed to an analysis of the various branches of our economics.

The Party Central, in its resolution, accords the first place to the question of the situation of the peasantry and of agriculture, and to the attitude adopted by the workers towards the peasants. It was not by accident that we did this, but intentionally, as we are of the opinion that there is something not quite in order on this particular point, the relations between workers and peasantry. The passages quoted from the resolution passed by the XII Party conference, referring to industry, and incorporated in the introductory part of our resolution, dealing with the present tasks of economic policy, are not from the pen of the author of the resolution passed by the last Party Congress, but were incorporated in the resolution of the XII Party Congress by the CC, against the will of the author. The opponents of these quotations desired to prove that, since comrade Trotzky had not reported on the situation of economics in general at the Party Congress, but on the situation of industry, it was not necessary to deal in this resolution in such detail with the attitude adopted towards agriculture, and proposed that this be substituted by the addressing of a special appeal to the peasantry, in the name of the Party Congress, expressing the good will with which the communists are filled towards the peasants. We declared ourselves to be not in agreement with this, and emphasized that the policy pursued by the working class with reference to the organization of industry can only be crowned with success when the interests of the peasantry and of the agricultural market receive fullest consideration in the daily work performed by industry. This question was finally discussed at the plenary session of the Central, which declared itself in our favor, and against the opposition.

If we examine the actual practice of our economic organs during the past year, we see that the interests of the peasantry were taken too little into consideration, and that, if any reproach can be made against the Party Central at the present time, it is that though it has proved fully equal to its task in the industrial question, and in suitably adapting comrade Trotzky's draft resolution, it has not taken sufficient care that the alteration provided for in the peasant question by comrade Trotzky's resolution should be fully and completely realized in the activity of all our economic organs. Hence it comes that it is the first time, so far as I can remember, that the resolution of the Party Central on our economic policy places the question of the relations to the peasantry, and of the situation of agriculture, in the first place, before the industrial and workers' question. This has been done because it was precisely on this point that we made a false step last year, and because a considerable portion of the economic difficulties and crises, with which we have had to deal during the last two months, have come about through an incorrect estimation of the significance of the lines laid down by the Party in this direction.

I now pass on to statistical statements on the situation in the separate branches of our economics. My sole purpose in adducing these is to show that at the present time there is no thought whatever of ruin or the "verge of ruin" for the Party and for the working class, and that we can look with considerable pride upon the work accomplished by the Party last year. Has the situation of the peasantry improved or worsened during the course of the past year? If we turn to the statements on the area of land cultivated, the total production, the amount of wares possessed by the peasantry — that is, to that total of products placed by the peasantry upon the market, we shall see that the past year brought an increased improvement in the situation of the agricultural economics.

In comparison with last year, the area sown has increased by 18.8% — from 51.4 million desyatines to 61.2 million desyatines, and has reached 71% of the area sown before the war (within the confines of the present area of the SSSR.). For the coming year the position has worsened to a certain extent; this is a result of the poor autumn-sown crops, the loss amounting according to the returns issued by the Central Statistical Administration to 4% of the autumn-sown area of the part year — a loss principally due to unfavorable climatic conditions. There is however, reason to assume that this loss will be compensated by the spring — sown crops.

With regard to the total production of agriculture, this has increased but slightly, owing to the lessened yield of the crops. The State Planning Commission states the total pro-

duction to be something over 3000 million poods, the Central Statistical Administration gives the figure at 2794 million poods (as against 2790 million poods, as per statement made by the Central Statistical Administration last year). You are aware that the taxes in kind have assumed an easier form, the possibility being given to the peasantry to substitute this tax by a money tax, and this tax and a number of other taxes being combined into one single agricultural tax. The enormous extent to which the peasants have availed themselves of the possibility of substituting the tax in kind by the money tax, may be seen from the fact that out of the 341.5 million poods of rye units raised by taxation up till 1. December — amounting to more than 60% of the taxation plan — only 77.4 million poods were paid in kind, whilst the remainder was paid in money or corn loan; in the year 1921/22, on the other hand, 400 million poods (in round numbers) of rye units were raised as tax in kind. The fear expressed last year, that the peasants would find it difficult to pass from taxes in kind to money taxes, has proved to be entirely unfounded.

As result of the general revival of agriculture, and in part as a result of the possibility afforded the peasant of paying the taxes in money, the amount of goods possessed by the peasant, that is, the total amount of products placed by him on the market, and estimated by comrade Brukhanov at 500 to 550 million poods for the grain production alone, has increased.

This circumstance confronts our trading and grain procuring organisations with the full extent of their task of procuring enormous quantities of grain for the market — both for inland requirements and for export abroad — a task of extraordinary importance, for it includes to a considerable extent the question of a market for the products of our industry. A program for procuring 270 million poods has been worked out for our grain distributing organizations (this includes not only export, but the covering of the requirements of the non-agricultural governments, and of governments suffering from failure of crops, in accordance with the plan for the distribution of grain supplies).

According to statements which I have received from the special committee for the procuring of grain, appointed by the Council for Labour and Defence, up to the 20th December grain had been bought up to the value of 163.9 million poods. (Last year only 54 million poods were bought). Up to 24. December, 93.5 million poods of bread and fodder grain had been sold to foreign countries, and 81.2 million poods of this quantity had been already despatched abroad.

Whilst I am dealing with agriculture, I must at least touch briefly upon that part of it which is of most immediate interest to the workers, not as corn consumers, but as producers of goods, as workers in the factories and industrial works; I mean the agricultural raw materials for our factories and industrial works, and the considerable improvement of the situation in this sphere, thanks to the extension of the area devoted to the cultivation of plants for technical purposes. If we take for instance the area under flax cultivation — in the flax growing regions — we see that this was only 424,000 desyatines in the year 1920, 460,000 desyatines in 1921, 498,000 in 1922, and 512,000 desyatines in 1923, so that this cultivation has increased by almost 25% in comparison with the year 1920.

One of the factors which have stimulated the peasants to develop the cultivation of technical plants, is the considerable increase in price of agricultural raw materials for our industry, owing to the rapidly increasing demand for these articles both within our Union and abroad.

Let us take the prices for linen, wool, and skins, and we shall see that last year experienced an extensive rise in prices for all these goods.

According to the statements issued by the Committee for Home Trade, the price of linen, fourth group, rose from 3.20 gold roubles in January 1923 to 6.75 gold roubles in October 1923, that is, by 110%. The price of linen, fifth group, rose from 2.95 gold roubles in January 1923 to 6.72 gold roubles in October 1923, that is, by 127%. During the same period the price of linen, sixth group, rose from 1.65 gold roubles to 5.28 gold roubles, about 220%.

In comparison with pre-war prices, the September price for linen was 145% for the fourth group, 132% for the fifth group, and 111% for the sixth group.

These groups in fact comprise 95% of the Russian linen production.

Sole leather rose from 38 roubles 31 kopeks (goods roubles) for the pood in October 1922, to 61 roubles 66 kopeks in October 1923. For raw wool the corresponding figures are 2 roubles 88 kopeks for the pood and 10 roubles 32 kopeks, signifying a three-and-a-half times rise in price.

I must also make mention of the great successes obtained last year towards the restoration of our cotton production — cotton is one of the most important raw materials of our industry. In the year 1920 the production of cotton fibre in Russia amounted to 733,000 poods, and in the year 1923 to 2,600,000 poods, a more than threefold increase in comparison with the year 1922. The program for the year 1924 provides for an increase of our cotton production up to 6 and 7 million poods. The successes obtained in the development of our cotton production do not, however, keep pace with the requirements of our cotton industry, whose activity is calculated for the year 1923 on the working up of about 6 million poods of cotton, and this year we were already obliged to resort to importing expensive foreign cotton, the price of which has risen almost threefold in comparison with pre-war times.

The price for an English pound of cotton was as follows, calculated in pence: 1913 7,27, 1920 11,89, 1922 15,2, 1923 20,03. Before the war the price of Russian cotton varied between 14 and 16 roubles for the pood, whilst the statements now lying before me show that the state trading office (Gostorg) has offered a price of 44 roubles free Murmansk for American cotton equal in quality to Russian.

At the present time the maximum price for Russian cotton has been fixed at 25 roubles.

The present high price for cotton goods is mainly caused by the rise in the price of cotton, and until our cotton production can be made to meet the requirements of our factories, rendering us independent of the import of expensive foreign cotton, the further development of our cotton production must remain one of the most important tasks of our economic activity.

During the past year the peasantry was required to pay taxes to a considerable degree in money form in accordance with the instructions of the Party, and we are already able to judge that the single agricultural tax is not bringing us all which we expected from it. The reasons for this are as follows: the mixed systems of collecting the single agricultural tax, the system of two currencies (chervonetz and Soviet money); the rapid depreciation of the Soviet currency, the fluctuations and variations of the grain prices; all this has greatly increased the difficulties attendant on organizing such a technic for the collecting of the agricultural tax, by which the state shall suffer no loss, and no incorrectness will be caused in separate cases in the collection of the tax. With respect to the peasantry, our tasks for the coming year are thus chiefly: 1. Substitution of almost the whole of the single agricultural tax by a single money tax. 2. Emancipation of the peasantry from all and every supplementary collection, such as are now made.

The third and most fundamental reform must consist of an improved currency. At present we have a double currency, a Soviet currency which depreciates in value from day to day and is mainly received by the workers and especially the peasants, and a chervonetz currency, which rises steadily in value, and moves in large money units in commercial and industrial traffic, only coming to a very small extent into the hands of the workers and peasants. The sinking Soviet currency must be substituted by a stable value circulating medium. At the present time the chervonetz circulates principally in the cities. It is true the workers have suffered through the depreciation of the Soviet currency, but generally speaking, the peasantry had, so to speak, the monopoly of the results of the depreciation. Among the peasantry there has practically been no other currency, and they have not had the advantages possessed by the workers, who have at least received this Soviet currency in accordance with some goods or chervonetz index figure. This fundamental reform with reference to agriculture and the peasantry must be carried through in the course of the coming year. I shall here not touch upon the the large number of other proposals which have been accepted and confirmed by the Central of the Russian CP, and which have not given rise to any doubts; these proposals refer to the organization of agricultural credits and agricultural co-operatives, and to the better adaptation of the whole of the policy pursued

by our Party in the country to the various strata existing among the peasantry. Although the statistics furnished by the Central Statistical Administration show that the new economic policy and the free circulation of goods have not yet led to any sharp division of the peasantry into rich and poor, still there is no doubt whatever but that the new economic policy and the free circulation of goods have, on the whole, provided sufficient prerequisites for permitting this formation of strata to proceed more rapidly than has ever been the case since the October revolution. Thus the whole of our policy with regard to the peasantry must be brought in every particular into strictest accord with the necessity of lending support to the poor and medium peasants, and must fight against village usury and against the growth of a village bourgeoisie.

I now pass on to big industry. This question is of the more interest in that the present period coincides with a crisis in our big industry. Should a general characterization of the relations between big industry and other branches of economics be given, it must be declared: 1. that our big industry has grown to a greater extent during the past year than in any previous year, and 2. that it has grown more in proportion than agriculture and small industry. In one of the discussions, contradictions in the resolution of the Party Central were pointed out, which were said to consist in our having declared in one place that the speed of industrial restoration was more rapid last year than the speed of restoration of agriculture, whilst in another place we speak of a disparity between the rising peasant economics and industry. The misunderstanding here lies in the fact that in the one case the standard taken is that attained by agriculture and industry in comparison to pre-war times; in agriculture this standard is higher, as a result of the fact that agriculture, thanks to its extensive character, was not exposed to such severe devastations during the war and revolution as was the case with big industry, and thus kept up a much higher level than industry, even in unfavorable years, in comparison with pre-war conditions.

At the present time, agriculture has reached about 70 to 75% of its pre-war extent, whilst industry, despite its considerable development during the course of the past year, has only attained (approximately) 35% of its pre-war standard.

But if we take the speed of development of industry and agriculture last year, we cannot fail to observe that in the year 1922, industry showed an incomparably more energetic uplift than in the year 1921, and showed a considerably greater increase of production than agriculture.

In order to characterize the situation generally, I here adduce an extended form of the table submitted to the 12. Party Congress by comrade Trotzky; this furnishes a graphic survey of the position of big industry, small industry and agriculture, alike in comparison with pre-war standards and with reference to the speed of development during the last three years.

This table is drawn up not in terms of years of economic operation, but in years according to the calendar; the Central Statistical Administration has in addition to this now at its disposal more complete statements than those upon which comrade Trotzky based his table, it has made some alterations in the figures of this table.

Production as per pre-war prices.
Industry (value of finished products).
(in millions of roubles)

	Big and middle industry	Crafts and home industry	Sum total	Agriculture (total production)
1913	3721.0	130.0	4451.0	6639.8
1921	669.0	260.0	929.0	3535.0
1922	1056.0	415.0	1471.0	3931.0
1923*)	1293.5	500.0	1793.5	4093.5**)

We thus see that in the year 1923 agriculture reached almost two thirds of its pre-war level, whilst industry (as far as the manufacture of finished articles is concerned) — big industry, and medium and small industry alike — attained 40,3% of the production of 1913.

*) The production for the year 1923 is roughly estimated.

***) Agricultural production is here stated without consideration for possible statistical omissions, and without including forestry and cotton production, or some few other small branches of agricultural production.

If we now turn to the note of development in agriculture and in industry during the past year, we see that whilst agriculture has only increased its total production by 4% in comparison with 1922, industry as a whole can show an increase of 21.8%. And if we compare the development of big and little industry from 1922 till 1923, we shall find that whilst big industry has increased its production of finished articles by 22.04% in comparison with 1922, small industry shows an increase of 20% during the same period; the figures thus given on the growth of big industry are the minimum ones; according to statements which I have received from the State Planning Commission, the total production of big industry increased last year by no less than 35%. According to this table, the increase of production during the past year is to be statistically expressed as follows (in millions or pre-war roubles):

For big and medium industry	237,3
For crafts and home industry	85,0
For the whole of industry	322,3
For agriculture	163,5

Which branches of industry show the greatest increase? You know that the question of the order in which the various branches of industry were to be reconstituted formed a subject of lively discussion even during the period of war communism, and that there were considerable differences of opinion as to the question of how, and by what means, the beginning should be made. These discussions and divergence of ideas are for me, merely aspects of that question of the over-estimation of the importance of drawing up plans. For at that time it was thought possible to form a plan and to reconstitute this or that factory, this or that branch of industry, in accordance with this plan. You are aware that most of these plans came to nothing, they were not successful. With the transition to the new economic policy, the whole of our industry came under the control of the markets, of the possibilities of selling, and functions under the conditions of traffic in goods and money. Thus the technical or abstract plan which we worked out in the war period of our history, is now subjected to cardinal alterations through the exigencies of the market. Industry has to work for the market. If you examine the statistical statements, you will see that the effect of the market is shown by the gigantic increase in articles of mass consumption; for industry, striving to satisfy the demand, has developed its production parallel with this demand, and has obtained from the market the means for this development. The main effect of the state planning principle has been felt in the fact that we furnished from our budget the most extensive possible means for the restoration of the fuel industry, for the restoration of our means of transport, and for the electrification of the country, and made it our endeavor, not only to maintain the corresponding proportion of light industry, but to create the pre-requisites for the further development of industry. The figures which I shall here adduce will fully confirm this. I should like to make one more observation. There occur to me the documents sent to the Party Central. These stated that: in the first place, we have brought the country to the verge of ruin; in the second place, the successes obtained in various branches of our economics have not been attained thanks to the CC, but in spite of the activity of the CC. With regard to this "in spite of" I must therefore observe that even the growth of light industry is not to be regarded as a spontaneous growth under the influence of the market, without any participation of the planning principle.

The plans of production for the whole of our industry and its separate branches have been discussed and confirmed by the Supreme Political Economic Council.

Thus, for instance, the exact amount of cotton required for the textile industry was ascertained. Credits for the purchase of cotton and other raw materials abroad were decided upon. Light industry, however, received no financial support from the state, its production has been distributed by free sale and purchase, and with respect to prices, the role played by the planning state organs has been confined solely to the fixing of maximum wholesale prices for a very limited number of goods.

For heavy industry not only the production is planned, but also the distribution and the prices.

I do not mean by this that all these plans have been good, for some of them have been unsuccessful, and the experience of the past year shows the necessity of intensifying planning work with regard to the study of the market, the fixing of prices, and the granting of credit. I shall supplement the general table which I have adduced on the growth of big and small industry,

and of agriculture, with certain statements taken from the most important branches of our industry.

The cotton industry, whose production was estimated at something more than 39 million pre-war roubles in the year 1920, increased its production to 170 millions in the year 1922 till 1923, that is, more than fourfold; the whole textile industry, if we take the production of the year 1920 at 100%, increased its production to 323.9% by the year 1922/23, and as compared with pre-war production (1912) it has attained 39.9%. The chemical industry, taken collectively, has risen from 18% of the pre-war production (1912) in the year 1920 to 46% in the year 1922/23.

Other branches of light industry have also grown more or less considerably during past working year.

Heavy industry is of leading importance for the reconstitution of economics, and in heavy industry itself the most important branch is that of fuel production. During the past year we have not only been relieved of the struggle against shortage of fuel, but have even had difficulty in selling all our fuel, and have considerably lessened our purchases of coal abroad.

The total production of coal (in thousands of pre-war roubles) during the past year, in all districts, is estimated at 69,273, making about 160% as compared with the year 1920. The Donetz basin, the extraordinary importance of which for the whole economic life of the country has caused the question of its general support, development, and growth to be placed on the agenda of almost every Party Congress, and at the conferences of the All Russian Central Executive Committee, has been able to record a total production of 493,7 million poods in the year 1922/1923, thus increasing its production by 83% in comparison with the year 1920, and attaining almost 50% of pre-war production.

In comparison with the year 1920, naphta production has increased more than 30%, and reached 56.6% of pre-war production (1922) by last year; the increase of production in the different districts may be seen from the following statements:

In Baku, the naphta production has increased from 175 million poods in the year 1920 to 212,8 in the year 1922/23, signifying an increased output of 22%; in Grosny the corresponding figures are 53 millions and 92 millions, equal to an increased output of 74%. If we take coal and naphta production together, we see that their production, expressed in pre-war roubles, amounted to almost 200 million roubles in the year 1922/23 (statement issued by the Supreme Political Economic Council), or, in other words, about 50% of the pre-war production.

Thanks to the successes obtained in the naphta and coal industries, we have now a secure basis for the fuel supplies of the country.

Precisely in the same way as we emerged successfully from the "bread crisis", we may now consider that we have overcome the fuel crisis. In our economic construction this is a very important gain. I remember very well that when we, when working in collaboration with Vladimir Ilyitch in the Council for Labour and Defence of Country, were obliged to expend an enormous amount of work in order to assure a supply of bread for the workers, and to prevent the railways from becoming paralysed for lack of fuel. For hours we discussed the question of some government forestry committee to supply some railway station with wood. In this year we are not compelled to occupy ourselves with this question in such a form. If you take the fundamental figures referring to the supply of fuel for the railways, you will find that whilst in January, 1921 the railways had a stock of fuel sufficing for 11 days, — I can remember times, during the period when we worked together with Vladimir Ilyitch, when there was only fuel for two days, and complete stagnation of the railways appeared inevitable on October 1st. 1921, we had reserves for 26 days, on 1. October 1922 for 39 days, and on 1. October 1923 for 70 days.

If the fundamental elements of fuel economics are surveyed in accordance with the statements given on the total fuel transport of the railways for the past year, and compared with the analogous statements for the years 1920 and 1921, we arrive at the result that in the years 1920/21 wood formed 75% of the total fuel transport, naphta 11%, and coal 16%. If we take these statements as the basis for judging the balance of the mutual relations of the various elements composing our fuel material, we shall find that wood forms about three quarters of our fuel balance, only a trifle more than one quarter falling to mineral fuel. In the years 1922/23 the corresponding figures are as

follows: for wood 57%, for naphta 14%, for coal 29%; consequently, the mineral fuel — coal and naphta — is now 43% (instead of 27% in the year 1920—21). In other words: our fuel balance, of which only a quarter consisted of mineral productions in the year 1920/1921, has so developed that mineral fuel now forms almost one half. In this respect a very great improvement of economic conditions has been attained.

Matters are not so favorable with respect to the reconstruction of the metal industry. The principles laid down by the Central contain one special passage in which we declare that an extraordinary degree of attention is to be accorded to the restoration of the metal industry; up to now the lack of fuel and the unfavorable transport conditions, as also the necessity of expending gigantic sums on the restoration of fuel production and of means of transport, have formed enormous obstacles to the development of the metal industry, but now matters have so greatly improved with regard to fuel and transport that the question must be raised as to how we shall best expend the greater part of those sums, hitherto spent for fuel and transport, for the reconstruction of the metal industry in the coming budget year. The fate of the metal industry is bound up with the fate of the main troop of the working class, the metal workers, whose superior organization and class consciousness render them the leading stratum in the working class.

If the data on the metal industry in the year 1922/23 be compared with those for 1920, a considerable success may be recorded. Thus we have more than doubled our production of cast iron during this time (7,025,000 in the year 1920 and 18,360,000 in the year 1922/23). The production of the Martin's furnaces has been more than tripled, that of rolled metal more than doubled.

The whole metal industry, including the working up of metal, attained last year an average of 20% of pre-war production, if we value its production at pre-war prices (the working up of metal forming the greater part).

But if the absolute figures be taken with regard to cast iron, Martin's furnaces, and rolled metal, and compared with those of pre-war production, it must be admitted that the results attained in the sphere of metallurgy (especially in cast iron production) are entirely insufficient, and show that we are only just beginning the restoration of the metal framework of our industry; thus cast iron production last year was only about 7.9% in comparison with the year 1912, the production of the Martin's furnaces 14.8%, and the rolled metal production 13.7%.

The reconstruction of the metal industry is most closely bound up with the state orders, for the mass market even in former times, did not consume more than 24% of the production of the metal industry. Our metal works will only be able to develop if the state can give large orders. The restoration of our metal industry is still tremendously hindered by the error which we committed in the year 1920, when gigantic orders for railway material and locomotives were sent abroad. These orders have now been reduced to the extent permitted by the agreements, but they have none the less demanded the expenditure of huge sums, and we are still importing goods which we could very well produce in our industrial works. These orders were given at a time when I was at the head of the Supreme Political Economic Council, and comrade Trotzky at the head of the People's Commissariat for Traffic. Now we have on the one hand a superfluity of locomotives on the railways, and on the other a lack of orders for our engine manufactures. The small number of engines now being produced by our works will not be required by us for five years, and we are having them made in order to occupy our largest works in Kolomna, Sormovo, and in part the Putilov works. Should we deprive these works entirely of orders, it would be extraordinarily difficult to reestablish locomotive building after the lapse of five to ten years. Whatever opinion may be held on concentration, a concentration carried to such lengths that a large part of the greatest industrial works employing metal workers would be closed, is no longer possible, not merely for economic, but for political reasons. The decision of the 12. Party Conference, on the question of concentration, was as follows:

"The means of escape from the present situation lie in a radical concentration of production (these words are in italics in the original), in the works possessing the best technical equipment and the most favorable geographical position. The various secondary and insignificant objections raised against this, however important they may be in themselves, must retire into the background in the face of the fundamental economic task involved in the provision of state enterprises with the neces-

sary working capital, the reduction of initial costs, the extension of markets, and the winning of profits."

Many comrades have begun to regard the preservation of the fundamental groups in the working class as being among the reasons of a secondary order.

It is for this reason that the resolution passed by the Party Central as complementary to the resolution accepted by the 12. Party Congress on concentration, states that concentration is indispensable, but that the necessity of preserving the fundamental groups in the working class must be taken into account. This applies especially to the metal workers.

The growth of industry, of which I have spoken, is expressed in the revival of transport and commercial intercourse.

The transport conditions are characterized by the following fundamental statements:

	1921/22	1922/23	Percentage as compared with 1921/22
Quantity of goods transported in goods trains (in 1000 poods)	4,075,308	5,625,184	138
Average load per day (wagons and cisterns)	9,769	11,818	121
Distance covered by all goods transported in goods trains	919,294,000	1,218,076,000	132.5
Energy of goods transport, expressed in pood verst, per verst	14,001	19,098	136
Number of locomotives (total)	19,338	19,659	101.6
Percentage of defective locomotives	60.2	56.9	
Number of goods trucks	409,735	418,287	102.9
Percentage of defective trucks	33.6	32.5	
Total reserve of fuel on 1. October, expressed in wood	503,742	1,139,969	226

At the 12. Party Congress comrade Trotzky quoted my preface to comrade Khalatov's pamphlet. In this preface to comrade Khalatov's pamphlet I pointed out that the first year of the new economic policy had witnessed a loss to industry, and that our fundamental branches of industry must be rendered free of deficit, or somewhere near it, in the course of the coming year. With respect to transport, considerable success is to be reported. If we consider the past year only, we see that during the first quarter of the year the revenues amounted to 52 millions, in the second quarter to 100 millions, in the third quarter to 110 millions, and in the fourth quarter to 116 millions. (Statements issued by the People's Commissariat for Finance.)

Transport is still being carried on at a loss, but the deficit is being rapidly reduced. In the year 1922/23, transport was subsidized to the extent of 115 million roubles, whilst in this year negotiations are being conducted with the People's Commissariat for Traffic with reference to a sum of 40 to 80 million roubles; that is the amount required from the state for the support of transport has been reduced to at least half that of last year, although this subsidy covers the costs for the harbour constructions, river protection, etc., expenditure having nothing in common with the railways. If we take the railways alone, these will be working almost without a deficiency next year.

I have already pointed out that we have encountered a large number of political difficulties through the concentration. When solving these difficulties, we have given the political motive the preference over the economic in the case of the Putilov and Briansk works and have not closed these down.

This does not, however mean that the directions issued by the Party Congress with regard to the concentration are not to be executed. Concentration is something which cannot be carried out in one or two weeks. To close the works, to place the workers in new positions, to find accommodation for them there, and to set production going again in another place, is a task requiring a long period, a number of months. As a result of the decisions made by the presidium of the Supreme Political Economic Council during the course of the last six or seven months on the subject of concentration in industry, the present calculations of the Supreme Political Economic Council enable us to record considerable success with respect to the improvement of various branches of productive activity. First of all comes the increase in the numbers employed by the undertakings. Here I shall confine myself to a few examples: Before the concentration of the cotton

industry, the enterprises concerned were occupied up to 46,7% of their capacity; after the concentration up to 59,2%. The corresponding figures, before and after the concentration in the linen industry, were 61,92% and 81%; in the wool industry 66 and 75—100%; in the leather industry 60,5 and 90%; in the Petrograd Machine Trust 12 and 50%; and in the state cast iron works 30 and 87—96%. I could continue these examples. In connection with the question of price, I personally, as also a number of other comrades in their reports, have exercised a justifiable criticism on the communists sent to work in the trade and economic organs. We criticize them from the viewpoint of rise in prices and of the amount of working expenses. In this present meeting I must make certain alterations in the exposition given by me on a previous occasion, the more so that a number of Party nuclei have misinterpreted this exposition. I reported on the question of the crisis. And now, when discussing the question of the crisis, I shall point out a number of defects which have to be recognized and overcome in the organization of our economic life.

But I must, however, observe at the same time, that during the course of this year our economists have performed extensive work with regard to the organization of industry, its development, and the security of its uninterrupted continuance. If we regard the line of development of our industry in the past year, we see that it has developed steadily and without oscillation from month to month, for the first time in the history of our industry. This is a gigantic success for the planning principle, and for the activity of our economists. I can well recollect that at one time workers had to be dismissed from the works, and then engaged again, when shortage of fuel and raw materials forced us to close this or that undertaking for some weeks or months.

Great success has also been obtained by our economists in the sphere of the organization of the activity of the undertakings. I have before me a comprehensive table showing what was accomplished last year in the sphere of saving of fuel, the reduction of the number of auxiliary workers in comparison to the number of trained workers, and with regard to the greater saving of raw materials, etc. I shall give a few figures: Up to March 1923 the standard for the manufacture of cotton fabric from a pood of raw material was 85%, in July 87% and in October 89%; in the leather industry 1,92 pood of raw material was required for the production of one pood of sole leather up till the end of 1922, and in the year 1923 (according to the calculation of the leather syndicate) 1,89 pood was required; in the sugar industry, one Berkovetz of beetroots yielded 65 pounds of sugar before the war, 58 pounds in 1922, and 62,5 pounds in 1923 (according to budget calculation); that is, the standard is now but slightly below the prewar one. With respect to saving of fuel, the calculations made by the state cast iron works show that in the year 1922/23 the production of one pood of sheet iron required 4,2 pood of fuel, and in the year 1923/24 (according to the Program) 3,5 pood; the corresponding figures are 4 and 3,3 for the Malzev district, and 4,6 and 4,4 for the State Industry of colored Metals.

With reference to the reduction in the number of auxiliary workers as compared with the trained workers, the comparison made by the State Industry of Colored Metals shows a reduction of 24,4% as compared with the beginning of the year 1922/23, and of 25% in the "Red October" works; the number of auxiliary workers employed by the rubber trust, at the beginning of 1922/23, as compared to skilled workers, was 150% at the end of last year it was 66%.

The increased productivity of the workers must be emphasized. The statements of the State Planning Commission show the productivity of a worker (total production), expressed in prewar roubles, to have been 548 roubles for the year 1920; this figure had already risen to 1292 roubles by the year 1922/23, more than 60% in comparison with prewar times.

All this implies that there is a certain degree of reduction in the initial costs of production. This reduction amounts to 15% for the "Chemical and Coal Industry", 12 to 21% for machine building, and 7% for the rubber trust.

I am, however, far from wishing to say that we have already accomplished everything towards an elementary soundness in our production — the concentration of the activity of industry in the best adapted undertakings, the reduction of the number of unskilled labourers, lessening of working expenses, etc. It must rather be admitted that we are merely on the lowest rung of the ladder, and have taken the first steps in the enormous work which absolutely must be done. The cheapening of production

as a result, of concentration, the increased working productivity, and the improvement of the organization of working processes, which I have shown in the above figures, are important symptoms of the convalescence of our industry. But the success which we have so far gained is still altogether inadequate in comparison with the tasks with which we are confronted.

As a result of the campaign which we have been carrying on, and shall continue to carry on, for reductions in prices, a large number of cases have occurred, especially in the provinces, in which the economic apparatus of the Party has been subjected to exaggerated criticism. This exaggeration has reached such a point, that I have been informed of cases in which the candidatures of comrades working in trusts and syndicates have been rejected in the Party organizations, because the trusts and syndicates had forced the prices upwards and brought about the crisis. This is the greatest injustice. To be sure they made mistakes when fixing the prices, but it is none the less the result of their efforts that industry has been able to record such gigantic successes during the past year. Criticism of errors committed must be kept separate from criticism of individual persons. It is not possible for us to find other economic functionaries on such a scale, and with such extensive experience, within any short space of time.

The task before us does not consist of "shaking up" the whole group of economists, even though they have committed grave errors, nor of depriving them of support in a work of unexampled difficulty and responsibility, but in eliminating the errors, in learning from the errors, and in increasing our endeavors towards improved economic activity and careful individual selection of the economists. It is in no case permissible that communists economists be regarded by anyone as Party members of a secondary degree.

It must also be taken into consideration that in the crisis ("scissors") we see not only the effects of the errors committed by the economists, but at the same time the weakness of the organs upon which the duty of regulating economics falls.

Industrial questions are of tremendous importance for our Party, for the growth and strength of the working class is dependent on the growth of industry. In a country in which a worker party is in power, in a country where the working class is the unshakeable support of the ruling power, in such a country the fate of our Party is most closely bound up with the question of industry, and with the questions concerning the position and growth of the working class.

According to the statements issued by the Supreme Political Economic Council, and dealing with approximately 75% of the whole of big industry (excluding transport, political economy, wood working industry, a part of the syndicate industry, a part of the chemical industry, and a part of the food industry), the number of workers increased last year from 887,548 in October 1922 to 1,100,804, that is, by 25%. The whole of the three most important branches of industry — the metal industry, mining industry, and textile industry — had a considerable increase in the number of workers employed. Thus the number of workers in the mining and metal industries increased by more than 10%, in the cotton industry by more than 45%.

These figures appear to imply a certain contradiction to the growth of unemployment, a growth very apparent in a large number of towns, and bringing the number of unemployed to the high figure of about a million. Here we may observe a phenomenon hitherto unheard of. The number of workers employed is increasing, and at the same time the number of the unemployed. You will remember that the greatest danger attending the last period of war communism was the danger of the disintegration of the working class. The skilled workers left the period of war communism, comrade Sosnovsky and a number of laws binding the workers to their places of work. During the period of war communism, comrade Sosnovsky and a number of other comrades devoted many columns of our press to the discussion of plans as to the compulsory transfer of workers from one place to another. Such plans were based on the shortage of working power caused by the flight of the workers from the cities into the villages, where they could live better and more comfortably. At the present juncture, the movement is in the opposite direction. The improvement in the position of the workers, the improved conditions of living in the cities, the solution of the food supply question, etc., are now bringing about an influx of labour power from the country into the towns, and the essential question of unemployment lies in the fact that the growth of our industry is not proceeding at quite so rapid a rate

as that of the return of the workers to the cities. The increase in the number of unemployed is naturally most dangerous; but this danger is lessened by the fact that a large percentage of unemployed are unskilled workers and Soviet employees. If we thus classify the total number of unemployed in Moscow and Petrograd according to the chief professions, we get the following: for Moscow, 1. December, the number of unemployed comprised 20% industrial workers, 44.7% members of intellectual professions (as a result of the reduction of the Soviet apparatus), 28% unskilled workers. For Petrograd the corresponding figures are: 22, 35, and 31%. Approximately the same proportions apply to the whole of the rest of Russia. The statements issued by the People's Commissariat for Labour thus show that in November, the unemployed consisted of 24% industrial workers, 38% intellectual professions, and 26% unskilled workers. Thus the main mass of the unemployed are unskilled workers, that is, mainly recruits from the country, and members of the intellectual strata.

Although our revenues from the insurance contributions are increasing, and the insurance capital is growing, we have still at the present time no means enabling us to undertake the task of greatly aiding the whole mass of unemployed. Therefore the conclusion drawn by the Party Central is that, out of the whole mass of unemployed, those first to be accorded consideration must be the industrial workers, the workers connected with the factories and industrial works, who are capable of being utilized for the further development of industry. The chief means used in the struggle against unemployment must of course be the further development of our industry.

The increase of wages for the whole of last year was as follows, for all branches of industry:

According to the statements of the economists, working wages have risen by 87%, according to the statements of the trades unionists by 63%. Among the metal workers, wages rose by 33.8% between January and December of this year. With reference to wages the Party Central issued special instructions to the effect that categories of workers who had remained behind with respect to wages should be brought nearer to the general level. First among these the metal and transport workers must be named. Among the metal workers, wages were already 17.9% above the average level in December, whilst in January they were still about the average level or 3% above it. I have not strictly checked statistical statements at my disposal on the wages received by the railwaymen; but the provisional statements which I have received from the All Russian Central Trade Union Council give the rise in wages of railwaymen as being 50 to 60% between January and October of this year, reaching 13 to 14 goods roubles by October 1923. For the future, the gradual rise of wages is to be striven for in agreement with the general improvement of our economics and the growth of labour productivity.

This is the state of affairs with reference to agriculture, industry, and wages. Despite a considerable number of successes in all these spheres, we have been suffering from symptoms of crisis since the beginning of the summer, and these were not at first accorded sufficient attention by some of our functionaries.

When I tell you that these symptoms are more dangerous than those which appeared before, I do not mean that they are leading to any reduction of production or to a worsening of the position of the working class — not a single factory has been closed, and working wages are rising now as before. This can naturally only be the case under the conditions determined by the rule of a workers' and peasants' power. But this crisis is dangerous, because it has revealed great defects in the fundamentals of the present economic relations between town and country.

At one time we had partial crises in the matter of fuel, food supply crises, transport crises, and a certain lack of harmony between the various branches of industry. At the present time we are in the midst of a crisis of the growing industry, of growing agriculture; a crisis induced by the exigencies of the goods traffic between these, although as early as the beginning of the summer, measures were taken to place the goods at the disposal of the peasants. The crisis did not arise through any accumulation of goods in the warehouses of the manufacturers, but in the warehouses of the co-operatives and commercial organs, and has been principally due to the disparity in price of agricultural products and the products of factory industry.

I suppose that you are all familiar with the "scissors" depicted in a number of journals, graphically illustrating this disparity in prices by two diverging lines. The two blades of the "scissors" have now approached nearer to one another again.

The prices of industrial products, which in October were at 1.72 in comparison with the average level of prices, had fallen to 1.52 by 11. December, whilst agricultural goods have risen in price; the latter rose from 0.54 on 1. October in comparison with the total index, to 0.69 on 11. December; thus the angle of the "scissors", which was 3.2 on 1. October, was reduced to 2.2 by 11. December. The question of this crisis is of fundamental importance for the whole of the further economic policy of our Party. When we introduced the New Economic Policy, comrade Lenin's address as well as a number of other responsible utterances pointed out that this New Economic Policy inevitably implied crises. The Party, and our economists, must learn the lessons taught by these crises; above all we must learn the lesson taught by the crisis passed through this autumn. Why? Because, if we do not succeed in bringing about an exchange of goods between factory and village, we have not only no prospects for the further development of our industry, but shall rather be obliged to draw in a little. An enormous number of the population — the majority: 100 out of 120 millions — consists of small peasant producers. The economic tie uniting workers and peasants is the fact that the peasants supply raw materials and food to the town on the one hand, whilst on the other hand these same peasants are the main purchasers for the products of industry, purchasers who can secure for industry an uninterrupted increase in the demand for its products. We have a peasantry numbering hundreds of millions, and if we can only form a link with this peasantry, if only to a certain extent, if every peasant would buy a little from the town, then we have the prospect of possibilities for an uninterrupted and colossal growth of our industry on the basis of this mass market. But if this connection is not set up, then industry will have to continue to adapt itself to the consumption of the city markets, of the workers, of the petty and greater bourgeoisie. What capacity for absorption is possessed by the market now, and why is the question of the crisis at present the most important one for us?

During the past year, industry was able to record the successes of which I have spoken chiefly (to seven tenths) thanks to the city and the city markets. The city market is more solvent, if only for the reason that here the working wages, that is, the income of the most extensive city buyer, the workman, is calculated in goods roubles, and has risen steadily. A calculation in goods roubles signifies that higher prices are being taken into account. In precisely the same way, the employees, the NEP men, the petty bourgeoisie, the small citizens, have all been made more solvent than the peasantry in consequence of the general restoration of town life, and industry has grown, become stronger, and developed, on the basis of this solvent market.

Industry suffered defeat when it attempted to open up a formal connection with the less solvent peasant market, though this is potentially much more powerful than the city market. The fact that industry has adapted itself the whole time to the city market, and that it — to its own surprise — has suffered defeat in the peasant market, is chiefly explicable by the fact that the paragraphs of the resolution passed by the 12. Party Congress, and introduced into the original draft of this resolution on the decision of the plenary session of the Central, have not been carried out in actual practice. Industry, seeing its basis in a steadily growing city market, lost sight of the peasantry — or at least it did not deem it to be its most urgent task to do its utmost possible for winning the peasant market, either with regard to choice and quality of the goods, or with regard to price policy. This showed itself in the calculations. A large number of calculations show outlays which could have been postponed, as for instance the cost of thorough restorations, the costs for new buildings, the reconstitution of ground capital, etc. Industry must become fully conscious of the fact that the fate of its development is dependent on capturing the peasant market, that price policy must above all be ruled by this consideration, and that there are many outlays which must be postponed until such time as industry has won the possibility of increasing its revenues on the basis of an extended peasant market and of an increased mass production.

The possibility of realizing a policy of higher prices has been afforded by the organization system of our industry, in the form of the system of trusts and monopoly syndicates.

This system suffers from two defects; in the first place the number of syndicates is somewhat larger than need be, or is demanded by economic interests; in the second place the monopoly organization of the syndicates is not utilized as it should be; that is, it is not properly utilized for the purposes of the

"alliance" between workers and peasants, and for the reduction of prices.

At the same time I find it a mistake to raise objections against all centralization and every monopoly, objections bound to lead to the dismemberment of our industry into separate undertakings competing with one another. When we once have an organized socialist economic system, it will be centralized and monopolized in a high degree. Every exaggeration of centralization must be done away with, measures must be taken for the further development of the auto-activity of the separate economic units, and, what is the main thing, a systematic guidance of industry in the system of its organization, and in the activity of the regulating organs themselves, must be secured.

As I already mentioned, the blades of the "scissors" have approached by a third nearer to one another than in October. This is the result of the rise in the price of corn (on an average 0,56 and 0,69 in comparison with the total goods index figure) attendant on increased purchases, the export of grain, and the end of the main campaign for collecting taxes in kind; it is on the other hand also the result of a reduction in price of the products of industry. This has implied a livelier exchange of goods between town and country. The crisis is no longer acute, but it has not yet been overcome. It is necessary that the blades of the "scissors" approach each other much more nearly, and the goods turnover must be greater. This is a task which cannot be simply solved straightaway on command, it is a matter of systematic and persevering daily work.

At the 12. Party Congress there were two factors especially emphasized in the discussion on economic questions, factors of actual and burning interest for the present period. These were the questions of private capital and the organization of trade. I do not know whether there is any platform or project according to which the New Economic Policy is to be brought to an end economic policy is just now beginning, and the Central does not know this for the reason that the discussion on the tasks of the economic policy is just now beginning, and the Central does not yet know the objections to be raised against its resolution project.

In order that there may be no doubt as to the attitude of the Party Central towards proposals referring to a return to war communism, should such proposals be made, the Party Central has included in its resolution the intimation that such proposals are to meet with unqualified rejection. But are there other reforms necessary in the regime of the new economic policy, and if so, what are these? The reply to this question depends mainly on the extent to which private capital has grown and flourishes in our society, and what importance it has attained. When we went over to the New Economic Policy, every speech delivered on the subject, whether by members of the present opposition or by members of the present majority, emphasized that under this New Economic Policy the state must keep in its own hands all the essential factors of economic and industrial life, and place everything else in private hands, with mixed companies, etc. Up to now we have not been able to do this. Neither our leasing nor our concession policy has led to any very great success up to now, and even today there are innumerable small undertakings on our hands, which could be carried on by other people without the slightest danger to us. Last year our concession policy led to great results, but even these results are quite inadequate in comparison with that which could be accomplished for the economic life of our country with the aid of foreign capital. At the present time, the role and significance of private capital is confined to the sphere of commerce.

In commerce, a dominant position is filled by small private capital. When considering commercial questions, we must not forget that, at the time when we went over to the New Economic Policy, no trade existed, and no trade apparatus, with the exception of the hoarders. The population was supplied with food through the agency of the People's Commissariat for food supplies, without any intervention of money.

What does the commercial apparatus represent at the present moment? Wholesale trade is mainly in the hands of the state (77,4% of the total wholesale trade turnover); taken together with the undertakings in the hands of the co-operatives, state trade comprises 85,5% of the total turnover of big trade.

With regard to medium trade (big and petty trade) about one half is in the hands of the state and co-operatives (49,6%), and the other half with private capital, to which 50,4% of the total turnover of medium trade falls.

Petty trade is mainly in the hands of private capital (83,4%

of the total petty trade turnover). I have the statements of the People's Commissariat for Home Trade, worked out on the basis of returns issued by the People's Commissariat for Finance with reference to the trade permits issued for the first quarter of 1923. The total number of trade permits issued during this period was 476,351, of which 66% or 314,000 fall to the first and second categories.*) Commercial undertakings belonging to private persons, to the number of about 100,000, form the third category, 99% of the 314,000 undertakings counting to the first and second categories belong to private trade. What do these 314,000 undertakings belonging to the first and second categories, represent? The reply to this question is to be found in the following points from the law on trade permits, which require no further comment.

"Under the first category is to be understood trade in certain enumerated articles at weekly markets, in market places and other places, and sold personally out of the hand, from the ground, or from small sales tables, from sacks, baskets, boxes, receptacles, etc., carried by one person and containing the whole stock of goods" ... "The second category includes trade carried on by one person, or with the help of a member of the family, for the sale of goods not contained in a special enumeration, and sold a) on movable devices of inconsiderable extent (market stalls, tables, portable stalls, small waggons, boats), at weekly markets, market places and other places; b) in small permanent premises not possessing the properties of a room (kiosques, garrets, sheds, tents, corners), the dimensions of which do not exceed six feet square, and in which the purchasers cannot enter."

These are the two fundamental categories of retail tradesmen who have about 70% of all trading enterprises in their hands. I should now like to read you an extraordinary document characterizing the manner in which trade is carried on in the villages. In this document we read: Permanent private trading undertakings do not exist in rural districts. All local private dealers trade only at the markets and fairs of their own and other districts." (From the inquiry made in the Schadrinsk district, Smolinskoye rural district.)

"Except on the occasion of weekly markets and other fairs, there have been neither pedlars nor dealers selling from carts in Smolinskoye. Dealers come in carts to other places, selling butter, fish, tea, and fancy goods." (From the results of the inquiry held in the rural district of Smolinskoye, in the Schadrinsk district). "There are no pedlars, either on foot or in carts, except on market days." (From the inquiry held in the rural district of Mechonskoye, in the district of Schadrinsk.)

I could here adduce endless local information showing that with regard to trade in villages and rural districts, the conditions obtaining are so Asiatic that there not only no retail shops, but not even pedlars. Where such a state of affairs obtains, the private retail business is naturally a step forwards in comparison to present conditions. It is impossible that "state capitalism" should set itself the task, after only three years of the new economic policy, of attaining a state of affairs in which only a small number of state organs is required — forming an immediate connection between the factory and the consumer. But the conditions at present obtaining in the sphere of trade make us face the question in its full extent.

How much has private capital earned by trade? At first the sum of 600 millions was named, and incorrectly designated as profit, or as the gains accumulated by the private dealers. The figure of 600 millions is the result of approximate calculations. It is possible that more has been earned by trade, or it may be less, but in any case it must not be forgotten that this sum includes the outlay required for the transport and protection of the goods, for the maintenance of employees, for keeping up premises, etc. This profit falls to about 4,000 private dealers. It goes without saying that it would be infinitely preferable if this profit — or a great part of it — were to remain in the hands of state or co-operative enterprise. Although it must be admitted that under present conditions private capital has not grown to an extent rendering it dangerous to our system or to the rule of our Party, still it must be said that our economics contain one sphere, the sphere of commerce, in which private capital has begun to assume a dominant and ruling position, and therefore a position dangerous to us. What measures are to be taken to avoid this danger? The most important are the two following:

*) Under "first category" we have here to understand retail trade, etc.

The development of co-operative trade and the regulation of private trade.

Propositions have also been made to the effect that state commerce should be organized on a system similar to that on which the vodka trade was organized under the Czar. That is, an enormous number of retail shops should be opened in the villages and rural districts, and salesmen engaged for these shops, which would then sell the state goods. In one discussion I named this idea a bureaucratic Utopia. If we are already being defrauded at the present day by the trust at Bogorodek-Stschekovo, which is not far from Moscow, what will happen to us when we appoint commercial assistants in all the sequestered rural districts of the country, and try to sell our goods in such shops? I am fully convinced that within a very short time there would be a great many rural districts in which we should not be able to find a trace of our goods, money, commercial assistants, or shops.

The main responsibility and duties attendant on the organization of retail trade must be laid upon the cooperatives. It is the great mistake of cooperation and state commerce that they do not compete with private trade with regard to cheaper selling prices, but with reference to the attainment of greater profits. The result has been that the peasants and workers have found no difference between the state and cooperative enterprises on the one hand, and the private dealer on the other, and had thus no inducement to further the cooperative organization, and to support state trade against private trade. The trend of state and cooperative activity in commercial matters must undergo an alteration, so that the question of the organization of primary cooperative nuclei may be placed on our agenda to its full extent, and so that cooperative and state commerce may be able to cope successfully with private trade in every rural district and lower the prices. At the present time, the pedlar in the villages is a trade monopolist, and can demand any price he likes, undisturbed by competition. But as soon as competition appears, the private dealer and pedlar alike will lower their prices and content themselves with smaller profits, and in many cases, especially in the peddling trade, the state organs will gain the upper hand.

The second thing that must be undertaken in the sphere of commerce is the necessary regulation.

I must say that before the commission appointed for the "scissors" question submitted to the Central a motion for the regulation of retail selling prices, its members vacillated for some time. It appeared to us that the question was not so much one of principle, or of any definite viewpoint, but was much more a question of actual practice: the possibilities existing for the execution and realization of the regulation of retail selling prices in our country in the year 1923, given the present conditions obtaining in the Party, in our economics, and the Soviet apparatus. It need not be said that we cannot regulate the prices on all the market stalls of the dealers belonging to the first and second categories. But even if we take the permanent retail shops, trade may here be easily converted from legal to illegal. If secret trade has hitherto been carried on in corn brandy, why should it not be carried on in the future with petroleum or anything else, if this should appear advantageous? We have decided to confine ourselves experimentally to three articles only — salt, petroleum, and sugar — and to regulate the retail prices of these. We propose to fix the maximum prices for these products, making these prices valid as far as and including the district towns. Further than this — into the rural district and the village — we shall not go, for here we are confronted by complete lack of roads, with pedlars' trade, with occasional fairs, or with secret trade. The cooperative organizations must of course reach into the remotest and least known villages.

With respect to private commercial capital in the towns, the taxation apparatus must be set in motion where there is an undue degree of accumulation, especially as regards those revenues of private capital which have so far escaped taxation.

I still have two questions: that of financial policy and that of the planning principle. I shall touch upon these briefly. With regard to financial policy, I must admit that I had expected greater differences of opinion, and was extraordinarily pleased when I heard from comrade Preobrashensky that he is in agreement with the Central in the fundamental question of financial policy with reference to the directions issued by the Party with respect to the transition to stable currency. This might have been a cause of fundamental differences in opinion. But if there is agreement on this point, I do not believe that any serious difference of opinion or disagreement is imaginable on essentials.

I already stated, at the commencement of my address, that we do not in the least deny that there have been many mistakes made in all these spheres, but I wish to maintain one thing only, and that is, that as soon as these defects were recognized, the Central and comrade Sokolinov took every possible measure for their removal. This we did with reference to buying up grain, and went so far here that the Political Bureau was occupied every week with the question of financing this operation; we also did our utmost in the wages question, and in a large number of other cases. Is a repetition of these faults imaginable? I think that it may very well be imagined. As against the 400,000 or 500,000 Party comrades whom we have, and of whom a great number are employed in the workshops and in the villages, we have hundreds of thousands of Soviet employes, and all these Soviet employes adopt an attitude towards the execution of our measures which is very different to that of Party comrades. It is quite impossible to hope that under such conditions no bureaucratic distortion will occur.

The question of the struggle against bureaucracy, of the distortions which it causes, and of the structure of the Soviet apparatus in such important questions as finance, the collection of the taxes in kind, etc. from foreign or neutral elements, is naturally a question of great importance, and a financial problem of the greatest difficulty.

In the sphere of finance — we shall not go into the separate errors committed, or calculate the separate distortions which I admit have occurred, and with which I personally am better acquainted than anyone else, as I have come into conflict with them oftener than anyone else in my capacity as "apparatus man" in the Council for Labour and Defence of Country — our policy has been correct in all fundamental questions, and brought great success to our Party. This success is shown by the budget. In the first place we have for the first time a real information budget. Time was when the Soviet congress, on Lenin's motion, confirmed something under the name of a "budget" which had not the slightest resemblance to a budget, and had this published all over the globe. On no occasion did he feel himself in so unpleasant a situation as when he signed some piece of nonsense as a budget and submitted it to the All Russian Soviet Congress for acceptance. Now we have attained considerable success in the direction of drawing up an informatory quarterly budget, and, what is the main point, in chervonetz currency. At one time everything was issued in accordance with some index figure. Each institution had not only one index figure, but several, and the figure most advantageous at the moment was employed. At the present juncture the whole budget has been drawn up in chervonetz currency, and the sums granted will be issued in chervonetz currency stabilizing this yet further.

At the present time we are still drawing up monthly estimates of costs, and yesterday I personally took part in a consultation on such an estimate, in the Council for Labour and Defence of Country. We intend to go over to the system of quarterly estimates in the near future. We regard it as a tremendous success that we shall be able to know exactly in advance, how much will be expended for each item for three months. And it is a tremendous success. It has been made possible by the reduction of the emission of paper money, and by the penetration of the chervonetz into the whole traffic in goods. If we take the most important statistical statements on emission, we see that in the quarter October-November this participated to the extent of 47%, in January-March 32%, in April-June 29%, and in July-September 17%. The role played by emission has become more and more insignificant every month. In consequence of this, that is, in consequence of the establishment of the chervonetz, of the reduction of the deficit, and of the general improvement in economics and in the goods turnover, we are now enabled to place on our agenda the question of the transition from sinking Soviet money to stable value currency.

Is this reform possible at the present time, or not? I believe it to be possible, for traffic in money is already being carried out to the extent of four-fifths by means of the chervonetz. The part played by Soviet money has sunk to a fifth, that is, to a few dozen millions. And since this is the case, we must utilize our silver for the purpose of endeavoring to make a stable value money token for use as small change. The perfect unanimity of the Party in this question assures the success of the execution of this money reform.

The workers and peasants have the most to hope from the success of this reform. It is a very different matter to have

pockets filled with Soviet money, falling in value every day, or with money whose value is stable. This is so thoroughly obvious to every workman and peasant that their universal support of the reform is assured. This will tend greatly to improve the relations between the workers and the masses of peasantry, as also the situation among the peasantry. If the success of the reform is to be secured, we must reduce our deficit still further, and carry on a further determined struggle against every superfluous expenditure, against faulty economics, etc.

The time allotted me has already elapsed, and I pass on to the last question, the question of ordering our economics on a definite plan. The question of the methods, the system of organization, and the speed of realization of our planned economics, has been the subject of lively discussion in the Party Central the whole time. The differences of opinion which have arisen have been due to the fact that the realization of the planning principle in the sphere of economics is an extensive and tedious process, demanding a large number of economic pre-requisites if it is to be successful to any extent. There is no doubt whatever but that the fundamental plan is the plan for electrification throughout the Republic, and the whole of the economics of the Republic must adapt itself to the realization of this plan, that is, we must realize the plan for the reorganization of our economics on the basis of the plan confirmed by the Soviet Congress, in accordance with the material means at our disposal. I have another plan, known as the Budget plan, confirmed by the Soviet Congress, but proved to be entirely useless. It was submitted to comrade Lenin for signature by Preobrashensky, although he himself was not sufficiently in agreement with it. Another such plan is the command No. 1042, to which the foreign orders have adapted themselves, and of which nothing remains except the foreign orders.

Should we work out a plan No. 1042 for the whole Republic, including agriculture, industry, and commerce, and force its execution with all the pressure which could be exercised by the Communist Party, and should this plan fail in the same manner as the command No. 1042, or the Soviet plan confirmed by the Soviet Congress, this would be a much more serious question than a delay in rendering available this or that sum which has been granted; for within the limits of one definite plan it is possible to repair mistakes, but if a definite plan is set in operation over the whole Republic before the pre-requisites which it demands exist in the situation itself, and in the organization of our economics, then this would be dangerous to a high degree. These are the differences of opinion, in their barest and somewhat exaggerated form. In later discussions they disappeared, and the motion in favor of entrusting administrative functions to the State Planning Commission was withdrawn. The work of planning has been lent a somewhat changed character by the new economic policy, with its influence on the market and on the free exchange of goods, and the resolution passed on the State Planning Commission at the last XII. Party Congress was accepted by us unanimously, and submitted to the Party Congress in the name of the whole Party Central.

Should I now be asked whether the coming year does not differ from the last in view of the fact that the past years have been years of planless economics, whilst the coming year will be predominantly a year of planned economics, then I shall reply that no such difference exists in principle. The resolution passed by the Party Congress once more repeats and emphasizes that the question of planned economics is a question of a long and tedious struggle.

Planned economics must be accomplished.

If we are to face the question of planned economics with any prospect of success, we must have a stable currency, we must organize credits, we must possess certain funds, we must have a more or less organized system of administration, and must gather experience in the execution of economic measures and in the working out of plans. When I was working in the Supreme Political Economic Council, I found nothing easier than to come into possession of a plan. Every state delegation and central had its literates. It was only necessary to call up one of these on the telephone, and it is an actual fact that within three hours a finished plan could be had, complete with all necessary drawings and details. But it is impossible for such a plan to comprehend those alterations which have taken place in the structure of our economics and of our markets

during the many years of war and revolution, alterations which we have just begun to realize. We still do not know the market, our market has not yet been subjected to practical examination, and the statements which we have on the receptive capacity of our market are based on data compiled in the year 1912/13.

Changes have taken place in the sphere of economics and in the conditions of property owning, and with regard to needs and demand, such as have never yet taken place in history. We still adhere to the monthly estimates of costs in carrying out our budget plans, and shall not be able to make an improvement with this until the year 1924. We have quarterly informatory budgets, upon which we base our monthly plans each month, but we have not yet been able to attain the quarterly plan. This must serve as a proof that even those pre-requisites which we now point out are not sufficient to entitle us to hope that we can realize such a radical change as appeared theoretically desirous as early as two or three years ago.

Our proposals with reference to the State Planning Commission are merely complementary to the resolution of the 12. Party Congress; the resolution retains its full significance.

Today I read in the newspapers the first indications of the discussion which is now bound to come, the first whispers of the question now to be raised. I do not know which of our comrades wrote it, but it brought up the fundamental question:

What propositions does the Central make with reference to the free market and the petty bourgeois elements; shall we adapt ourselves to the peasant market, and shall we adapt this market to us?

The question, put in this form, is to a certain extent incomprehensible to me. I see no possibility of adapting the peasant market to us except by adapting our industry to the needs of the peasantry, and if any other proposal can be made on this subject, it can only originate from the period of War Communism, when we went so far that some comrades even dreamed of working out projects for the guidance of every single farm. I am of the opinion that we must not in the least countenance such a view. We can subordinate the peasantry to us by means of the uninterrupted growth of our proletariat and our industry, but at the present time this growth of our proletariat and industry is only possible through the agency of gaining the peasant market, and to gain the peasant market implies satisfying the requirements of the peasantry. Every copek which can be applied for the reconstitution of industry must be expended for this purpose without the slightest delay. But this must be done by forming an alliance with the peasantry, and not by fixing prices which the peasants cannot possibly pay. The conquest and satisfying of the peasant market will bring about a socialist accumulation, and the effect of this accumulation must be expressed in the steady growth of our industry and economics.

In the course of the discussion held yesterday in the Baumann district, comrade Preobrashensky raised objections against our decision to grant the American Sinclair, a narhtha concession in the form of a mixed company, in return for the grant of a loan. He declared that he was opposed to this concession and in favor of a pure loan, and that of the two forms of application to capital — concessions and loans — he preferred the latter.

In order to prevent such an objection being raised at the present meeting, I must explain that not only am I in agreement with comrade Preobrashensky, but go further than he, and am convinced that the whole of the Party Central will support my attitude in this matter. I prefer the organization of a systematic social economic scheme in Europe to both concessions and loans. But at the present time this organization does not exist, and it is hard to say when it will exist, although its ultimate existence is an absolute certainty. And we have no loans either, that is, we cannot get any, even when fully supported by the opposition. This is the reason why we have agreed to such concessions even as those of Baku and Grosny, but under conditions of permanent and great advantage to us, especially at the present time, now that we have become much stronger than we were at first, and the reconstitution of our economics strides forward from month to month.

Independently of the course taken by our concession policy and by our negotiations on loans, we must rely on the successes which we have already attained, and upon the powers inherent in our society, and must invest one copek after another, day by day, in the restoration of our economics and our agriculture.

Leon Trotsky:

"The New Policy"

I. Groupings and Fraction Formations.

I am endeavouring to give in a number of articles an estimation of those questions which now form the center of the Party discussions. I shall take pains that my words shall be of an informative character, taking into account the rank and file of the Party without which it is futile to speak about Party democracy. On the part of the reader, I expect a quiet and reflective attitude towards the subject. First of all, let us try to understand one another; there will be time enough afterwards to grow heated.

L. T.

The question of groupings and fractions has formed the central point in the discussion. In this sphere, it is necessary to express oneself with the greatest clearness, as the question is a very delicate and responsible one. And moreover, it is generally put in an erroneous manner.

We are the only party in the country, and in the period of dictatorship this cannot be otherwise. The various needs of the working class, of the peasantry, of the state apparatus and of its personal staff exert a pressure on our Party and seek through its mediumship to find political expression. The difficulties and contradictions of development, the temporary incongruity of the interests of the various parts of the proletariat, or of the proletariat as a whole, and of the peasantry — all this exerts pressure on the Party through its workers' and peasants' nuclei, through the state apparatus and through the student youth. Even episodal, temporary disagreements and shadings of opinions may, in one or the other remote instance, be the expression of the pressure of certain social interests; the episodal disagreements and temporary groupings of opinions can, under certain conditions transform themselves into permanent groupings; the latter, on their part, can develop sooner or later, into organized fractions, and finally, a well-formed fraction, opposing itself to other parts of the Party, will thereby surrender itself to pressure from without the Party. Such are the dialectics of inner Party groupings in a period when the Communist Party is compelled to monopolize the leadership of political life within its hands.

What conclusion is to be drawn from this? If you do not want fractions — there must be no permanent groupings; if you do not want permanent groupings — avoid temporary groupings; finally, in order to protect the Party from temporary groupings, it is necessary that within the Party in general, there be no disagreements, because where there are two opinions, people always begin to group themselves accordingly. But how are we, on the other hand, to avoid disagreements in a party of half a million, which is leading the life of the country under extremely complicated and difficult conditions? That is the essential contradiction which is rooted in the very situation of the Party of proletarian dictatorship itself, and such a contradiction cannot be overcome by mere formal treatment.

Those adherents of the old policy who vote for the resolution of the C. C. in the conviction that all will remain as before, judge for example as follows: Hardly were the bands of the Party apparatus somewhat loosened, when at once arose certain tendencies towards groupings of all kinds: the bands must be drawn closer. This short-sighted wisdom is filling dozens of speeches and articles "against fractionism". These comrades think in the depths of their souls, that the resolution of the C. C. is either a political fault which must be cancelled, or a trick of the apparatus which must be taken advantage of. I think that they commit a very crude error. And if anything can bring about the greatest disorganization of the Party, it is the obstinate clinging to the old policy under the appearance of respectful subjection to the new one.

The public opinion of the Party unavoidably forms itself by contradictions and disagreements. To restrict this process only to the apparatus, giving afterwards to the Party the finished results in the form of slogans, instructions etc., means an ideological and political weakening of the Party. To make the whole Party participate in the formation of decisions, means encountering temporary ideological groupings, adding to this the danger of converting them into permanent groupings and even into fractions. What is the proper thing to do? Is there no way out? Is there no place in the Party for a middle course between a domination of party "tranquility" and the domination of party-splitting fractionism? No doubt, such a middle course exists, and the whole task of the inner leading of the Party consists in finding it in every single case, in particular at a turning point, in accordance with the given concrete situation.

The resolution of the C. C. frankly announces, that a bureaucratic regime within the Party is one of the sources of fraction groupings. This truth hardly needs any proofs at present. The old policy was far from being a "developed" democracy and, in spite of that, not only failed to protect the Party from illegal fraction formations, but also from that outburst of the discussion which in itself — it would be ridiculous to shut our eyes to this fact! — is pregnant with the formation of temporary or permanent groupings. In order to avoid this, it is necessary that the leading Party organs give ear to the voice of the broad Party masses and that they do not consider any criticism as an expression of fractionism, and thereby drive conscientious and disciplined Party members towards aloofness and fractionism.

But would not such an arrangement of the question regarding the fractions mean a justification of the Myasnikov*) mischief? — we hear the voice of the supreme bureaucratic wisdom asking. Is it really so? No! First, the whole sentence which we underline, is in itself an exact quotation of the resolution of the C. C. And secondly, since when has an explanation been the same as a justification? To say that an abscess has come as a result of a bad blood circulation deriving from insufficient influx of oxygen, does not at all mean "to justify" the abscess and to consider it a normal necessary part of the human organism. There is only one conclusion: the abscess must be opened and cleansed with antiseptic, and, in addition to this — and this is the most important — the window must be opened, so that the fresh air may better oxygenate the blood. But the evil is precisely in this, that the most militant wing of the adherents of the old policy of the apparatus is profoundly convinced of the resolution of the C. C. being an erroneous one, in particular those paragraphs, where bureaucratism is declared to be one of the sources of fractionism. And if these adherents of the old policy do not utter this loudly, this is only done out of formal considerations, just as in general all their thinking is filled with the spirit of formalism which is the ideological basis of bueraucratism.

Ay, fractions constitute a very great evil under the present conditions, and groupings — even temporary ones — can transform themselves into fractions. But, as experience proves, it is quite futile to declare groupings and fractions an evil, in order thereby to render their arising impossible. There is the need for certain politics, for an appropriate policy, in order to obtain this result in reality, by adapting oneself in every case to the concrete situation.

It is sufficient to penetrate in a proper manner into the history of our Party, if only into that regarding the period of the revolution, i. e. that very period when fractionism became particularly dangerous, and it becomes clear, that the fight

*) Leader of the "Workers Group" — Opposition in the Russian C. P. — who was expelled from the Party. Ed.

against such a danger is in no case exhausted with a mere formal condemnation and the prohibition of groupings.

The most threatening disagreement in the Party arose in connection with the greatest task of world history, the task of seizing power in the Autumn of 1917. The acuteness of the question, along with the tremendous rapidity of the events, afforded to the disagreements almost at once an acutely fraction-like character: those who were opposed to the seizure of power, without even wishing this, allied themselves in reality with non-party elements, published their declarations in the columns of the non-party press, etc. Party unity hung in the balance. By what means was it possible to avoid a schism? Only by the rapid development of the events and by their victorious solution. The schism would have been inevitable, if the events had been prolonged for several months, and still more if the insurrection had ended with a defeat. By a violent offensive, our Party, firmly led by the majority of the C. C., over-rode the opposition, power was conquered, and the opposition, very small in numbers, but highly qualified in the Party sense, accepted the October event as an accomplished fact and worked accordingly. Fractionism and threatening schism were in this case defeated, not by means of formalities and statutes, but by means of revolutionary action.

The second great disagreement arose in connection with the question of the Brest-Litovsk peace. The adherents of the revolutionary war gathered themselves into a definite fraction with its own central organ, etc. I do not know, what basis there is to the anecdote which came up recently as to how Comrade Bukarin was on the point of arresting the government of Comrade Lenin. Generally speaking, this is somewhat like a second-rate tale adventure by Maine Read or a communist... Pinkerton affair. But we can trust the Istpart (Commission for the Study of Party History) to get to the bottom of the question. There is no doubt, however, that the existence of a left communist fraction involved an extreme danger to the Party unity. To have led the matter up to a schism would not, at that time, have caused much trouble and would not have required on the part of the leaders... much cleverness. It would have sufficed simply to declare the left Communist fraction prohibited. The Party, however, adopted, more complicated methods: discussions, explanations, tests based on political experience, reconciling itself for the time being with such irregular and threatening phenomena as the existence of an organized fraction within the Party.

We were experiencing within the Party a rather strong and obstinate grouping as to questions of military structure. Essentially, this opposition was against construing the regular army with all the consequences deriving therefrom: centralized military apparatus, attracting of specialists etc. For several moments the fight assumed an extremely acute character. But here also, as in October, the trial by arms was a help. Various roughnesses and exaggerations of the official military policy were reduced — not without the influence of the opposition — not only without detriment to, but even with advantage to the centralized structure of the regular army. The opposition was gradually absorbed. Very many of its most active representatives have not only been attracted to military work, but have also assumed in it some of the most responsible positions.

Very distinct groupings were to be observed in the period of the memorable discussion on trade unions. At the present time, when we have the possibility of looking backward on this period as a whole, and to illuminate it with all our subsequent experience, it becomes quite obvious that the dispute in no way dealt with the trade unions or even with the workers' democracy: By means of these disputes a profound impotency of the Party was revealed, the cause of which was the economic regime of war-communism, which was maintained too long. The entire economic organism of the country was involved in an impasse. Under the pretext of a formal discussion over the role of the trade unions and party democracy, there was proceeding an indirect investigation of new economic paths. A way out of this impasse was found in the abolition of food requisitioning and grain monopoly and in the gradual freeing of the state industry from the fetters of war centrals bureaucracy. These historical decisions were adopted unanimously, and they completely put an end to the discussion on trade unions, the more so that, on the basis of the Nep, the role of the trade unions itself appeared in a completely new light, and the resolution on trade unions had to be radically modified after some months.

The most lasting, and on account of many of its aspects, the most dangerous grouping was that of the "Workers' opposition". In it were reflected, in exaggerated form, both the contradiction of war communism and some mistakes of the Party, as well as the fundamental objective difficulties of socialist construction. But here also the matter was not restricted to a merely formal prohibition. As to decisions regarding the questions of Party democracy, mere formal steps were taken, but as to purging the Party, extremely important practical steps were taken giving heed to all, that was proper and sound in the criticism and in the demands of the "Workers' opposition". And, what is of the most importance, thanks to the fact that the Party, by means of its economic decisions and measures of exceptional importance had put an essential end to the disagreements and groupings, the formal prohibition of fraction formations on the 10th Party Congress became possible, i. e., promising real results. But it is self-evident — and this is proved by the experience of the past, and by sound political reason — that the mere prohibition in itself did not include an absolute, or in general, any serious guarantee for preserving the Party from new ideological and organizational groupings. The principal guarantee consists in the appropriateness of the leadership, in the timely attention paid to all demands of development reflected in the Party, in the adaptability of the Party apparatus, which has not to paralyze but to organize the Party initiative and not to be afraid of critical voices and of the bogey of fractionism. In general the cause of intimidation is in most cases to be found in fear! The decision of the 10th Congress forbidding fractionism can only have an auxiliary character, but in itself it does not give the solution to each and every inner difficulty. It would be too primitive an organizational fetishism to believe that the bare decision — without regard to the course of the Party, to the mistakes of leadership, to the conservatism of the apparatus, to the exterior influences etc., etc. — is capable of preserving us from groupings and conflicts deriving from fractions. Such an attitude is by itself a thorough deep-rooted piece of bureaucracy.

The most striking example of this is given by the history of the Petrograd organization. Shortly after the 10th Congress, at which groupings and fraction formations had been forbidden, there arose in Petrograd an acute organizational struggle, which created two groupings sharply opposed one to another. The most simple solution would obviously have been to declare one of the groupings (at least one) nefarious, criminal, fraction-like etc. But the C. C. categorically rejected such a method which was proposed to it from Petrograd. The C. C. took upon itself to intermeddle between the both Petrograd groupings and finally — it is true, not at once — insured not only their collaboration, but also their absorption in the organization. This example, which is of exceptional importance, should not be forgotten; it is unsurpassable as a means of clarifying certain bureaucratic heads.

We mentioned above that any kind of serious and permanent grouping in the party, and even more an organized fraction, tends to become the expression of certain special social interests. Every incorrect deviation, which gives rise to the formation of a group, can, in its development, become the expression of the interests of a class hostile or semi-hostile to the proletariat. But all this applies as a whole, and even in the first place, to bureaucracy. It is with this we must deal with first. That bureaucracy is an incorrect unsound deviation, this is, we hope so, admitted. And this being the case, so, in its development, it threatens to divert the Party from the correct way, that is from the class way. This is what constitutes its danger. But it is an extremely instructive and, in addition, a very disconcerting fact that those comrades who in the sharpest and most obstinate manner and sometimes even in a cruder manner than any others, insistently declare, that every disagreement, every grouping of opinions, even a temporary one, represents in itself the expression of different class interests, do not wish to apply the same criterion to bureaucracy. It is here however, that the social criterion is most justified, because in bureaucracy we have the fully developed evil, the obvious and indisputably harmful deviation, which has been officially condemned, but which is by no means extinct. And how is this to be immediately exterminated? But if bureaucracy is threatening, as is stated by the resolution of the C. C., to estrange the Party from the masses, and, as a consequence, to weaken the class character of the Party, it follows from this alone that the struggle against bureaucracy cannot in any event be identified a priori

with any non-proletarian influences. On the contrary, the efforts of our Party to retain its proletarian character, must, unavoidably, call forth within the Party itself a defense against bureaucratism. No doubt, under the flag of this defense, various tendencies may be furthered, among them also incorrect, unsound, pernicious ones. These pernicious tendencies can only be revealed by means of a Marxist analysis of their ideological contents. But, to identify defense against bureaucratism, purely and formally with those groupings which are alleged to serve as a channel for strange influences, means being a definite "channel" for bureaucratic influences oneself.

The very idea, however, that disagreements within the Party, and groupings even more so, signify the struggle of various class influences, cannot be pronounced to be too primitive and crude. For example, as to the question, whether it was necessary to probe Poland with the bayonet in the year 1920, we had incidental disagreements among ourselves. Some were for a bolder policy, some for a more cautious one. Were there various class tendencies in this? Hardly anyone will venture to assert this. These were disagreements as to the estimation of the situation, of the forces, of the means. But the fundamental criterion of the estimation was one and the same, for both sides. The Party may not infrequently solve this or that task by different means, and disagreements can arise as to which of these means will be the better, the shorter and the more economical. Disagreements of this kind, may, according to the character of the question, seize broad circles of the Party, but this will in no way absolutely mean that here there is proceeding the struggle of two class tendencies. There is no doubt that this will happen to us not once, but dozens of times in the future, because the path before us is a difficult one, and not only political tasks, but also, for instance, organizational-economic questions of socialist construction will cause disagreements and temporary groupings of opinion. The political examination of all shades of thought by means of Marxist analysis, is always for our Party the most indispensable preventive measure. But it is precisely the concrete Marxist examination, and not the stereotyped formula, which latter only serves as a weapon of self-defense for bureaucratism. To examine and to sift that heterogeneous ideological political content, which is now rising against bureaucratism, and to discard all that is strange and harmful — all this will be accomplished the more successfully, the more seriously we adopt the line of the New Policy. This, in turn, cannot be realized without a profound new orientation of the mind and of the self-assurance of the Party apparatus. But, instead of this, we witness a new offensive on the part of the Party apparatus which once for all, designates as factionism any criticism against the — formally condemned, but not yet liquidated — old policy. If factionism is dangerous — and it is so — then it is criminal to close ones eyes to the dangerousness of conservative-bureaucratic factionism. It is precisely against this danger that the resolution adopted unanimously by the C. C. must be directed in the first place.

To preserve the unity of the Party is the most fundamental and urgent care of the overwhelming majority of the comrades. But here it is necessary to say frankly: if there is now a serious danger threatening the unity, or at least the unanimity, of the Party, then it is the rampant bureaucratism. It is precisely from

this camp that voices are to be heard which cannot be designated other than provocative ones. It is precisely this camp which has been rash enough to say: "we have no fear of schism!" It is precisely the representatives of this camp who rake over the past, seeking from it everything which could render the Party discussion still more embittered, artificially reviving the memories of old struggles and old schisms, in order to get the mind of the Party, imperceptibly and gradually, habituated to the idea of the possibility of such a monstrous suicidal crime, as a new schism. They wish to bring into collision the Party's need for unity and its need for a less bureaucratic regime. If the Party were to adopt this course and were to sacrifice the most necessary vital elements of its own democracy, its only gain would be a sharpening of the inner struggle and the shattering of its fundamental pillars.

It is impossible to demand on the part of the Party, in the form of an ultimatum, a one-sided confidence in the apparatus, if one has no confidence in the Party itself. That is the very essence of the question. The prejudicial bureaucratic mistrust of the Party, of its consciousness as a party, and of its disciplinedness — that is the main cause of all the evils of the apparatus regime. The Party does not desire fractions and will not allow them. It is monstrous to assume that the Party will allow its apparatus to be destroyed, or that it will destroy it of itself. The Party knows that the apparatus consists of the most valuable elements, in whom is embodied a huge portion of the experiences deriving from the past. But it wants to renew the apparatus and would remind it that it is its apparatus, elected by it, and that it must not become estranged from it.

If one reflects, up to the last consequences, upon the situation created in the Party, especially as it revealed itself in the discussion, a two-fold perspective of further development becomes completely clear: Either the new ideological-organizational orientation now proceeding in the Party, according to the line of the resolution of the C. C., will serve gradually as a step on the way of organic growth of the Party, as a beginning — of course as a mere beginning — of a new large chapter, and this will then be the most desirable solution for all of us and the most salutary for the Party. Then it will be easy to get rid of the exaggerations of discussions and oppositions and even more so of the vulgar-democratic tendencies of the Party. Or, instead of this, the Party apparatus having passed to a counter-offensive, will, to a greater or less extent, come under the influence of its most conservative elements and will, under the slogan of the struggle against factionism, throw the Party back again to its previous position of "tranquility". This second way will be incomparably more painful, it will not, of course, retard the development of the Party, but it will force these developments to be gained only at the cost of strenuous efforts and heavy shatterings, because it will unnecessarily revive the harmful disintegrating anti-Party tendencies. Such are the two possibilities which are objectively opening out. The sense of my letter "The New Policy" was to help the Party to enter the first way, as being the more economical and sound one. And on the position of this letter I fully insist, repudiating the tendentious and mendacious interpretations of it.

II. The Question of the Party Generations.

In one of the resolutions adopted during the Moscow discussion, I met with a complaint that the question of Party democracy had been complicated by disputes on the mutual relations of the generations, by personal attacks and so on. This complaint reveals a lack of clearness of thought. Personal attacks — that is one thing, and the question of the mutual relations of the generations — is quite another. To put forward at the present juncture the question of Party democracy without including an analysis of the personal composition of the Party — in respect to social status as well as to the age and length of political activity of the membership — would mean to make the question itself a futile one.

It is by no means a mere chance that the question of Party democracy arose in the first place, as a question of the mutual relations of the generations. Such a formulation of the question has been prepared by the entire past of our Party. In a schematic manner, one could divide this history into four periods: a) the pre-October preparation, extending over a quarter of a century, which is unique in history, b) October, c) the post-October period, d) the "New Policy", i. e., the present opening period.

That the pre-October period, notwithstanding its richness in events, its complexity and the marked differences between its various phases, presented only the preparatory period, is fully admitted at the present time. October gave the ideological and organizational test of the Party and of its ranks. By the term: October, we understand the most acute period of struggle for power, beginning approximately from the April theses of Comrade Lenin and ending with the practical seizure of the state apparatus. The October chapter which is to be measured by months, is, in its contents, no less important than the whole preparatory period, which is to be measured by years and decades. October not only afforded a faultless test (unique in its kind) of the great past of the Party, but it also became a source of greatest experience for the future. By means of October, the pre-October Party realized for the first time its true value.

After the conquering of power, there begins the rapid growth of the Party, and even its unsound swelling up. Like as to a powerful magnet, there are attracted to it not only the feebly conscious elements of the working class, but also obviously strange elements: Job-hunters, careerists and political parasites.

In this very chaotic period, the Party is only conserved as a Bolshevik Party by the force of the practical inner dictatorship of the old guard, tested by means of October. In questions involving any kind of principle, the new Party members — not only those from among the working class, but also the strange elements — accept without objection the leadership of the older generation. The careerist elements thought that by such an obedience, they could best secure their position in the Party. These elements, however, have deceived themselves. By means of a strict self-purging, the Party freed itself from them. Its ranks became thinner, but the self-confidence of the Party was raised. It can be said that the testing and purging of the Party marked the commencement of the period in which the post-October Party became conscious of itself for the first time as a collective body comprising half a million, which not only exists under the leadership of the old guard, but is also destined itself to get to the bottom of the principal questions of politics, to reflect and to decide. In this sense, the purging and the whole critical period connected with it, constitute something like an introduction to that complete turn which is now to be observed in the Party life, and which probably will be recorded in its history under the title of "The New Policy".

It is necessary from the very outset clearly to understand one thing: the essence of the frictions and difficulties which we are at present experiencing does not consist in the secretaries having grown too big for their boots and that it is necessary to put them in their places, but in the fact that the Party as a whole is on the point of passing over to a higher historical class. It is as if the masses of the Party were saying to the leading Party apparatus: "You, comrades, have experience of the pre-October period which the great majority of us are lacking; but under your leadership we have obtained a post-October experience which is continually increasing in importance. And we not only wish to be led by you, but also to participate along with you in the leadership of the class. We desire this not merely because it is our right as Party members, but also because it is of vital necessity to the working class as whole. Without our rank and file experience, which is not merely taken into account by those above, but is actively brought into the life of the Party by ourselves, the leading Party apparatus would become bureaucratized; but we of the rank and file do not feel ourselves to be sufficiently equipped ideologically when confronting the non-party masses."

The present turn, as has already been said, arose out of the entire preceding development. Molecular processes in the life and conscience of the Party which are not to be observed on a superficial glance, have been preparing this turn far in advance. The market crisis gave a great impetus to the work of intellectual criticism. The approach of the German events compelled the Party to pull itself together. It was just at this moment that it became revealed with particularly striking clearness, to what an extent the Party was living on two different planes: on the higher — they decide, on the lower — they only hear of decisions. A critical revision of the inner Party situation became, however, postponed as a result of the tense and anxious expectation of the imminent outbreak of the German events. When it became clear that this outbreak had been retarded by the course things were taking, the Party brought up for discussion the question of the New Policy.

As it has not infrequently happened, the "old policy" precisely in the last months revealed its most repugnant and absolutely intolerable features of apparatus-like aloofness, of bureaucratic self-satisfaction and disregard of the moods, the thoughts and the demands of the Party. By its bureaucratic inertia, the apparatus, as a whole, came into conflict with the first efforts to bring up for discussion the question of a critical revision of the inner Party regime. This does not, of course, mean that the apparatus consists exclusively of bureaucratic elements, still less of any ingrained and incorrigible bureaucrats. Far from it! The overwhelming majority of the apparatus functionaries, having gone through the threatening critical period and having understood its significance, will learn much and will renounce much. The ideological-organizational regrouping, which will arise out of the present moment of turning, will, in the end, have salutary consequences for the rank and file of the Party masses as well as for the apparatus. But within this apparatus, such as it proved to be at the beginning of the present crisis, the bureaucratic features have reached an extreme, in fact a dangerous development. And it is precisely these features which impart to the ideological regrouping which is now proceeding in the Party, such an acute

character and which cannot help but give rise to justified anxieties.

It is sufficient to say that only 2 to 3 months ago the mere mention of the bureaucratism of the Party apparatus, of the immoderate pressure exerted by committees and secretaries, met with a haughty shrug of the shoulders or with an excited protest on the part of the responsible and authorized representatives of the old Party policy in the centre and in the provinces. A regime of appointments? Nothing of the kind! Officialism? Pure invention, opposition for opposition's sake, and the like! These comrades honestly failed to note bureaucratic danger, of which they themselves were the carriers. It was only in response to decisive pushes from below, that they gradually began to admit that a certain degree of bureaucratism was existing, but only somewhere, in the peripheries of the organization, in single gouvernements and districts, that it presented a deviation of practice from the correct line etc., etc. And this bureaucratism they interpreted as a simple survival of the war period, i. e. as something which would gradually disappear, though perhaps not quickly enough. It is superfluous to speak about the fundamental erroneousness of such an attitude and of such an explanation. Bureaucratism is not a mere chance feature of single provincial organizations, but a general phenomenon. It does not proceed from the districts through the gouvernements, but rather in the opposite direction, from the centre through the gouvernements to the districts. It in no way constitutes a "survival" of the war period, but is in itself the result of the transference to the Party of methods and habits of administration accumulated precisely during the last years. The bureaucratism of the war period, no matter what degenerate forms it may have assumed in single cases, was a mere infant compared to the present bureaucratism which has accumulated under the conditions of peaceful development, when the Party apparatus, in spite of the ideological growth of the Party, obstinately continued to think and to decide for it.

Having regard to the foregoing, the unanimously adopted resolution of the C. C. on Party structure assumes a very great principle significance, which must be fully appreciated by the consciousness of the Party. It would indeed be unworthy to regard the matter, as though the whole essence of the decisions would result in a more "mild", more "deferential" attitude on the part of the secretaries and the committees towards the Party masses, and in some organizational-technical modifications. It is not for nothing that the resolution of the C. C. speaks of a new policy. The matter, of course, does not imply an infringement of the organizational principles of Bolshevism, but their adaptation to the conditions of the new stage in the development of the Party. The question is, in the first place, that of the establishment of sounder mutual relations between the old Party members and the post-October majority of the Party members.

The theoretical preparations, the revolutionary tempering, the political experience, form the fundamental capital of the Party. And the custodians of this capital are, in the first place, the old members of the Party. On the other hand the Party, in its very nature, is a democratic organization, i. e. such a collective body, the course of which is determined by the thought and will of all its members. It is perfectly clear that in the highly complicated situation which immediately followed the October days, the Party was able to shape its course the more surely and correctly, the more it succeeded in utilizing the accumulated experience of the older generation, by entrusting representatives of the latter with the most responsible posts in the Party organization. On the other hand, this led and is leading directly to the older generation which forms the mainstay of the Party and is absorbed in questions of administrations, becoming accustomed to think and to decide for the Party, employing towards the Party masses, in the first place, the methods of a school pedagogue for training them for political life: Elementary courses in political science, examination as to knowledge of the Party, Party schools etc. Hence there follows the bureaucratizing of the Party apparatus, its aloofness, its self-contented inner life, in short, all those features which constitute a thoroughly negative side of the old policy. Concerning the dangers of the continuance of the life of the Party on two sharply defined planes, I have spoken in my letter dealing with the young ones and the old ones in the Party, in which by the term "young ones" I have in mind, of course, not only the student youth, but in general, the whole post-October generation of the Party, beginning, in the first place, with the workshop and factory nuclei.

Wherein was that imperfection expressed with which the Party became more and more afflicted? Precisely in this, that the mass of the Party members said to themselves, or felt: "In the Party apparatus they may think and decide rightly or not, but in any event they too often think and decide without us and for us. But when from our side there is raised a voice of disagreement, of doubt, of objection or of criticism, we receive in response a rebuff, a reminder of discipline and in most cases a charge of making opposition and even of forming fractions. We are devoted to the Party, right up to the last, and are prepared to sacrifice everything for it. But we do desire to take an active and intelligent part in the elaboration of the Party opinion and in the determination of the course of Party action!" There is no doubt that the first uttered expressions of these moods of the rank and file were not timely remarked and taken into consideration by the leading Party apparatus; and this fact formed one of the most important causes of the formation of those anti-Party groupings within the Party, the importance of which, of course, must not be exaggerated, but the warning import of which it would be unwise to underestimate.

The chief danger of the old policy, as it became moulded as a result of the great historical causes, as well as of our faults, consisted in its tendency to oppose some thousand comrades forming the core — to the whole remaining mass of the Party, regarded as so much passive material to be worked upon. If this regime were to be stubbornly maintained in the future, it would undoubtedly threaten finally to provoke a degeneration of the Party — and moreover, at both poles, that is, among the junior members, as well as among the old stalwarts. Regarding the old proletarian foundation of the Party, the factory nuclei, the students etc., the nature of the danger is perfectly clear. Not feeling themselves to be active participators in the general Party work, and not receiving an appropriate and timely response to their Party demands, considerable sections of the Party would begin to look round for a substitute for Party self-initiative in the form of groupings and fraction formations of every kind. It is precisely in this sense that we speak of the significance of such groupings, as the "Workers' Group".

But also at the opposite pole, the ruling one, there is a no less great danger represented by that policy which maintained itself too long and appeared before the consciousness of the Party as bureaucratism. It would be a ridiculous and undignified ostrich policy not to understand or not to remark, that the charge of bureaucratism formulated by the resolution of the C. C. is a charge directed precisely against the leading mainstays of the Party. It is not a mere question of single deviations of the Party practice from the proper ideal line, but of the very policy of the apparatus, its bureaucratic tendency. Does Bureau-

cratism involve the danger of a degeneration or not? It would be sheer blindness to deny this danger. Bureaucratization, during its long development, threatens to involve an estrangement from the masses, a concentration of the whole attention on the questions of administration, of selection and transfer of functionaries, a narrowing of outlook, a weakening of the revolutionary instinct, i. e. a greater or less opportunist degeneration of the older generation, at least of a considerable part of it. Such processes develop slowly and almost imperceptibly, but they are revealed with great suddenness. To regard such a warning based on objective Marxist foresight, as something like "an offence", "a sudden attack" is only possible in the case of an unsound bureaucratic small-mindedness and an apparatus-like *h a u t u r e*.

Is, however, the danger of such a degeneration really so great? The fact that the Party grasped or felt this danger and actively responded to it — one of the particular results of which was the resolution of the Political Bureau — witnesses to the deep-rooted vitality of the Party and thereby opens potent sources of antidotes against bureaucratic poisoning. Herein lies the chief guarantee for revolutionary self-maintenance of the Party. But as far as the old policy tried to maintain itself at any cost, by means of pressure, of increasing artificial selection, of intimidation, shortly by means of methods based on bureaucratic mistrust of the Party, so far the real danger of a considerable part of the Party mainstays becoming degenerated would unavoidably have ensued. The Party cannot live exclusively on the capital of its past. It suffices, that the past has prepared the present. But it is necessary that the present stand ideologically and practically on the same level as the past, in order to prepare the future. The task of the present is: to transfer the centre of gravity of the Party activity to the basic strata of the Party.

It might be said that such a kind of transference of the centre of gravity is not accomplished at once, by means of a leap: the Party cannot "stow away in the archives" the older generation and at once begin to live in a new style. It is hardly worth the while to waste any time on such a silly demagogical insinuation. Only fools could speak of stowing away the older generation in the archives. It is a question of the older generation consciously modifying the policy, and precisely by this means securing its further leading influence on the whole work of the self-acting Party. The older generation must regard the new policy, not as a manoeuvre, not as a diplomatic treatment, not as a temporary concession, but as a new stage in the political development of the Party. Then the leading generation as well as the Party as a whole will reap the very greatest advantage.

III. The Social Composition of the Party.

The question, of course, is not limited to the mutual relation of the generations. In a larger historical sense, the question is decided by the social composition of the Party, and, in the first place, by the specific weight within it of the factory nuclei and the proletarians from the benches.

The first task of the class which seized power, was the formation of the state apparatus, including the army, the organs of economic administration etc. But to staff the apparatus of the state, of the co-operatives, etc. with workers, unavoidably involved the weakening and the emasculation of the fundamental factory nuclei of the Party and an extraordinary growth within the Party of the administrative elements, both of proletarian and of other origin. The only possible way of escape is by means of substantial economic successes, by means of a healthy pulsation of the life in the factories and by means of a permanent influx into the Party of workers remaining at the benches. At which tempo this fundamental process will proceed, what ebbs and flows it will have to undergo, all this is hard to predict.

It goes without saying, that also in the present stage of our economic development, everything must be done in order to attract to the Party as many workers from the bench as possible. But a profound modification of the Party membership extending so far as, for instance, to render the factory nuclei two thirds of the Party, can only be obtained very slowly and only on the basis of very substantial economic successes. In any event we are obliged to reckon on a still very long period, during which the most experienced and active members of the Party — among them, of course, also those of proletarian ori-

gin — will be occupied in various positions in the apparatus of the State, of the trade unions, of the co-operatives, of the Party. And this fact in itself involves dangers and constitutes one of the sources of bureaucratism.

A totally unique place is and will be necessarily occupied in the Party by the schooling of the Youth. It is precisely by educating the new Soviet intelligenzia including a high percentage of Communists, by means of Workers' Faculties, Party Universities, Higher Special Educational Institutions, that we withdraw young proletarian elements from the lathe not only for the period of schooling, but as a rule for the whole of their remaining life: the workers' Youth having passed the Higher Schools, will, obviously, in due time, be absorbed in the apparatus of industry, of the state and of the very Party. There thus exists a second factor of destruction of the inner equilibrium of the Party to the detriment of the basic factory nuclei.

The question whether a Communist originates from a proletarian, intelligenzia or other stratum, is, of course, not without importance. In the first post-revolution period, the question of the pre-October profession seemed even a decisive one, because the transfer from the bench to this or that Soviet function presented itself as a temporary affair. At the present time, a radical modification has already taken place in this respect. There is no doubt, that the Presidents of the government executive committees or the Commissaries of divisions of the Army, constitute a certain social Soviet type, which to a considerable extent, is independent of the stratum, from which

every single President of a gouvernement Executive Committee, or the Commissary of a division has come. During these six years, fairly stable permanent groupings of Soviet Society have formed themselves.

We are, consequently, — and along with this, for a comparatively long period — confronted with such a position, in which a very considerable and best trained section of the Party is absorbed in various apparatuses of administration, economics and military command; another considerable section is studying; a third section is scattered throughout the villages, working in agriculture; and only the fourth section (numbering, at present, less than a 6th) consists of proletarians working at the bench. It is quite evident, that the growth of the Party apparatus, and the features of bureaucratization accompanying this growth, are not caused by the factory nuclei, which unite by means of the apparatus, but precisely by all the other functions of the Party which are carried out by it through the mediumship of the State apparatus of administration, economics, military command and education. In other words, the source of bureaucratism in the Party is the increasing transference of attention and forces towards the state apparatuses and institutions with an insufficiently rapid growth of industry.

In view of these underlying facts and tendencies we must take the more clearly into account the dangers of the apparatus-like degeneration of the old mainstays of the Party. It would be a crude fetishism to believe that the old mainstays, merely because they come from the best revolutionary school of the world, constitute in themselves a self-sufficing guarantee against each and every danger of ideological shallowing and opportunist degeneration. No! History is made by means of men, but men is by no means always consciously making history, not even his own. In the end, the question, of course, will be decided by the great factors of international importance: by the course of revolutionary development in Europe and by the tempo of our economic construction. But to impose fatalistically the whole responsibility upon these objective factors, is just as erroneous as to seek guarantees only in one's own subjective radicalism inherited from the past.

It is perfectly obvious that the heterogeneity of the social composition of the Party created by the entire situation, does not weaken, but on the contrary, extremely sharpens all the negative sides of the apparatus policy. There is not and there cannot be any other means for over-coming the narrow craft and bureaucratic spirit of single portions of our Party, than their active approach to the regime of Party democracy. By supporting the "absolute tranquility", by splitting everybody and everything, the Party bureaucratism hits equally hard, though in different manners, the factory nuclei, the economic functionaries, the military, and the studying Youth.

As we saw, in a particularly acute manner, there reacts against bureaucratism the studying Youth. It was not for nothing that Comrade Lenin proposed largely to attract the studying Youth for the fight against bureaucratism. By its composition and personal ties, the studying Youth reflects all the social strata contained in our Party and absorbs all their moods. By reason of its youthful sensibility, it is inclined immediately to impart an active form to all these moods. As a studying Youth it strives to explain and to generalize. This does not by any means signify that the Youth, in all its attitudes and moods, gives expression to sound tendencies. If this were so, this would mean: either, all is well in the Party, or the Youth would cease to reflect its Party. But neither the one, nor the other is the case.

To assert, that our foundations are not the nuclei of educational institutions, but the factory nuclei, is, as a principle, true. But when we say, that the Youth is the barometer, it is precisely by this that we impart to its political expressions not a fundamental, but a symptomatic significance. The barometer does not create the weather, it only indicates it. The political weather is created in the depths of the classes and in those spheres where the classes come into collision with one another. The factory nuclei create a direct and immediate connection of the Party with the class which is fundamental for us, with the industrial proletariat. The village nuclei in a far weaker degree form a connection with the peasantry. With the latter, in the first place, we are connected by our Army nuclei, which are, however, placed in quite definite conditions. Finally, the student Youth, recruited from all strata and intermediate strata of the Soviet society, reflects in its many-coloured composition all our virtues and defects, and we should be stubborn heads if we did

not lend a most attentive ear to its moods. To this it must be still added, that a considerable portion of our new students consists of Party members with a revolutionary experience sufficiently serious for the young generation. And it is quite in vain that our most recalcitrant apparatus men now inveigh against the Youth. It is our indicator, it will take our places in the ranks, and the morrow belongs to it.

But let us return, however, to the question of the Party overcoming the heterogeneity of the single sections and groups of the Party which are divided by their Soviet functions. We said and we repeat it here again, that the bureaucratism in the Party is by no means a survival of a preceding period, on the contrary, this phenomenon is essentially new, deriving from the new tasks of the Party, from its new functions, from its new difficulties and its new faults.

The Communists within the Party and within the state apparatus are grouped in different ways. In the State apparatus they are in a hierarchic dependence one upon the other, and in complicated personal mutual relations with non-party people. Within the Party, they all have the same rights as regards the determination of the fundamental tasks and methods of the Party. The Communists work at the bench, they are members of factory councils, they administer enterprises, trusts, syndicates, they stand at the head of the Superior Council of National Economy, etc. As far as the economic administration by the Party is concerned, it takes into account — and it must take into account — the experience, the observation, the opinion of all its members on the various grades of the administrative-economic structure. The fundamental, incomparable superiority of our Party consists precisely in this, that it has at every moment the possibility, to look at industry with the eyes of a Communist working at the bench, of a Communist trade union member, of a Communist manager, of a Red Merchant, and by summing up the experiences, mutually complementing one another, of all these collaborators, to determine the line of its leadership of the economy in general and of certain branches of the latter in particular.

It is quite obvious that the Party leadership can only be carried out on the basis of a vital and active Party democracy. And vice versa, the more predominance is acquired by the apparatus-like methods, the more the leadership of our Party is substituted by the administration of its Executive organs. (Committees, offices, secretaries, etc.) We see how, with a strengthening of such a policy, all affairs are concentrated in the hands of a small group of people, sometimes even of one sole secretary, who appoints, recalls, gives directives, calls to account, etc. With such a degeneration of the leadership, the fundamental and most valuable superiority of the Party — its manifold collective experience — falls into the background. The leadership assumes a purely organizational nature and degenerates, not infrequently, into a simple ukase and intimidation. The Party apparatus penetrates into all the continually more detailed tasks and questions of the Soviet apparatus, is absorbed with the daily cares of the latter, is exposed to its influence and ceases to see the wood for trees. If the Party organization, as a whole, is richer in experiences than any of the organs of the State apparatus, this can by no means be said regarding single functionaries of the Party apparatus. It would be indeed ingenuous to think that a secretary, merely on account of his being a secretary, embodies the total sum of the knowledge and abilities which are necessary for Party leadership. In fact, he creates for himself an appropriate apparatus with bureaucratic departments, with a bureaucratic information, with stereotyped replies, and by this apparatus which brings him nearer to the Soviet apparatus, he estranges himself from the living Party. And this proceeds just as expressed in the well-known German quotation: "You believe you are pushing, and you are being pushed yourself". The whole many-sidedness of the bureaucratic every-day work of the Soviet State, perpetrates into the Party apparatus and sets up in it a bureaucratic deviation. The Party, as a collective, does not feel its leadership, because it does not carry it out. From this there arises the discontent or the disagreement, even in those cases when the leadership is essentially right. But it cannot maintain itself on the right line so far as it spends itself on minor affairs and does not assume a systematic planned and collective nature. It is by this that bureaucratism not only destroys the inner consolidation of the Party, but also weakens its proper influence on the state apparatus. This is not in the least observed nor understood by those who scream the loudest regarding the leading role of the Party in relation to the Soviet State.