

UKRAINIAN CAPITAL AND THE SOVIET ECONOMY

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## ABSTRACT

### UKRAINIAN CAPITAL AND THE SOVIET ECONOMY

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1. This study concerns capital formation in the USSR during the first five-year plan. Its prime objective is to examine capital accumulation in the Ukraine during this period. Such an area approach also reveals some of the unifying and centrifugal forces operating within the Soviet economy. In addition, by presenting the factual material on the Ukraine's position in the USSR, the study contributes to the history of economic relations between the Ukraine and Russia.

The findings indicate that capital accumulation in the Ukraine during this period amounted to 14.3 billion rubles and was equal to 27.2 per cent of capital investments in the socialized sector of the Soviet economy. This is not surprising in view of the Ukraine's paramount importance as an industrial center and exporter of agricultural products.

2. The second aim is to compute capital flow between the Ukraine and the rest of the USSR. Obviously, the development of new industrial centers required substantial capital movements

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within the USSR. The investigation shows that the Ukraine provided capital exports to the rest of the USSR of approximately 5 billion rubles. This was equal to 29.6 per cent of the revenues of the all-Union budget in the Ukraine, or 23.1 per cent of the combined revenues of the all-Union, republican, and local budgets. These Ukraine's capital exports financed 11.5 per cent of total capital investment in the USSR socialized economy exclusive of the Ukraine.

The above figures confirm the extent to which the Ukraine was obliged to subsidize economic development in other parts of the USSR. The subsidy, which constituted one third of all capital created in the Ukraine, must have inhibited growth of the Ukraine's own economy while holding down, if not lowering, local living standards. Moreover, the decisions to export capital were made unilaterally by the central government without any reference to the wishes of the Ukrainian people. Also, the Ukraine received no interest on her capital exports and lost all hope of ever being reimbursed at a future date. For these reasons, many writers contend that the Ukraine was exploited by a modern form of Russian imperialism far more crippling than anything experienced in the past.



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3. The third aim is to gain an understanding of the origins and relative importance of the various sources of capital. The evidence indicates that agriculture was an important source of new capital, along with personal and industrial savings, in spite of persistent silence on this matter from Soviet officials. Undoubtedly, the Soviet government was aware of the great fiscal opportunities afforded by a combination of pricing policies and commodity taxation of agriculture. Thus, the prospect of exacting resources from agriculture must have presented an important consideration in forced collectivization. As a major bread producing republic, the Ukraine felt the impact of this loss of resources to a much greater extent than other parts of the USSR.

4. Finally, the study shows how the financial reform of 1930 assisted the central government in its efforts to raise the rate of capital formation besides directing the flow of capital throughout the USSR. The rate of capital formation was raised by increasing the level of forced savings. This was accomplished with the aid of high indirect taxation of personal income, commodity taxation of agriculture, mandatory purchases of government bonds by individuals and

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enterprises, and pressures upon industrial management.

The redistribution of capital was facilitated by the simplified tax structure, centralization of major revenues in the all-Union budget, control of industry by financial institutions, increased taxation of profits, and tying in of profit taxation with plant's investment plans. All of these measures were either included in the reform itself or taken up subsequently as modifications of the original provisions.

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## INTRODUCTION

The transformation of the USSR from an agricultural into a modern industrial state was fraught with difficulties. Economic progress took place under the rigid central control of the Communist Party beset by dissension. This internal political unrest reflected unfavorably upon economic development and well-being of Soviet citizens. In addition, the isolation from the international money markets left no choice but to rely entirely upon domestic capital accumulations. Thus, in view of the widespread poverty and low productivity, the central government selected to undertake a number of measures designed to increase and direct the volume of capital formation as a means of ensuring the fulfillment of its plan to industrialize the country.

The purpose of this study is to partially examine capital formation problems in the USSR by computing and evaluating capital accumulation in the Ukraine. Such an investigation brings to light both the unifying and centrifugal forces, the knowledge of which is essential to the understanding of the operation of the Soviet system. The study shows that such an analysis on a regional basis is possible in spite of inadequacies inherent in Soviet statistics.

The Ukraine is a natural focal point for such an analysis. She is the largest non-Russian nation behind the

Iron Curtain, accounting for some 20 per cent of the total population of the USSR. Abundant and well diversified natural resources make her one of the richest countries in Europe. The Ukraine is known as an important producer of both industrial and agricultural products and is frequently referred to as the bread basket of Eastern Europe. Her export surpluses to the USSR and the rest of the world made an important contribution to balance of payments of the Soviet Union.

The study covers the first five-year plan period extending from October, 1928, to December, 1932. This period marked the beginnings of an era of large capital accumulations and is characterized by the persistent efforts of the government to direct and increase the rate of capital creation in the country. Since most segments of the economy were socialized by the end of this era, some idea is thus obtained of the problems attending this transformation. In these respects the first five-year plan may be viewed as the richest period in the development and perfection of the methods and techniques of economic planning, administration, and control.

The method of analysis is described in Chapter II. It involves an institutional approach to the study of capital formation. It includes an investigation of the budgetary system along with such other indicators of economic

activity as capital investment, industrial output, retail trade turnover, and the like. All statistical information is gathered in the Appendix in Tables I - XI.

The development of new industrial areas obviously required substantial capital movements within the USSR. Some regions were called upon by the central government to supply capital for economic development of selected backward areas without any hope of receiving repayment of principal or interest. It should be also noted that decisions regarding inter-regional transfers of capital were made unilaterally by the central government without representation of the wishes of the capital exporting republics. To this extent, it may be argued, these republics were subsidizing other areas at the expense of their own economic growth and welfare of local population. Chapters III-VI are devoted to an analysis of the extent to which Ukrainian capital was diverted to other parts of the USSR. This is accomplished by an extensive investigation of the budgetary system in the Ukraine.

Whereas Chapters III and IV concentrate primarily on the revenue side of the budgets, budgetary expenditures are reviewed in Chapter V. Net capital exports from the Ukraine are obtained by way of summarising budgetary relations in the Ukraine in Chapter VI.

Some important conclusions are drawn from the budgetary analysis. The evidence clearly indicates that agriculture was an important source of new capital along with industrial and personal savings. This in part explains the constant preoccupation of the Soviet government with agriculture in spite of the reluctance shown by Soviet officials in admitting the importance of agriculture in capital formation. As a major bread producing republic, the Ukraine obviously felt the impact of this loss of resources to a much greater extent than many other parts of the Soviet Union.

The role of the financial reform of 1930 in both formation and geographic reallocation of capital becomes apparent. The great powers it vested in the all-Union budget permitted the central government to attend to its plans without interference from either republican or local authorities. Through the simplified tax structure and the concentration of the more important revenues in the all-Union budget, it (1) enabled the central government to direct the flow of capital and (2) provided the basis for raising the rate of capital formation through ever higher indirect taxation of the population, commodity taxation of agriculture, and pressures upon industrial management.

The remaining elements of capital formation, such

as profits, depreciation reserves, and resources accumulated and invested in several segments of the economy, are discussed in Chapter VII.

Chapter VIII contains major concluding observations based upon the entire analysis. There is no doubt that the Ukraine's capital accumulations played an important part in the Soviet economic development. Through expropriation of one third of the total capital formed in the Ukraine during this period, the central government financed 11.5 per cent of all capital investment in the socialized economy in the USSR exclusive of the Ukraine. Such a sizeable loss of capital undoubtedly hindered the development of the Ukraine's own economy. Put differently, the Ukraine's capital exports equalled 53 per cent of all capital investments in the Ukraine, or over nine-tenths of total investments in her industry.

## CHAPTER I.

### THE OBJECTIVES OF THE STUDY

#### The Statement of the Problem

It is a matter of record that the Soviet Union has attained the status of a leading political and economic power. The transformation of the USSR from an agricultural society into a modern industrial state was accompanied by a number of events which helped to mold and solidify the country. Economic progress took place under the rigid central control of the Communist Party beset by dissensions. At the same time, there was widespread poverty, low productivity, a chronic lack of capital, plus political unrest caused by the central government's attempts to suppress the national aspirations of non-Russian peoples. In addition, rehabilitation and development of the already feeble backward economy had to depend primarily on domestic capital accumulations as the lending nations were not willing to assist the new Communist regime. All foreign investments were discontinued after the October Revolution, and the USSR lost access to the international money markets. Because of internal struggles and political pressures from abroad, Soviet participation in foreign trade was also sharply reduced from its pre-World War I levels.

It is surprising, therefore, that Soviet finances



attracted so little attention among Western scholars. Problems of capital formation in particular have been left virtually untouched. The purpose of this study is to partially fill this gap by shedding some light on capital creation in the USSR. However, this study differs from most other studies of Soviet economic problems in that it concentrates exclusively on the Ukraine,<sup>1</sup> as a case study. Thus, the main objective of the present analysis is computation and appraisal of capital formation in the Ukraine. An investigation shows that such an analysis on a regional basis is possible in spite of inadequacies of Soviet economic statistics.

The second aim is to gain an understanding of the origins and the relative importance of the various sources of capital. Although Soviet authorities usually refer only to savings of industry and population as sources of capital creation, it is expected that agriculture was also one of the more important suppliers of new capital. As a matter of fact, it is suggested that the prospect of extracting capital resources from

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<sup>1</sup>It should be borne in mind that the study covers only Ukrainian Soviet Socialist Republic in the 1921-1938 borders. As such, it does not include parts of Ukraine occupied at the time by Poland, Czechoslovakia, and Rumania, or even those parts which were incorporated into Russian SFSR. At the time Ukrainian SSR comprised 60.8 per cent of total Ukrainian territory. (Entsyklopediya Ukrayinoznovstva (Encyclopedia of Ukraine) (Munich - New York: Shevchenko Scientific Society, 1949), I, p. 25.

agriculture was a major consideration in the Kremlin's decision to embark upon forced collectivization.

The third objective is to determine whether the Ukraine was a capital importing or exporting nation. This can be accomplished by striking a balance between the central government's revenues and expenditures in the Ukraine. The findings will reflect in part upon Ukraine's contribution to the economic development of the USSR. Also, they will assist in identifying both the dimensions and directions of the capital flow accompanying industrialization of the Soviet Union.<sup>2</sup>

The fourth objective is to show the manner in which the financial reform of 1930 assisted the central government (1) in directing the flow of capital throughout the USSR and (2) in raising the rate of capital formation by increasing the level of forced savings. It appears that this reform greatly facilitated the revival of an old Russian practice of expropriating the wealth of non-Russian nations and employing it to Russia's own advantage.<sup>3</sup>

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<sup>2</sup> It is hoped that later similar studies on other national republics and important industrial areas will facilitate a closer analysis of the effectiveness of Soviet capital investment.

<sup>3</sup> In this connection the reader is referred to an extensive analysis of this subject by N. L. Fr.-Chirovsky (The Economic Factors in the Growth of Russia (New York: Philosophical Library, Inc., 1957)).

Lastly, the study will illustrate as far as possible the inequities and disparities that exist among the national economies comprising the complex Soviet economy. The knowledge of both the unifying and centrifigal forces is essential for a thorough understanding of the operation of the Soviet system. For the USSR, a multi-national state, has come to serve basically the interests of Russian minority mainly owing to the successful marriage of Communist ideology and Russian nationalism.<sup>4</sup> Of course, many conflicts arose in the past out of the Kremlin's pursuit of the centralist policies framed in defiance of the federal principles upon which the USSR was organized. By presenting the factual material on Ukraine's position in the USSR during this period, the study will add to the history of economic relations between Ukraine and Russia.

#### The Period of Investigation

The study covers only the first five-year plan period. This period marked the beginnings of an era of large capital

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<sup>4</sup> N. L. Fr.-Chirovsky, ibid., pp. 140-141; Louis Fischer in Richard Crossman (ed.), The God That Failed (New York: Bantam Books, 1959), pp. 193-194; H. Kostiuik, Stalinist Rule in the Ukraine (New York: Frederick A. Preager, 1960), especially pp. 2-3, 38, and 71-73; Ya. Shumelda, Vid Marksa do Malenkova (From Marx to Malenkov) (Paris: Persha Ukrayins'ka Drukarnya u Frantsiyi, 1955), pp. 124, 136, 143-145, 169-170; Roman Smal-Stocki, The Nationality Problem of the Soviet Union and Russian Communist Imperialism (Milwaukee: Bruce Publishing Corp., 1952).

accumulations and rapid industrialization. It is characterized by the persistent efforts of the government to direct and increase the rate of capital creation in the country. Indeed, capital expenditures did not exceed capital consumption in the industry in any important amount until 1925/26.<sup>5</sup>

Also, by the end of this era most segments of the economy were socialized. In slightly more than four years the New Economic Policy economy was transformed into a rigidly controlled, planned, socialized economy. It is expected, therefore, that information pertaining to those years will contain both problems attending such transformation as well as adaptations to them. In this respect, the first five-year plan era may be viewed as the richest period in the development and perfection of methods and techniques of economic planning, administration, and control.

#### Ukraine in the Context of the Soviet Economy

The Ukraine is a natural focal point for such a study. She is the largest non-Russian nation not only in the USSR but also behind the Iron Curtain. In the inter-war period

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<sup>5</sup>R. S. Livshits, Ocherki po razmyeshcheniyu promyshlennosti SSSR (Essays in distribution of industry in the USSR) (Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury, 1954), p. 117.

Ukrainian SSR occupied 443.1 million square kilometers<sup>6</sup> and her population accounted for 20 per cent of the total USSR population.<sup>7</sup> Abundant and well diversified natural resources make her one of the richest countries of Europe.

In industrial output she ranked highly among the leading industrial centers of both Imperial Russia and the USSR. In 1913, she produced 68.4 per cent of Russia's pig iron,<sup>8</sup> 70.3 per cent of coal,<sup>9</sup> and 64.1 per cent of iron and steel.<sup>10</sup> Comparable ratios for 1933 are as follows: 60.5 per cent of pig iron,<sup>11</sup> 67.0 per cent of coal,<sup>12</sup> and 49.2 per cent of steel.<sup>13</sup> On the other hand, even though the Ukraine contributed in 1912 only 18.2 per cent of Russia's output of machine tool industry, she produced in that year 52.5 per cent of Russia's agricultural machinery and equipment, 31 per cent of steam locomotives, 16 per cent of industrial machinery and equipment, and 13.2 per

<sup>6</sup>Entsyklopediya Ukrayinoznavstva, I, pp. 25, 164.

<sup>7</sup>Table X.

<sup>8</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 176.

<sup>9</sup>Entsyklopediya Ukrayinoznavstva, I, p. 1086.

<sup>10</sup>R. S. Livshits, op. cit., p. 101.

<sup>11</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 176

<sup>12</sup>Entsyklopediya Ukrayinoznavstva, I, p. 1086.

<sup>13</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 137.

per cent of shipbuilding.<sup>14</sup> More importantly, whereas the Northwestern region operated in many instances on imported materials and fuels and the Central region on metals from the Ukraine and the Ural region,<sup>15</sup> Ukrainian output was based on Ukraine's own resources. The Central region which was the more important of the other two areas contributed in 1912 only 37 per cent of output of all manufacturing industries in Russia.<sup>16</sup> Its importance was, indeed, even smaller when it is noted that 60 per cent of this contribution originated in the textile mills.<sup>17</sup>

The Ukraine also stood out in production of food stuffs and was frequently referred to as the bread basket of Eastern Europe. For example, her share in Russia's sugar output in 1913 was quite impressive--81.5 per cent.<sup>18</sup>

The significance of the Ukraine in the Empire's economy

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<sup>14</sup>R. S. Livshits, op. cit., pp. 104-105.

<sup>15</sup>Ibid., pp. 64, 77.

<sup>16</sup>Ibid., p. 77.

<sup>17</sup>Ibid.

<sup>18</sup>Computed from information contained in Tsentral'noye Statisticheskoye Upravleniye pri Sovyete Ministrov SSSR, Narodnoye Khozyaystvo SSSR v 1956 godu (National economy of the USSR in 1956) (Moscow: Gosudarstvennoye Statisticheskoye Izdatel'stvo, 1957), p. 99.

is also illustrated by the fact that she has continuously shown an active foreign trade balance both with Russia and with the rest of the world. For example, estimates show that the Ukraine's net exports ran in 1909-1911 at the rate of 319 million rubles per year, of which only 57 million rubles applied to the rest of the Empire. In 1912, Ukrainian exports exceeded imports by 260 million rubles, while a comparable figure for 1913 was 375 million rubles.<sup>19</sup> It was estimated that without this substantial Ukrainian contribution to Russia's foreign trade, Russian Empire would have run in 1913 a foreign trade deficit of 268 million rubles.<sup>20</sup>

Communism had little ground for success in the Ukraine without Russian intervention.<sup>21</sup> The role of Russians in the victory of Communist forces in the Ukraine is evident from

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<sup>19</sup>K. Kononenko, Ukraine and Russia (Milwaukee: The Marquette University Press, 1958), p. 224.

<sup>20</sup>I. Mirchuk (ed.), Ukraine and Its People (Munich: Ukrainian Free University Press, 1949), p. 200.

<sup>21</sup>The reader is referred for example, to the following sources in English: J. Borys, The Russian Communist Party and the Sovietization of Ukraine (Stockholm: Kungl. Boktryckeriet P. A. Norstedt and Söner, 1960); C. A. Manning, Ukraine Under the Soviets (New York: Bookman Associates, 1953); V. Hryshko, Experience with Russia (New York: Ukrainian Congress Committee of America, Inc., 1956); J. S. Reshetar Jr., The Ukrainian Revolution, 1917-1920 (Princeton: Princeton University Press, 1952).

the following examples. In the elections to the All-Russian Constituent Assembly in November-December, 1917, Bolsheviks received in the Ukraine only 10 per cent of votes while their successes in Russia were much more impressive: 40-44 per cent in the Northern and Central regions.<sup>22</sup> In June of 1918 the Communist Party of the Ukraine numbered only 4,364 men.<sup>23</sup> By April 1, 1922, i.e., after the final conquest of the country, its membership rose to 54,818.<sup>24</sup> In 1922, only 23.3 per cent of the Party members in the Ukraine were Ukrainians; Russians, on the other hand, accounted for 53.6 per cent of Party membership.<sup>25</sup> At the time, Ukrainians constituted 80 per cent and Russians 9.2 per cent of the total population of Ukrainian SSR.<sup>26</sup>

Indeed, Ukrainians took to arms on numerous occasions in defense of their lost freedom long after the country was brought under Russian domination in 1919-1920. Thus, from

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<sup>22</sup>J. Borys, op. cit., p. 159.

<sup>23</sup>D. F. Solovey, Ukrayina v systemi sovyets'koho kolonializmu (Ukraine in the system of Soviet colonialism) (Munich: Instytut dlya vyvchennya SSSR, 1959), p. 29.

<sup>24</sup>J. Borys, op. cit., p. 155.

<sup>25</sup>Ibid.

<sup>26</sup>Entsyklopediya Ukrayinoznavstva, I, p. 164.



April 1, to June 19, 1919, alone, Soviet authorities reported 328 uprisings in the Ukraine.<sup>27</sup> In 1923 Communists admitted that in 1921 there were 6,000 rebel organizations in the Ukraine.<sup>28</sup> Similarly, numerous rebellions broke out in the Ukraine in early 1930 in opposition to forced collectivization of agriculture.<sup>29</sup> In fact collectivization in the Ukraine could have been accomplished only with the assistance of non-Ukrainian agents brought into the area by the Soviet government mainly from Russia.<sup>30</sup>

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<sup>27</sup>D. F. Solovey, op. cit., pp. 45-46.

<sup>28</sup>Ibid., p. 47.

<sup>29</sup>K. Kostiuik, op. cit., pp. 10-12.

<sup>30</sup>J. A. Armstrong, The Soviet Bureaucratic Elite (New York: Frederick A. Preager, 1959), p. 61; H. Kostiuik, op. cit., pp. 27-30.

## CHAPTER II

### THE SCOPE AND THE METHOD OF ANALYSIS

The value of newly formed capital in an economy may be estimated with the assistance of one or more distinct methodological approaches. For example:

1. A common method of attack involves an analysis of the aggregate statistics concerning the economy that is analyzed. In such a case, certain values are consulted in an effort to arrive at that portion of the gross national product or the national income that is being devoted to further accumulation of capital and is not being currently consumed.
2. Another method of approach represents an analysis of the process of capital accumulation by the individual industries. Such an analysis reveals contributions of each segment of the economy to the total value of the newly formed capital during a particular period.
3. A third method can be defined as an "institutional" analysis of the process of capital formation. This method helps to identify the individual sources of capital accumulation according to the socio-economic nature of each source; e.g., profits of agriculture and industry, sources gathered and

allocated through some politically controlled economic institutions (the budgetary system, the methods of taxation), capital-flow relationship with other economic systems, and the like. If properly designed, all such methods of analysis should yield equally valid, comparable, and reasonably close sets of estimates. Variations among results should be readily explainable; and the differences, if any, could then be traced to underlying assumptions. Consequently, other things being equal, reasons for selecting one or another method of analysis need not rest upon considerations of validity of the results to be obtained. Instead, selection may rest upon specific conditions and circumstances surrounding the investigation, the nature of the economy under consideration, the availability of required data, and, possibly, intentions as to continued utilization of findings in some further research and analysis.

#### The Aggregative Approach

It should be recognized that the selection of an appropriate method for compiling the values of capital formed in the Ukraine is difficult not only because of the peculiarities of the Ukraine's economy but also due to the nature of the Soviet economy.

Even a cursory investigation of the writings on the rate of growth of the Soviet economy as well as on the national income statistics of the Soviet Union reveals an unusual lack of agreement among the various Western students of the USSR. This is in addition to the frequent and considerable differences between the Western estimates and the official Soviet pronouncements.<sup>1</sup>

Such variations in opinions are predicated first of all on the differences in the assumption as to the validity

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<sup>1</sup> For greater understanding of the problem of measuring national income and production of the USSR see, for example: Abram Bergson, Soviet National Income and Product in 1937 (New York: Columbia University Press, 1953); Abram Bergson and Hans Heinmann, Soviet National Income and Product 1940-1948 (New York: Columbia University Press, 1954); A. D. Bilimovich, Era pyatiletnikh planov v khozyaystve SSSR (The era of the five-year plans in the economy of the USSR), Part I, Ch. 3 (Munich: Institute for the Study of the USSR, 1959); Collin Clark, A Critique of Russian Statistics (London: MacMillan and Co., Ltd., 1939); Gregory Grossman, "National Income" in Abram Bergson (ed.), Soviet Economic Growth (Row, Peterson and Company, 1953), pp. 1-23; Donald R. Hodgeman, "Industrial Production" in Abram Bergson (ed.), Soviet Economic Growth (Row, Peterson and Company, 1953), pp. 225-244; Naum Jasny, The Soviet Economy During the Plan Era (Stanford: Stanford University Press, 1951); Naum Jasny, The Soviet 1956 Statistical Handbook, A Commentary (East Lansing: Michigan State University Press, 1957); Warren G. Nutter, "Some Observations on Soviet Industrial Growth," American Economic Review, 2 (May), 1957, reprinted by the National Bureau of Economic Research, Inc., as Occasional Paper 55; Warren G. Nutter, "Measuring Production in the USSR; Industrial Growth in the Soviet Union," American Economic Review, 2 (May), 1958.

and accuracy of Soviet statistics. The degree of confidence with which a Western economist approaches Soviet statistical information is largely determined by the degree of his mistrust of the basic Soviet statistics. It is also assessed by his critical evaluation of the methods employed by Soviet economists in constructing various aggregative values and indices. Consequently, differences of opinion among Western writers may also arise out of variations in factors used to deflate and/or to correct Soviet official statistics in an effort to eliminate inflationary bias. Under these circumstances an aggregative approach to the analysis of capital formation may yield rather arbitrary and far-from-conclusive results.

In addition, differences between the methods of computation of national income in the Soviet Union and in the West<sup>2</sup> may produce variations in statistics large enough to render international comparisons rather burdensome. Moreover, a reader not adequately informed or else unaware of such differences in statistical methods may easily become misled by a set of values estimated with reference to the national income.

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<sup>2</sup>Wsewolod Holubnychy, "Das Volkseinkommen der Ukraine in den Jahren 1940 und 1954," Sowjet Studien, 2 (March), 1957, pp. 115-138.

For example, national income of the Ukraine for 1940 and 1954 computed in accordance with the methods established by the United Nations is valued at 70.6 billion rubles and 141.9 billion rubles respectively. If recomputed according to the Soviet methodology, the Ukraine's national income for the same years is estimated at 96.7 billion rubles and 197.2 billion rubles.<sup>3</sup> Thus, our estimates of capital accumulations in the Ukraine, when expressed relative to her national income, may, indeed, become so confusing and hypothetical as to impose some serious limitations with respect to their practical applicability.

However, unavailability of the necessary statistics poses the most formidable obstacle to the assumption of the aggregative approach in our analysis of the Ukraine's capital formation. Throughout the years official Soviet statistical agencies<sup>4</sup> have failed to exhibit any substantial interest in computation and evaluation of national incomes for individual

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<sup>3</sup>Ibid., pp. 119-120.

<sup>4</sup>For a concise review of the history and statute of Soviet statistical agencies see Vsevolod Holubnychy, "Government Statistical Observation in the USSR; 1917-1957," American Slavic and East European Review, 1 (February), 1960, pp. 28-41.

constituent republics of the Soviet Union. As a result, Soviet statistics traditionally contain national income information only on the all-Union level. This is not to say that the state of available statistical data is such that national income for the Ukraine may not be computed at all. Various statements, source material, and incomplete references, are found widely scattered in a number of official publications, books, and individual research papers. However, too few attempts have been made in the past to present a reasonably complete and consistent picture of Ukraine's national income.<sup>5</sup> Such estimates refer primarily to the pre-planning era. Interpretations of Ukraine's national income statistics by M. Volobuyev were the last ones that were found by this writer;<sup>6</sup> they were met with hostility by the top-ranking members of the Communist party. Having stirred up significant controversy, they were eventually

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<sup>5</sup>The only known to this writer include: V. S. Myshkis, "Balans narodnogo khozyaystva Ukrainy" (Balance of Ukraine's national economy), Khozyaystvo Ukrainy, 1, 1928, pp. 46-80; 2, 1928, pp. 47-82; B. V. Sihal, "Zarobitna plata, yak element narodn'oho prybutku" (Wage as a component of national income), Hospodarstvo Ukrainy, 8-9, 1930, pp. 149-167.

<sup>6</sup>Mykh. Volobuyev, "Do problemy ukrayins'koyi ekonomiky" (On the problem of Ukraine's economic status), Bil'shovyk Ukrainy, 2, 1928, pp. 46-72; 3, 1928, pp. 42-63.

It is probable that Ukrainian economists and statisticians in the USSR continued to work on the estimates of national income of the Ukraine at least until 1931. However, this writer has been unable to verify this claim.

condemned by the Party.<sup>7</sup>

Evidently, the only estimates of Ukraine's national income in the free world are those computed by W. Holubnychy for the two years, 1940 and 1954.<sup>8</sup> As a matter of fact, the apparent lack of consistent and authoritative statistics on the Ukraine's national income prompted W. Holubnychy to proceed in his own analysis on the assumption that national income for the Ukraine had not been computed during the era of Soviet economic planning.<sup>9</sup>

Inasmuch as the computation of the Ukraine's national income is certainly beyond the scope of this paper, the aggregative method can hardly be considered as suitable for the present analysis.

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<sup>7</sup>Following heated discussion and attacks from his fellow-party-members, led by M. Skrypnyk and And. Richyts'kyi, M. Volobuyev "confessed" in his article, "Proty ekonomichnoyi plyatformy nacionalizmu" (Against an economic platform of nationalism), Bil'shovyk Ukrayiny, 5-6, 1930, pp. 54-69; 7, 1930, pp. 28-40.

<sup>8</sup>Wsewolod Holubnychy, "Das Volkseinkommen der Ukraine in den Jahren 1940 und 1954," Sowjet Studien, 2 (March), 1957, pp. 115-138.

<sup>9</sup>Ibid., p. 115.



### The Economic Cross Section Method

It is doubtful that, under the circumstances, the economic cross section method could be applied with any reasonable degree of success to the case of the Ukraine specifically, or the Soviet Union in general. Objections to this method may be raised not only with respect to adequacy in measuring production, but also, and to an even greater extent, concerning the degree of the researcher's confidence in the validity of the basic statistical data: the accuracy, propriety, and consistency of statistical reporting by industrial enterprises and other primary reporting units. Moreover, outside of a breakdown of information along some very general lines of classification of industries (such as heavy industry and light industry) Soviet statistics are not very generous to the researcher. In addition to the problems of reconstructing Soviet data in accordance with his own classification of industries, the researcher would be required to cross the nationality borders within the Soviet Union. The necessity of such redistribution of statistical information by the individual republics will add to the difficulties in analysis. Since a great deal of arbitrary allocations would be required, there may also be some doubt cast upon the validity of findings.

### The Institutional Approach

The analytical framework developed for this study follows closely the institutional approach described at the beginning of this chapter. This decision is based in part on the problems of statistical measurements and statistical observations in the USSR. More important, the institutional approach reflects the nature of the Soviet economy and the manner in which specific decisions concerning economic and social policies are reached in the Soviet Union.

The Soviet economy is required to operate in accordance with the planning concept. This concept may in part be responsible for the difficulties in compiling the individual components of the process of capital formation by branches of the economy. For example, the picture of capital creation by industries, if viewed from the position of our Western standards, will be distorted at least to the extent of the Soviet state's influence on the economy through the medium of price-setting policies and practices.

In a socialist economy the price is established in the order of planning . . . .

Price represents one of the most significant economic categories which the socialist state has mastered and consciously utilized in the interest of the communist construction, treating it as subservient to the

requirements of the economic laws of socialism.<sup>10</sup>

According to Suchkov,

Socialist state exerts its influence on the development of the branches of the national economy as well as of the economies of the individual republics and regions through the establishment of planned deviations between prices and costs . . . .<sup>11</sup>

Although planning bodies often take into account the general conditions on the market,<sup>12</sup> they seldom allow prices to be determined by the free interplay of supply and demand. Consequently, prices may not necessarily reflect costs and relative advantages in production.

. . . In our country the sphere of operation of the law of value is limited by the social ownership of means of production, and by the law of balanced development of the national economy, and is consequently also limited by our yearly and five-year plans, which are an approximate reflection of the requirements of this law.<sup>13</sup>

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<sup>10</sup>A. V. Bachurin, Pribyl' i nalog s oborota v SSSR (Profit and turnover tax in the USSR) (Moscow: Gosfinizdat, 1955), p. 31.

<sup>11</sup>A. Suchkov, Dokhody gosudarstvennogo byudzheta SSSR (Revenues of state budget of the USSR) (Moscow: Gosfinizdat, 1955), p. 161.

<sup>12</sup>In an extensive analysis of the Soviet budgetary system R. W. Davies concludes: "Examination of Soviet practice discloses that turnover tax was often used to bring about major adjustments of supply and demand when these were out of equilibrium . . . ." R. W. Davies, The Development of the Soviet Budgetary System (Cambridge: Cambridge University Press, 1958), p. 285.

Indeed, the role that price is allowed to play in formulating and carrying out economic policies is rather significant. It is described by A. Suchkov as follows:

In a socialist economy price serves as the most important instrument of planned distribution of the national income as well as of ascertainment of the value relationships between consumption and accumulation. Through the use of price, consumption of goods and services is regulated; the necessary proportions in the structure of consumption are determined by the aid of purposeful establishment of relationships among the prices for goods . . . .<sup>14</sup>

The picture is further complicated by a deliberate maintenance of the relatively low prices for producers' goods<sup>15</sup> and the concurrent imposition of a turnover tax mainly on consumers' goods.<sup>16</sup> The profit and the turnover tax closely resemble each other since they both (a) constitute the residual over and above costs, and (b) originate in the "net income of the socialist society."<sup>17</sup> However, whereas profit

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<sup>13</sup> Joseph Stalin, Economic Problems of Socialism in the USSR (New York: International Publishers, 1952), p. 22.

<sup>14</sup> Suchkov, op. cit., p. 161.

<sup>15</sup> Bachurin, op. cit., p. 51.

<sup>16</sup> Ibid., p. 61.

<sup>17</sup> Bachurin defines net income of a socialist society as "that part of a country's gross, or national income which is produced for the society by labor and is utilized for the purposes of accumulation and formation of the consumption fund." Ibid., p. 18.

reflects results of operations of an enterprise regardless of the nature of its product, the turnover tax is collected mainly at the point of sale of consumers' goods. Furthermore, all proceeds from turnover tax are directed towards national needs and requirements.<sup>18</sup> Hence, the difficulty of allocating turnover tax revenues to specific industries constitutes a serious problem.

Finally, the institutional approach is preferred because the Ukraine's economy shares with the economies of other national republics the doubtful honor of being a semi-closed system. The Ukraine's economy retains characteristics of a closed, self-contained economic system at least to the extent that the Ukraine possesses minimum control over her economy and is allowed to determine partially her own economic policies. On the other hand, the Ukraine's economic system is open at least in cases where the all-Union government (a) directly controls and influences a significant part of the Ukraine's economy, and (b) is permitted to condition and to overrule decisions of Ukrainian government regarding its economic policies on account of some real or avowed all-Union requirements.<sup>19</sup>

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<sup>18</sup>Bachurin, op. cit., p. 61.

<sup>19</sup>It is evident from the above that the definition of a closed (or an open) system as used in this paper is based

Thus, the Ukraine may be called on to subsidize other parts of the Soviet Union without any compensation. In turn, she may be subsidized by them; all at a decision of the all-Union authorities with or without an explicit consent of Ukrainian government and due consideration of the interests of Ukrainian nation. Such a peculiar position of the Republic within the framework of the Soviet Union calls for some careful analysis of economic relations on the inter-republics level (or, specifically, the Ukraine vs. the-rest-of-the-Union). Economic developments and phenomena of international character (external to the Ukraine's economy in their nature) can be analyzed most conveniently with the assistance of the existing economic institutions.

### Capital Formation in a Socialist Economy

In a socialist-type economy, where a single government replaces a multitude of private decision-makers in the course of day-to-day operations of enterprises (in addition to the precise formulation of all the questions regarding economic

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on the degree to which the nation in question (or its government) is capable of formulating economic policies as well as exercising necessary administrative controls over economic institutions on its own territory. Whereas it is not influenced to any degree by such nation's participation in the international economic relations, this term is neither synonymous nor mutually exclusive with the concept of economic autarchy.

policy), the rate of capital formation is also set by a planning agency of the government. On the one hand, the rate of capital formation may be set directly. In such a case, all other factors like wages and price levels, profitableness of the enterprises, level and methods of direct and indirect taxation will be adjusted by a government decree, or otherwise, at the point at which they are jointly capable of sustaining the pre-determined rate of capital formation. On the other hand, the rate of capital accumulation may be allowed to adjust freely to the level determined by the inter-relationship of all the above enumerated factors, fixed individually or severally on their own merits. In the absence of external means of financing, as was largely the case with the USSR, national income constitutes the ultimate source of new capital. Indeed, "the dimensions of socialist accumulation depend on the general magnitude of the national income produced by the Soviet society and the relative weight of the part [of national income] which is accumulated."<sup>20</sup>

As long as the government retains sufficient control

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<sup>20</sup> N. Ryabov, Sotsialisticheskoye nakopleniye i yego istochniki v pyervoy i vtoroy pyatiletkakh (Socialist accumulation and its sources in the first and second five-year plans) (Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury, 1951), p. 79.

over the economy, the two possibilities may be equally acceptable, provided economic conditions remain ideal or nearly ideal. In practice, however, the choice becomes mainly a matter of emphasis and is likely to depend on purely practical considerations. Thus, once a definite decision has been made by the Soviet government to proceed on the basis of accelerated, forceful industrialization, the question of securing the necessary capital for industrial expansion has become of primary importance. Consequently, it became highly impractical to let the rate of capital formation be "determined" by the interplay of these other factors. To be sure, because of limited flexibility of these other factors, the rate of capital formation may not have always been a "determinant" of these factors to the extent that economic planners would have liked it to be. Nevertheless, maximum control over the factors influencing the rate of capital accumulation seems to have been an expected consequence of the rapid industrialization.

Under conditions of total planning of economic activities in the country, it becomes immaterial from the point of view of pure theory whether such accumulations are realized at the point of production or at the point of sale of goods.<sup>21</sup>



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Under the first possibility, expansion of industries will take place on account of profits accumulated in the industry. Planning authorities will be required in such a case to exercise extreme care in setting prices for various goods and services exactly at the level which will permit accumulation of profits in each industry in the amount precisely corresponding to its planned investment.

Under the second possibility each industry will be required to release its output at cost and the differences between costs and sales prices will enter the state treasury in the form of special tax as an integral part of the price to the consumer. Hence, all investments will be financed centrally in the form of subsidies from the state budget.

It is obvious that the selection of an appropriate method for collecting the new accumulations in a socialist society is influenced primarily by the following factors:

1. The degree of control which the government possesses or desires to possess in the sphere of economic decisions;
2. The availability of the necessary channels for collecting and allocating investment funds;

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<sup>21</sup>For a brief discussion of this see: R. W. Davies, op. cit., pp. 147-152.

3. The reliability of the general economic and financial plans;
4. The ease (or difficulty) with which other factors can be adjusted to bring about the conditions of equilibrium on the market;
5. The relative rates of expansion of various industries;
6. The nature and stage of industrial development, and the general conditions of the economy.

With the particular emphasis on rapid development of heavy industry as the base for further industrialization<sup>22</sup> and the prevailing state of financial institutions in the USSR at that time, neither of the above indicated "pure" models could have been acceptable to the Soviet government. Accordingly, the system that developed embodied elements of both models; it modified in response to changes in economic conditions and institutions. Historical evidence clearly indicates that this system shifted consistently towards the

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<sup>22</sup>"The main link in the five-year plan," said Stalin, "was heavy industry, with machine building at its core. For only heavy industry is capable of reconstructing both industry as a whole, transport and agriculture, and of putting them on their feet. . . ." Joseph Stalin, Works (Moscow: Foreign Languages Publishing House, 1955), XIII, p. 177.

second model.

Capital Accumulation in the USSR and in the Ukraine

The Communist Party of the Soviet Union (C.P.S.U.) attempted to deal with the question of new capital accumulations, which were required for industrialization, as early as December, 1925, when it convened for its XIV Congress. This Congress indicated in its resolutions several means for resolving this foremost problem. At that time, according to Suchkov,<sup>23</sup> there were essentially three sources of "socialist accumulations." These included:

- (a) internal accumulations in the socialized industry,
- (b) mobilization of the resources of other branches of the economy by means of the state budget, and lastly
- (c) utilization of the resources of the population by inducing their accumulations in the savings banks, in co-operatives, in other financial institutions (the credit system), or through the sale of government bonds.

In the succeeding years the turnover tax was added as another source of new capital. In part, this came about as a

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<sup>23</sup>Suchkov, op. cit., pp. 78-79.

further categorization of accumulations of the socialized sector of the economy. However, the need for separation of the turnover tax from profits was indicated much more emphatically by the very nature of the turnover tax. As time went on, the turnover tax assumed the role of successor to its counterpart in the previous taxation of industry<sup>24</sup> and to the various excise taxes with all the implications of their fiscal, regulatory, and discriminatory objectives. Thus, revenue raised from the turnover tax on any particular type of product was a function of its quantity sold, its selling price, and the applicable rate of the turnover tax.

More importantly, the turnover tax came to assume the role of an economic lever which was used to bring about an equilibrium in the market.<sup>25</sup> Such a role of the turnover

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<sup>24</sup>E.g., the "equalizing" element of the Promtax which was imposed on an enterprise in a ratio to its turnover, as opposed to the other part of Promtax called "licence fee."

<sup>25</sup>"An explanation as to the role that this tax played in the financial relations of the Soviet economy, and the reason why the gap between costs and retail price is as large as it is," writes M. Dobbs, "provides an important key to understanding that crucial 'balance of income and expenditure of the population' and its relation to the current supply of consumption goods, which . . . lies at the heart of the financial problem." Maurice Dobb, Soviet Economic Development Since 1917 (New York: International Publishers, 1948), p. 361.

tax was facilitated by its eventual flexibility both in theory and in practice. Because the turnover tax was an integral part of the price to the consumer, it also acted as a means of confiscating the rapidly widening gap between the total wage fund and the supply of consumers' goods. In this respect, i.e., the confiscation of the purchasing power of the population, the turnover tax was probably a more effective tool of economic policy than some other means of withdrawing from circulation the excess of wages and other payments to the population. As a matter of fact, it was this very feature of the turnover tax in its improved version that was in part responsible for the abolition of rationing of consumers' goods in 1935. Needless to say, the importance of the turnover tax was complementary to the decisive role of controlled prices as a means of redistributing the national income. Moreover, it was largely through the turnover tax that prices performed their valuable services in the "formation and redistribution of the monetary incomes of enterprises, organizations, and population."<sup>26</sup> Hence, its importance as a source in the process of capital formation is self-evident.

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<sup>26</sup>Suchkov, op. cit., p. 12.

Finally, as a component of the state budget, the turnover tax was an important revenue producing agent for the treasury.

. . . To any given wage-bill and plan for production, investment, and services for the country as a whole, there corresponds an appropriate level of retail prices and average rate of turnover tax at which total supply and demand on the retail market will balance and the required budget revenue will be received . . . . With a given output of consumer goods, the pattern of tax rates had to be so coordinated that the tax on all goods taken together reached the required level.<sup>27</sup>

The above enumeration of the sources of newly formed capital may be considered as reasonably complete for the entire USSR, or, for that matter, for any similar economy, provided it represents a closed economic system. However, a study of capital formation in the Ukraine will not be complete until the movement of resources between the Ukraine and the rest of the Union is explained. As pointed out earlier, an explanation of capital movements among the republics is needed not only because of the semi-closed nature of the national economies of the individual republics, but also due to the generally non-compensatory feature of these transactions.

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<sup>27</sup> Davies, op. cit., pp. 216-217.

To summarize, the analysis will necessarily include the following considerations:

- (1) Net capital-flow relationship between the Ukraine and the rest of the USSR;
- (2) Internal accumulations of industry and agriculture, not entering the all-Union system of collections;
- (3) Mobilization of the resources of population not accounted for under (1) above; and
- (4) Other sources of capital formation (government insurance agencies).

1. The net capital-flow relationship will be determined through the analysis of the budgetary system. This will include an extensive investigation of the revenues and expenditures sides primarily of the all-Union budget and the state budget of the Republic. The local budget will be consulted only to the extent of the inter-budgetary transfers from the all-Union budget (usually by means of the state budget of the Republic).

A serious lack of direct and accurate information concerning territorial contributions to the all-Union budget should be noted immediately. Outside of a few, sporadic, and widely scattered notes on individual items in the budget, very



little has been published containing systematic analysis of all budgetary revenues by the individual republics.<sup>28</sup> But even that which is available in limited quantity cannot be used indiscriminately, as it probably does not accurately represent the territorial origins of the proceeds. The reason for such unreliability of available statistics in this respect is the method of reporting budgetary revenues by the statistical agencies. At that time all revenues were reported in accordance with the cash method, whereby proceeds were allocated to the republic in which the paying office was located.<sup>29</sup> With many

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<sup>28</sup>See: Vestnik Finansov, 3, 1928, pp. 156-159; 2, 1928, pp. 157-158; 6, 1929, pp. 194-197; 9, 1929, pp. 118-121. The last period covered in this source refers to the first nine months of 1928/29 fiscal year (October 1, 1928-June 30, 1929). Some indications are also provided in: Ob'yasnitel'naya zapiska k projektu yedinogo gosudarstvyennogo byudzheta SSSR na 1928/29 byudzhetniy god (Explanatory note to the project of unified state budget of the USSR for 1928/29 fiscal year) (Moscow: Gosudarstvyennoye Izdatel'stvo Soyuz SSR, 1928); Yedinyi Gosudarstvyennyi byudzheth Soyuz Sovyetskikh Sotsialisticheskikh Respublik na 1928/29 byudzhetniy god (Unified state budget of the USSR for 1928/29 fiscal year) (Moscow: Gosudarstvyennoye Finansovoye Isdatel'stvo Soyuz SSR, 1928); Yedinyi gosudarstvyennyi byudzheth Soyuz Sovyetskikh Sotsialisticheskikh Respublik na 1929/30 god (Unified state budget of the USSR for 1929/30) (Moscow: Gosudarstvyennoye Finansovoye Isdatel'stvo SSSR, 1930).

<sup>29</sup>A. Abulyak, "Rekonstruktsiya finansovoy sistemy v rayonnom razreze" (Reconstruction of financial system in regional cross section), Planovoye Khozyaystvo, 6, 1930, p. 97.

industries centralized under direct supervision of Moscow, Russian SFSR probably was automatically credited with an unusually high proportion of the total contributions to the all-Union budget as far as indirect taxes and levies were concerned. This was true because indirect taxes and levies were considered to be all-Union sources of revenue. As an example, during the first nine months of 1928/29 fiscal year, the Ukraine was reported to have contributed 135.1 million rubles of excise taxes out of 1,245.6 million rubles collected in the USSR, or about 10.9 per cent.<sup>30</sup> Obviously, this is highly improbable, if we take note of the fact that population of the Ukraine, as of April 1, 1928, was estimated as 19.73 per cent of the total population of the USSR. The shares of the Ukrainian SSR in the gross output of Soviet industry and agriculture in 1927/28 were 19.1 per cent and 19.56 per cent respectively;<sup>31</sup> while in 1928/29 the Ukraine contributed 20.65

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<sup>30</sup> Vestnik Finansov, 9, 1929, pp. 118, 121.

<sup>31</sup> Gross output of industry is valued here in 1926/27 prices while that of agriculture in 1927/28 prices. Gosplan SSSR, Pyatiletniy plan narodno-khozyaystvennogo stroitel'stva SSSR (Five-year plan of development of national economy of the USSR) (third edition; Moscow: Izdatel'stvo "Planovoe Khozyaystvo," 1930), III, pp. 562, 563, 567.

per cent of the output of large-scale industry and 23.62 per cent of the total industrial output.<sup>32</sup> Finally, the value of retail trade turnover (including public catering system) in the Ukraine constituted in 1928/29 some 19 per cent of its all-Union counterpart.<sup>33</sup>

Such a state of budgetary reporting led A. Abulyak to conclude that the budgetary relationships between the all-Union center, the republics, and the local governments were determined by bureaucratic methods and on the basis of mere formal legality, without due considerations of the socio-economic and political factors. Thus, the situation arose in which the reported territorial receipts by republics corresponded neither to their actual payments and their financial strengths, nor to the needs of the republican or local budgets.<sup>34</sup>

Due to these difficulties, an attempt will be made to compute various items on the basis of known or estimated relationships between the Ukraine and the rest of the Union

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<sup>32</sup>For reference see Table III.

<sup>33</sup>Details of computation and sources are presented in Table IV.

<sup>34</sup>Abulyak, op. cit., p. 107.

and to verify them whenever possible. For example, the Ukraine's contribution to the turnover tax can be estimated on the basis of the weighted average of her participation in the Union's retail trade and her share in the marketable surplus of Soviet agriculture. In order to arrive at deductions from profits into the all-Union budget from Ukrainian economy, the following information will be utilized: known rates of such deductions and their inter-budgetary allocations, proportions of producers' goods and consumers' goods industries in Ukrainian and in the Soviet economies, profitability of industry, and the like.

Resources of the population which enter the budgetary system are mainly direct taxes. Since most of them are retained by either the local or the republican budget, they do not pose any serious problem. However, it will be somewhat more difficult to determine the proceeds from the sale of government securities by the individual republics. They will be estimated with the use of such data as deductions from such proceeds to local budgets and their relationship to wages. And finally, the inter-budgetary transfers will be allocated to their original sources so as to avoid their double counting.

From the total receipts of the all-Union budget in the Ukraine, payments to the Ukraine as well as expenditures

on her behalf from the all-Union budget will be deducted to determine the net capital inflow into or outflow from the Ukraine. Under the category of payments to the Ukraine such items will be considered as expenditures on national economy and expenditures for social and cultural services. In the group of expenditures from the all-Union budget on behalf of the Ukraine there will be included primarily such items as defense, state administration, and state loans. The extent of these expenditures will be determined by deducting from the total known (or computed) amounts spent on such items in the Ukraine that portion of them which was contributed by the republican and local budgets.

2. Internal accumulations in the industry and agriculture will be ascertained by the aid of the same information as was used to determine deductions from profits (above). In addition, depreciation allowances whenever unavailable, will be computed in proportion to the Ukraine's share in the value of fixed capital in the USSR.

3. Resources of population not accounted for previously constitute primarily savings reflected in the savings deposits balances.

4. Other sources will be computed on the basis of appropriate indicators and indices. However, on the basis of known facts, it should be noted that these latter two items are expected to represent a relatively minor share of the grand total of all the sources.

As far as possible all computations will be made in current prices. There are several reasons for this decision. First of all, considerable difficulties in adjusting Soviet statistics for price changes cause substantial divergencies in the various computations made by the Western economists. Obviously, the results of such estimates depend mainly on the selection of a particular factor of deflation.

Secondly, it is somewhat doubtful that the acceptance of the Soviet statistics in 1926/27 prices would offer proper solution to the problem of elimination of the purely inflationary elements. The reliability of the official statistics in "constant" 1926/27 prices with regard to elimination of inflationary bias in subsequent years, may be difficult to defend due to the following considerations:<sup>35</sup>

(a) New products were valued in the Soviet statistics

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<sup>35</sup>See for example, Bilimovich, op. cit., pp. 43-46.

either at prices computed on the basis of some theoretical assumptions as to their probable costs in 1926/27, or at actual prices of the first year of their full scale production. With a substantially large number of new products introduced during this era of rapid industrialization, it is not difficult to visualize the extent to which the distortion of statistical data in "constant" prices may have been caused by such a method of valuation of output; especially under conditions of strong inflationary pressures which plagued Soviet economy during the period under consideration.<sup>36</sup>

(b) It is true that those prices which were used for the purposes of evaluation of output in "constant" prices excluded the turnover tax. Nevertheless, at least a part of the turnover tax crept into the costs of such enterprises via prices paid for raw materials, supplies, and so on.

Undoubtedly, the above noted difficulties are magnified not only by the maintenance of different and somewhat unrelated

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<sup>36</sup>S. N. Prokopovich estimates the purchasing power of one ruble as follows: 1928 -- .848; 1929 -- .788; 1930 -- .662; 1931 -- .572; 1932 -- .516; 1933 -- .457; etc., S. N. Prokopovich, Narodnoye Khozyaystvo SSSR (National economy of the USSR) (New York: Izdatel'stvo Imeni Chekhova, 1952), II, p 179.

levels of prices for producers' and consumers' goods, but also by the different rates of changes in these price levels. Consequently, computations in current prices eliminate the danger of running unjustified and arbitrary adjustments on account of price movements over time. However, there remains the possibility of unreliability of the basic statistical data.<sup>37</sup>

Finally, it is desirable to compute the values of the newly formed capital in current prices not only for the purpose of simplification of computations, but also for methodological reasons. We are interested in the values of newly formed capital in the Ukraine and its relative position to other indicators of economic development not only over a period of time but also at each point of time. As stated above, this computation can be done more easily in current than in constant prices. Second, it is not necessary to account for

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<sup>37</sup>For example, at the December, 1958 plenary meeting of Central Committee of the Communist Party, N. S. Khrushchev accused G. M. Malenkov of improper misrepresentation of the gross output of grains in 1952. Whereas Malenkov, using the biological method of estimation, reported the grain crops as being equal to eight million poods, Khrushchev claimed it to have been no more than 5.6 billion poods. A. Z. Arkhimovich, "Zyemledel'cheskoye khozyaystvo SSSR v 1958 g." (Agricultural economy of the USSR in 1958), Vyestnik Instituta po Izucheniyu SSSR, 3 (31), (July--September), 1959, p. 15, citing N. S. Khrushchev from Pravda, December 16, 1958.



price differences in the various areas of the USSR when appraising capital flow between the Ukraine and the rest of the Soviet Union. The real value of capital to the importing or its real burden to the exporting nation does not depend upon prices and their relationships elsewhere. Consequently, the value of the Ukraine's capital imports, or the burden of her capital exports should be appraised in connection with economic, social, and political circumstances existing in the Ukraine at the time.

## CHAPTER III

## CAPITAL-FLOW ANALYSIS:

## UKRAINE VS. THE REST-OF-THE-UNION

## A. BUDGETARY REVENUES

In the Soviet Union the individual enterprises are subordinated to the all-Union, republican, or local authorities. Most of the times, it is not the location of an enterprise that determines under which authority a plant or a group of plants is to operate. These decisions are usually based on the extent of control which the central government desires to retain over the operations of that segment of the economy, or the importance that Moscow assigns to an industry in the fulfillment of the general economic plan.

Tendencies towards centralism have penetrated the thought and the work of the central government in the USSR. They were reflected in the activities of its economic agencies from the very beginning of economic planning. Assisted by a desire for swift and complete integration of the economies of the individual republics into one Soviet economy, political centralism, from the point of view of Russians, tends to create the atmosphere necessary for justification of partial or complete disregard of economic interests of other national republics in favor of goals

established by Moscow. Thus, at least in Soviet literature, unilateral non-compensatory transfers of wealth among the republics upon instructions from Moscow are relieved of the somewhat unpleasant connotation of economic colonialism and exploitation which may otherwise be attached to them. On the contrary, they are defended by Russian economists as acts aimed at bringing about more rational distribution of industries in the country, development of backward economies, and the like.

Yet, even now, after four decades of Russian communist rule in Eastern Europe, problems faced by economic planners in Moscow suggest that such explanations failed to eliminate the centuries old economic and political conflicts between the center and the non-Russian national republics. As recently as 1957 N. S. Khrushchev found it appropriate to dwell on the "dangers of the trends toward autarchy in the economies of the national republics" and the problem of "distribution of accumulated capital in accordance with all-Union interests, though it is necessary to take into account the fact that in several cases capital formation may take place in one republic and the need for this capital may arise in another republic."<sup>1</sup> As a result, a peculiar

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<sup>1</sup>Vsevolod Holubnychy, The Industrial Output of the

economic structure has come into being. It comprises irrevocable unilateral rule of the central government overimposed upon a complex of semi-closed economies of the constituent republics.

As pointed out in the previous chapter, a careful review of Ukraine's economic relations with the rest of the Soviet Union becomes imperative precisely due to this unusual position she occupies with respect to the power structure and the political organization of the USSR. These relations are channeled through and reflected in several areas of economic activity, like movement of goods, credit, and income. It is suggested that direction and size of these movements can be discovered more easily by studying institutions and agencies which are given the power to direct and control them.

#### CHAPTER IV. The Budgetary System of the USSR

It is generally agreed that the budgetary system represents the most powerful single tool of governmental

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Ukraine, 1913-1956 (Munich: Institute for the Study of the USSR, 1957), p. 1, citing N. S. Khrushchev from Pravda, March 30, 1957.

control over the economy in the USSR. It concentrates and places at the disposal of the government resources probably equal to some two-thirds of the USSR's national income. As such, it enables various levels of government not only to influence but also to direct the development of the economy with varying degrees of precision.

The Soviet budgetary system encompasses three major types of budgets, each of them corresponding to a certain level of political organization: the local budget, the republican budget, and the all-Union budget. The "local budget" (myestnyi byudzhety) refers primarily to finances of local authorities. However, this term is also used in Soviet economic literature to designate both a summary of local budgets on the territory of a specific republic and their consolidation for the entire USSR.

The "state budgets of the Union republics" (gosudarstvennyye byudzhety soyuznykh respublik), which are prepared, requested from Moscow, and carried out by their respective governments are also consolidated for the entire USSR. The "all-Union budget" (obshchesoyuznyi byudzhety) reflects not only activities of the central government and its agencies. It also includes some elements of financial accounts (e.g.,

subsidies) of economic institutions and enterprises on the territories of the constituent republics which, for purposes stated above, are placed under direct jurisdiction of Moscow.<sup>2</sup>

It is probably desirable at this point to further clarify Soviet terminology on budgets. This is especially important with respect to the pre-World War Two period. First of all, the practice was to consolidate the all-Union budget and the state budgets of all republics into the "unified state budget" of the USSR (yedinyi gosudarstvyennyi byudzhnet SSSR).<sup>3</sup> The "combined budget" (svodnyi byudzhnet), on the other hand, included all three budgets--all-Union, republican, and local, i.e., the unified state budget plus

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<sup>2</sup>For a brief review of distribution of revenues and expenditures among these types of budgets see, for example, N. N. Rovinskiy, Gosudarstvyennyi byudzhnet SSSR (State budget of the USSR) (Gosfinizdat, 1944), Chapters 1 and 2; K. N. Plotnikov, Finansy i kredit v SSSR (Finances and credit in the USSR) (Moscow: Vysshaya Partiyaya Shkola pri TsK KPSS, 1956), pp. 21 ff.; Alexander Baykov, The Development of the Soviet Economic System (Cambridge: Cambridge University Press, 1950), pp. 391-397.

<sup>3</sup>R. W. Davies, The Development of the Soviet Budgetary System (Cambridge: Cambridge University Press, 1958), p. 84; TsUNKhU Gosplana SSSR, Sotsialisticheskoye Stroitel'stvo SSSR (Socialist Construction in the USSR) (Moscow: TsUNKhU Gosplana SSSR, 1934), p. 491--hereafter referred to as Sotsialisticheskoye Stroitel'stvo. It is interesting to note that Sotsialisticheskoye Stroitel'stvo, 1934, is probably the only source which has used the term yedinyi to designate also the all-Union budget (p. 491).

the local budgets.<sup>4</sup>

Until 1938 "state budget" (gosudarstvyennyi byudzhët) denoted a summary of the all-Union and republican budgets. Inasmuch as it specifically excluded the local budgets, it was equivalent with the unified state budget. However, since local budgets were included in the state budget from 1938 onwards, the state budget replaced the previous concept of the combined budget, which was subsequently discontinued.<sup>5</sup> In addition, from 1939 the social insurance budget was also included in the state budget.<sup>6</sup> Inasmuch as many present Soviet economists use the term state budget in its present broad meaning,<sup>7</sup> it becomes necessary for a student of Soviet

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<sup>4</sup> Sotsialisticheskoye Stroitel'stvo, 1934, p. 494.

<sup>5</sup> R. W. Davies, op. cit., p. 84, note 1. On the other hand, A. Baykov and F. D. Holzman (citing Baykov) list 1939 as the first year in which Soviets began to include local budgets in the state budget. See: A. Baykov, op. cit., p. 389; F. D. Holzman, Soviet Taxation (Cambridge: Harvard University Press, 1955), p. 215.

<sup>6</sup> A. Baykov, op. cit., p. 389; F. D. Holzman, op. cit., p. 215.

<sup>7</sup> For example, K. N. Plotnikov consistently uses the concept of state budget to designate the consolidation of all three budgets. At least he is careful to explain it in notes to his tables: "State budget of the USSR includes the Union budget and the budgets of the union republics. Revenues and expenditures of republican budgets are combined with revenues and expenditures of local budgets, with the exception of the

economy to proceed with caution in comparing more recent economic literature with the earlier publications.

Whereas local and republican budgets are often made available in various publications, it appears that the all-Union budget has never been published by itself. This statement is justified at least to the extent that this writer has been unable to locate any publication presenting a satisfactorily detailed enumeration of revenues and expenditures of the all-Union budget. The only notable exception to this is the disclosure of the all-Union along with republican planned budgets for several consecutive years in the late 1920's in some selected publications of the State Financial Publishing House.<sup>8</sup> It looks like the 1929/30

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amounts transferred from republican to local budgets in the form of deductions from state revenues." See his: Byudzhët sotsialisticheskogo gosudarstva (Budget of socialist state) (Gosfinizdat, 1948), p. 17; Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 106. This is also evident from his analysis of the state budget in his Byudzhët sovyetskogo gosudarstva (Budget of the Soviet state) (OGIZ--Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury, 1945), p. 63 ff.

<sup>8</sup> Such as: Ob'yasnitel'naya zapiska k proyektu yedinogo gosudarstvennogo byudzheta SSSR na 1928/29 byudzhetniy god (Explanatory note to the project of unified state budget of the USSR for 1928/29 fiscal year) (Moscow: Gosudarstvennoye Finansovoye Izdatel'stvo Soyuz SSR, 1928); Yedinyi gosudarstvennyi byudzhët Soyuz Sovyetskikh Sotsialisticheskikh



budgets were the last ones to be published in this form.

Yet, as far as the fulfillment of the all-Union budgets is concerned, even as an authoritative source as the Bulletin of Financial and Economic Legislation dispenses the subject, inter alia, just with very brief reports of total receipts and disbursements.<sup>9</sup> Thus, the values for the fulfillment of the all-Union budget must be obtained indirectly from the unified state budget. Such an analysis is presented in Tables I and II. THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR. In these tables both revenues and expenditures are gathered by fiscal periods and expressed in current rubles.

A few words of explanation are in order. The Soviet financial system has undergone major changes during the first five-year-plan period. These changes not only involved important revisions in the methods of financing business enterprises and other economic institutions (like abolition

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Respublik na 1928/29 byudzhethnyi god (Unified state budget of the USSR for 1928/29 fiscal year) (Moscow: Gosudarstvennoye Finansovoye Izdatel'stvo Soyuza SSR, 1928); Yedinyi gosudarstvennyi byudzheth Soyuza Sovyetskikh Sotsialisticheskikh Respublik na 1929/30 god (Unified state budget of the USSR for 1929/30) (Moscow: Gosudarstvennoye Finansovoye Izdatel'stvo SSSR, 1930).

<sup>9</sup> See various issues of Byulleten' Finansovogo i Khozyaystvennogo Zakonodatel'stva, published regularly in Moscow since 1925.

of trade credit), but also resulted in far reaching reforms of Soviet taxation system. As a result, a new budgetary system has emerged in the early 1930's.

One would be greatly underestimating the nature of the Soviet budgetary system, if one were to conclude that, over a period of time, all it reflected was its readjustment to the changing economic conditions and the search for simplification of tax revenue structure. For, in the system of extensive economic planning and domination of industries by the government, "the state budget of the USSR is an inseparable part of the economic plan and it is constructed on the basis of the plan of economic development of national economy . . . ." <sup>10</sup> Moreover, it is so closely linked at every point with the economic plan that they are usually approved together. <sup>11</sup> Indeed, the direct relationship between the fulfillment of the budget and of the economic plan is invariably conditioned by this close connection of the

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<sup>10</sup> K. N. Plotnikov, Finansy i kredit v SSSR (Finances and credit in the USSR) (Moscow: Vysshaya Partiynaya Shkola pri TsK KPSS, 1956), p. 27.

<sup>11</sup> A. Baykov, op. cit., p. 395.



USSR budget with all the branches of the economy.<sup>12</sup>

"The close connexion of the U.S.S.R. budget system with the country's economic plan and its social and cultural programme naturally result in the U.S.S.R. budget system playing a major part in the redistribution of the country's national income . . . ." <sup>13</sup> We are assured by the Soviet economists that "a substantial part of the national income is being distributed through the budget . . . ." <sup>14</sup> This very aspect of the size of the budget relative to the national income made it possible for Moscow to utilize the state budget as an effective tool of economic and political controls. Of course, the necessary justification for centralized control over the distribution of funds is neatly dressed in statements bordering on both practicality of measures and ideology. To put it in the words of a prominent Soviet economist, measures established by the national economic plan and, consequently,

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<sup>12</sup> K. N. Plotnikov, Byudzhet sovyetskogo gosudarstva (Budget of the Soviet state) (OGIZ--Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury, 1945), pp. 9-10.

<sup>13</sup> A. Baykov, op. cit., p. 399.

<sup>14</sup> K. N. Plotnikov, Finansy i kredit v SSSR (Finances and credit in the USSR) (Moscow: Vysshaya Partiyaya Shkola pri TsK KPSS, 1956), p. 27.

the corresponding budgetary expenditures ". . . are distributed . . . among separate budgets not in relation to revenues assigned to them, but rather in accordance with the general tasks of socialist construction, defense requirements, and needs resulting from the Leninist-Stalinist policy towards nationalities."<sup>15</sup> Budgetary deficits in the regions where plans deliberately call for expenditures higher than those which can be supported by revenues produced in the area, are covered by ". . . redistribution of resources within the budgetary system . . . ."<sup>16</sup> This whole process of the unilateral transfers of wealth is called by Soviet economists the "budgetary regulation" (byudzhethnoye regulirovaniye).

Budgetary regulation is achieved primarily by aid of such a definition and classification of receipts which permit legal retention of the major revenue producing taxes and non-tax items in the all-Union budget, i.e., in the hands of the central government. Only part of these "state revenues" re-enters republican and local budgets. And re-allocation of state revenues to their original source is quite flexible.

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<sup>15</sup> N. N. Rovinskiy, op. cit., p. 46.

<sup>16</sup> Ibid.

It depends almost entirely on the size of the budgetary deficit resulting from specifics of economic development in a given area, as provided in the centrally approved economic plan. Consequently, inasmuch as the all-Union budget is not subject to scrutiny by the republican governments and local authorities, it provides central government with the mechanism which handsomely conceals the inequities resulting from such an arbitrary redistribution of income and wealth among the various republics of the Soviet Union.

Let us re-emphasize that the purpose of our analysis is to uncover the actual flow of funds between Soviet Ukraine and the remainder of the USSR. Lest our computations are misdirected, the distinction among various methods of formal presentation of Soviet budgets as well as the effects of fiscal and financial reforms of 1930 on the entire budget system should be borne in mind. First of all, inasmuch as activities of local authorities seldom transcend the boundaries of their territories, local budgets should not enter this analysis, except for their relationship with other links in the budgetary system represented by inter-budgetary transfers. To the extent that Plotnikov specifically includes local budgets in his presentations,<sup>17</sup> in spite of the fact

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<sup>17</sup> See note 7, above.

that his estimates are often quoted by other Soviet economists<sup>18</sup> we prefer to base the computations on official statistical returns collected in Sotsialisticheskoye Stroitel'stvo, which are more complete and more relevant to our work.

Second, fiscal and financial reform of 1930 had a dual effect on Soviet budgetary system. By consolidating many taxes and non-tax levies in a few entries, it rendered pre-1930 budgets largely incomparable, for some purposes, with those of 1931 and subsequent years. It is for this reason that a number of both Soviet and Western economists prefer statistical series which adjust 1928/29 and 1929/30 budgets to the post-reform budget classification.<sup>19</sup> This analysis, on the other hand, does not call for such theoretical adjustments.

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<sup>18</sup>F. D. Holzman points out that Plotnikov's total figures are at variance with a summary of individual items listed by him. In addition, they are not readily reconcilable with estimates of some earlier writers and statistical collections. However, it appears that Holzman accepted Plotnikov's estimates primarily because (a) Plotnikov's is the "only one Soviet book . . . available in this country which includes fairly complete series of budget data . . ." for the entire inter-war period and, probably more importantly, (b) ". . . it has the additional merit of adjusting the data for comparability as far back as 1928/29 . . ." (op. cit., pp. 216, 320).

<sup>19</sup>For example, see note 18, above.

In addition to changes in the structure of revenues, 1930 reform contained provisions which greatly revised revenue distribution among the all-Union, republican, and local budgets.<sup>20</sup> Since the new rules on reallocation of the various revenue items among these budgets did not become retroactive at all, such theoretically adjusted 1928/29 and 1929/30 budgets are not acceptable for our purposes. This is another and a more important reason for our retaining of the original versions of 1928/29 and 1929/30 budgets in Tables I and II.

### The Turnover Tax

Difficulties arising out of shortcomings of Soviet statistics in general have been presented elsewhere in this paper. Also, we need not elaborate any further on the fact that many vitally important series are simply not available

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<sup>20</sup> Many of these changes are discussed in some already referred to Western studies of Soviet economy. They also appear in most Soviet writings on budgets and fiscal problems. A more complete picture of differences in inter-budgetary distribution of revenues can be obtained by comparing instructions of the People's Commissariat of Finances which elaborate on classification of revenues. See, for example, instructions number 182, dated December 28, 1929 (Izvestiya Narkomfina SSSR, 13, 1930, p. 267) and number 210, dated May 31, 1931 (Byulleten' Finansovogo i Khozyaystvennogo Zakonodatel'stva, 16, 1931, pp. 8-15).



to the Western student of Soviet economy. Soviet economists are equally hindered by the secrecy with which the USSR government views statistics. Although the situation has improved in the more recent years, even now, Soviet economists are limited to handbooks published by the Central Statistical Administration and, as a general rule, cannot gain access to its rich files.<sup>21</sup> Of necessity, therefore, in many instances our estimates cannot claim absolute accuracy and should be accepted as such. Their improvements will have to wait until additional information is released and published by the Soviet government.

The strategic importance of the turnover tax in capital accumulation and in fulfillment of economic plans is continuously emphasized by Soviet economists. For example, Ryabov appreciates the role of the turnover tax in the following manner:

During the first and second five-year plans, the turnover tax and deductions from profits represented those concrete forms of national income which were directed by the Soviet government entirely to

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<sup>21</sup>Vsevolod Holubnychy, "Government Statistical Observation in the USSR: 1917-1957," American Slavic and East European Review, 1 (February), 1960, p. 41.

accumulation and other needs of socialist society . . . .<sup>22</sup>

Yet, primarily due to the indicated secrecy which surrounds Soviet statistics and finances of the central government, analysis of the origins and the sources of this tax has been left virtually untouched to the detriment of much needed economic research. The seriousness of the situation is so great that Soviet economists gathered at a conference of the State Planning Board in March, 1959 were led to conclude that it is impossible to determine the actual collections of the turnover tax on the territory of a republic.<sup>23</sup> The same convention threw some light on the importance of such computations by criticizing the suggestion to omit the turnover tax from compilations of national incomes of the republics on the grounds that, if accepted, such a procedure would produce results which would not reflect the true level of the national income of a republic, but rather a much lower one.<sup>24</sup>

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<sup>22</sup>N. Ryabov, Sotsialisticheskoye nakopleniye i yego istochniki v pyervoy i vtoroy pyatiletkakh (Socialist accumulation and its sources in the first and second five-year plans) (Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury, 1951), pp. 140-141.

<sup>23</sup>Digest of the Soviet Ukrainian Press, 12 (December), 1959, p. 5, citing M. Yarmolynsky, "Elaboration of the balance of national income of the Ukrainian SSR," Ekonomika Radians'koyi Ukrayiny, 3 (May-June), 1959, pp. 66-72.

<sup>24</sup>Ibid.

The financial reform of 1930<sup>25</sup> provided for unification of fifty-four<sup>26</sup> different taxes levied upon the socialized sector of the economy in a single turnover tax.<sup>27</sup> Throughout the years, in spite of a number of modifications, the turnover tax has remained very similar in its nature to the excise tax. It is levied on a single product or a group of commodities, rather than on output or trade in general. Unlike the craft tax, it is a single-stage tax. And finally, it is often used with discriminative purposes in mind.

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<sup>25</sup>For more detailed discussion of this reform, the reader is referred, for example, to relevant sections in the following works: R. W. Davies, op. cit.; F. D. Holzman, op. cit., V. V. Obolensky-Ossinsky and others, Social Economic Planning in the Union of Soviet Socialist Republics (The Hague: The International Industrial Relations Association, 1931); A. Suchkov, Dokhody gosudarstvennogo byudzheta SSSR (Revenues of state budget of the USSR) (Moscow: Gosfinizdat, 1955); already referred to publications by K. N. Plotnikov; N. N. Rovinskiy, op. cit.; I. Kabachkiv, "Rekonstruktsiya podatkovoyi systemy v SSSR" (Reconstruction of taxation system in the USSR), Suchasni problemy ekonomiky Ukrayiny (Contemporary problems of Ukraine's economy) (Warsaw: Ukrayins'kyi Naukovyi Instytut, 1936), Vol. XXXII, Book 8. It is noted that Kabachkiv's work represents probably one of the best reviews of the background and chronology of the reform.

<sup>26</sup>K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 111.

<sup>27</sup>A list of these taxes appeared in circular number 623 of the People's Commissariat of Finances dated September 7, 1930. Izvestiya Narkomfina SSSR, 38 (457) (December 12), 1930.

For analytical purposes the turnover tax collections should be segregated into those coming from the consumer in general and from the additional taxation of peasantry. This results from the different positions the turnover tax assumes with respect to industrial and agricultural consumer goods. In the case of industrial goods ". . . the 'share' of village and town in payment of tax is proportionate to their share in the purchase of goods . . . ." <sup>28</sup> With regard to agricultural commodities purchased from collective farms by the government this is far more complicated. Difficulties arise from the fact that the obligatory delivery prices paid by the government for farm products serve, inter alia, as a means of collecting a part of the income of collective farms and placing it directly to the disposal of the government. <sup>29</sup> Accordingly, prices paid by the state procurement agencies to collective farms are but a fraction of retail prices at which the government resells goods to the consumers. In addition, these prices very frequently do not cover the cost of production of agricultural commodities. The difference

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<sup>28</sup> R. W. Davies, op. cit., p. 293.

<sup>29</sup> A. V. Bachurin, Pribyl' i nalog s oborota v SSSR (Profits and turnover tax in the USSR) (Moscow: Gosfinizdat, 1955), pp. 24, 43.

between the procurement prices (plus handling, processing, and distribution costs) and retail prices is collected by the state in the form of turnover tax.<sup>30</sup> At least that part of such collections which accrues to the state as a result of underpayment to the farmer constitutes ". . . a tax on agricultural producer rather than on the general consumer and is the monetary equivalent of the tax in kind. Part of it represents land rent . . ."<sup>31</sup> The remaining part of this tax in kind on agriculture invariably constitutes forced savings exacted from the agricultural sector over and above the savings of the population in general.<sup>32</sup>

It follows from the above, that the inclusion of the land rent and the disproportionate forced savings of rural population into the turnover tax presents a special problem

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<sup>30</sup>F. D. Holzman, op. cit., p. 82. According to A. Suchkov (op. cit., p. 101) the difference between the costs to the state and wholesale prices of agricultural (bread) products is paid by the procurement agencies in the form of turnover tax. It appears from this that any additional turnover tax on bread, if any (i.e., over and above the wholesale price) should apply both to village and to town in proportion to their purchases of the product, provided, of course, that the wholesale prices established by the state are consistent with relative scarcities of these products.

<sup>31</sup>Holzman, op. cit., p. 82.

<sup>32</sup>Ibid.

in the allocation of the turnover tax receipts to a specific republic. For whenever a republic becomes a net exporter of its farm products with respect to the rest of the USSR, it assumes more than its share of the turnover tax burden.

Neither of these two elements of the turnover tax collections has ever been quantified. Nevertheless, it is possible to discover the order of the magnitude of this tax in kind on agricultural producer in total by comparing whatever little information is available.

It is very interesting to note that in spite of increasing food shortages and concomitant price increases of food products during the first five-year plan period (accompanied by minor changes in procurement prices),<sup>33</sup>

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<sup>33</sup> For example, procurement price for rye grain per 100 kg. rose from an average of 5.72 rubles in 1928/29 (Ekonomicheskoye obozreniye, 2, 1930, p. 178) to 6.80 rubles in 1934 (James Coogan, "Bread and the Soviet Fiscal System," The Review of Economics and Statistics, 2 (May), 1953, p. 164). As a matter of fact, Coogan's 1934 price is that of 1931/32 as he assumes that it remained constant until January, 1935. On the other hand, Jasny cites the following price changes for one kg. of rye bread: 1928 - .08 ruble; April, 1933: .125-.25 ruble for rations and 2.50 rubles in "commercial" stores. Naum Jasny, The Soviet Price System (Stanford: Stanford University Press, 1951), p. 32. Thus, while procurement price of rye grain increased only 17.5 per cent, prices for rye bread rose in the same period by 56.3-212.5 per cent for rations and by more than 3,000 per cent in commercial stores.

proportion of turnover tax receipts from food industry has remained remarkably stable throughout these years. According to the information gathered in Table 3-1, agriculture together with food industry provided between 52-56 per cent of turnover tax revenue (or its equivalent in 1929/30).

Several qualifications are in order. We have stated above that the Soviet government has learned quickly to rely on turnover tax as a means of balancing population's money incomes and consumption expenditures. As shown in the Table I-E, actual collections of turnover tax plus special commodity fund in 1932 amounted to 19,595.1 million rubles instead of planned 15,198 million rubles. The fact that turnover tax rates on grains and other food products were being constantly raised in the years following the tax reform tends to confirm the suggestion that proceeds from agricultural procurements rose in 1932 at a faster rate than the overall income from turnover tax. If this was the case, the 1932 ratio should be at least equal to or larger than its 1931 counterpart.

Since the 1930 financial reform was responsible for many important changes in the Soviet taxation system, we thought it desirable to investigate whether the above indicated relationship between contributions made to

TABLE 3-1. Turnover tax collections from food industry and agricultural procurements

Years	, Total Turnover Tax <sup>1</sup> (1)	Food Industry (2)	Agricultural Procurements (3)	Food Industry & Agricultural Procurements (4)
----- Millions of Rubles -----				
1929/30	5,653.3	2,979.9 <sup>1</sup>	152.3 <sup>a, 2</sup>	2,979.9 <sup>1</sup>
1931	11,672.1	6,397.0 <sup>4</sup>	113.1 <sup>3</sup>	6,510.1
1932	15,198 <sup>c, 7</sup>	7,903 <sup>c, 8</sup>		
1934	37,596	13,545	4,575 4,300 <sup>b</sup>	18,120
1935	52,167	14,777 <sup>5</sup>	20,729	35,506
1936	65,800	16,800 <sup>6</sup>	22,600 21,900 <sup>b</sup>	39,400
----- Percentages -----				
1929/30	100.00	52.71		52.71
1931	100.00	54.81	.97	55.78
1932	100.00	52.00		52.00
1934	100.00	36.03	12.17 11.44	48.20
1935	100.00	28.33	39.74	68.06
1936	100.00	25.53	34.35 33.28	59.88



## SOURCES:

R. W. Davies, The Development of the Soviet Budgetary System, p. 292, unless otherwise indicated.

<sup>a</sup>Sotsialisticheskoye Stroitel'stvo, 1934, p. 493.

<sup>b</sup>James Coogan, "Bread and the Soviet Fiscal System," The Review of Economics and Statistics, May, 1953, p. 167.

<sup>c</sup>A. M. Lyando, Gosbyudzheth SSSR zavvershayushchego goda pyatiletki, p. 24.

## NOTES:

<sup>1</sup>Figures for all years include special commodity fund. 1929/30 figures represent equivalent of taxes unified into turnover tax by the 1930 tax reform.

<sup>2</sup>152.3 million rubles refers only to collections of turnover tax which were affected by the new provisions of 1930 reform concerning interbudgetary allocation of revenues (Sotsialisticheskoye Stroitel'stvo, 1934, p. 493). Evidently, other sources have included this amount in receipts from food industry.

<sup>3</sup>Small magnitude of this amount, even compared with 1929/30, strongly suggests that it represents a minor, though unspecified, portion of total turnover tax receipts from agricultural procurements.

<sup>4</sup>NKSnabzheniya plus VSNKh fats and perfumes.

<sup>5</sup>NKPP only.

<sup>6</sup>Davies is not certain whether this includes or excludes the income from alcoholic drinks (op. cit., p. 292).

<sup>7</sup>Plan.

<sup>8</sup>NKSnabzheniya. Plan.

the turnover tax by agriculture and food industry and its total receipts bore out under the conditions prevailing in 1928/29 and 1929/30. The results are presented in Table 3-2. It is gratifying to observe that appropriate collections of craft tax from food industry and procurement agencies were quite capable of closing the gap of 10.45 percentage points between 52.71 per cent (from Table 3-1) and 42.26 per cent (from Table 3-2) in 1929/30. After all, craft tax yielded in 1929/30 about 31.8 per cent of the equivalent of turnover tax. In 1928/29 craft tax provided 28.2 per cent of that year's turnover tax equivalent.<sup>34</sup> As 1928/29 excises on selected items of food industry were equal to 47.5 per cent of the computed turnover tax receipts for that year compared with 42.3 per cent in 1929/30 (Table 3-2), the 1928/29 ratio of collections from food industry and agricultural procurements to the year's total of levies unified in turnover tax probably reached the proportion of 1931. Certainly, it was not below its 1929/30 counterpart.

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<sup>34</sup> Computed from values supplied by K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 111.

TABLE 3-2. Selected excise tax collections from food industry  
(in millions of rubles)

	1928/29	1929/30
1. Excise taxes on beer and other alcoholic drinks	980.9	1,854.3
2. Excise tax on sugar	301.6	242.5
3. Excise tax on tobacco <sup>1</sup>	210.2	292.1
4. Total of lines 1 - 3	1,492.7	2,388.9
5. Estimated turnover tax including special commodity fund	3,146.1	5,653.3
6. Line 4 divided by line 5:	47.45%	42.26%

SOURCES:

Lines 1 - 4: A. Suchkov, Dokhody gosudarstvennogo byudzheta SSSR, p. 91.

Line 5: K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva, p. 111.

NOTES:

<sup>1</sup>Excises and turnover tax on this item were customarily included with the food industry.

In view of the above, it is suggested that the rate of 54-55 per cent be accepted as fairly representative of contributions made to the turnover tax by agricultural procurements and food industry during the first five-year plan period.

Not all of this, however, explicitly represents taxation of agriculture alone. To the extent that food industry itself is subject to turnover taxation (whether for discriminative, supply-and-demand-balancing, or purely fiscal reasons), part of this contribution to turnover tax income is paid by the general consumer. Appropriate ratios for the years following the first five-year plan era provide the clue to a possible solution. It is apparent from a comparison of columns 2, 3, and 4 in Table 3-1 that the relative increase in income from turnover tax from agricultural procurements was accompanied by an almost equal reduction of such income from the food industry. It follows that this increase in the reported turnover tax collections from agricultural procurements was made possible, in the later years, by a certain reclassification of tax revenues. And conversely, the extra burden of taxation in kind of peasantry was there all the time, even though it was not recorded as such.

In the 1920's some Soviet economists and politicians called this extra taxation of agriculture a "tribute." Others preferred to call it in milder terms such as "scissors,"<sup>35</sup> "diversion" of resources from agriculture into industry. Let us see what Stalin had to say on this occasion in his speech delivered at the Plenum of the Central Committee and Central Control Commission of the C.P.S.U. (b) in April, 1929.

. . . In addition to the usual taxes, direct and indirect, which the peasantry pays to the state, the peasantry also pays a certain supertax in the form of overpayment for manufactured goods, and in the form of underpayment received for agricultural produce.

Is it true that the supertax paid by the peasantry actually exists? Yes, it is . . . .<sup>36</sup>

Of course, he justifies the existence of this, as he calls it supertax on peasantry by both economic and political arguments, but only as a temporary measure.

Can we abolish this supertax at the present time? Unfortunately, we cannot. We must abolish it at the first opportunity, in the next few years. But we cannot abolish it at the present moment.<sup>37</sup>

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<sup>35</sup>The term "scissors" came up for the first time in 1922. It referred to the adverse terms of trade experienced by farmers between their own commodities and the manufactured goods. For an informative description and theoretical analysis of this phenomenon the reader is referred to Maurice Dobb, Soviet Economic Development Since 1917 (New York: International Publishers, 1948), pp. 149-176.

<sup>36</sup>J. Stalin, Works (Moscow: Foreign Languages Publishing House, 1955), XII, pp. 52-53.

<sup>37</sup>Ibid., p. 53.

Yet, there is enough evidence to show that the rate and the burden of this tax has been actually increasing with each year.

While 39.74 per cent ratio reported for 1935 seems to be out of proportion when compared with other years, it appears that the ratio of receipts from agricultural procurements relative to total collections of turnover tax tended to settle at 32-34 per cent.<sup>38</sup> Yet, it still excluded turnover tax on grain milled by Food Ministry (probably to the extent of 14 per cent of grain milled by cooperative and state industry), as well as on grain sold in the form of flour directly to consumers by state and cooperative retail trade network. This was true because taxes on such procurements were not being paid until a later stage in the distribution channel.<sup>39</sup> Thus, the ratio of 32-34 per cent should be increased accordingly. The adjusted ratio becomes at least 37-39 per cent. For simplicity we shall use an average of 38 per cent.

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<sup>38</sup> Plan figures for 1938 yield a ratio of 31.65 per cent (R. W. Davies, op. cit., p. 292). Actual turnover tax receipts from agricultural procurements brought in 1940 some 35.0 billion rubles. A. Yugov, Russia's Economic Front for War and Peace (New York: Harper & Brothers Publishing 1942), p. 132. This was equal to 34 per cent of total turnover tax collections for that year (105.9 billion rubles, F.D. Holzman, op. cit., p. 217).

<sup>39</sup> J. Coogan, op. cit., p. 167.

It is likely that a similar ratio for 1928/29-1932 was somewhat lower than 38 per cent. There are several reasons for this assumption. In the first place, as suggested above, contributions of food industry and agricultural procurements to the turnover tax averaged during the first five-year plan period somewhat below the level of later years (about 55 per cent as compared with 60-68 per cent). Second, as the years went by, the ever widening gap between the agricultural procurement prices and retail prices for foods<sup>40</sup> probably reflected tendencies towards greater extraction by the state of both the land rent and the disproportionate forced savings of the rural population. On the other hand, general economic conditions (e.g., increasing shortage of consumer goods, inflationary pressures, and the tendency to clear the markets by directly influencing prices for individual commodities and/or by altering the price structure) provided a good case for increasing the burden of turnover tax on the general consumer. Thus, on balance, the relationship between contributions by food industry and by agricultural procurements may have remained largely unaffected. To conclude, it is suggested that about 35-37 per cent of the turnover tax income came during the first five-year plan

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<sup>40</sup> See note 33, above.

from taxation of agricultural produce at the point of its procurement. These are the rates used in Table 3-3 (on a sliding scale so as to recognize the rising trend in taxation in kind of agriculture). For the period beginning October 1, 1930 they are applied to collections of turnover tax and the special commodity tax. For the two previous years we have used the three largest items united later in the turnover tax: the craft tax, excise taxes, and the special commodity fund. Together they accounted for 85.45 per cent of the computed equivalent of turnover tax in 1928/29 and 83.83 per cent in 1929/30.

As far as Ukraine is concerned, it is suggested that her weight in collections of this tax in kind from agriculture be based on her share in state procurements of grains. Although ". . . there is some evidence to indicate that the rate of tax on producers of other agricultural commodities is at least as great as that on the producers of bread . . . ,"<sup>41</sup> Coogan feels that, if adjustments were made for turnover tax contributions by ". . . all other raw material inputs to the food and other allied industries, meat, dairy products, etc. . . ." the figures for collections of turnover tax on agricultural

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<sup>41</sup>F. D. Holzman, op. cit., p. 154.



TABLE 3-3. Turnover tax collections in Ukraine

Item	1928/29	1929/30	4th Quarter 1930	1931	1932
<b>A. Receipts subject to allocation (millions of rubles)<sup>a</sup></b>					
a. Turnover tax	-----	-----	2,172.0	10,601.8	17,693.3
b. Special commodity fund	-----	299.2	248.3	1,070.2	1,901.8
c. Excises	1,802.6	2,643.0	-----	-----	-----
d. Craft tax	885.8	1,797.1	-----	-----	-----
e. Dues and levies	<u>131.8</u>	<u>141.1</u>	-----	-----	-----
	2,820.2	4,880.4	2,420.3	11,672.0	19,595.1
<b>B. Allocation factors (%)</b>					
a. Contribution made by agricultural procurements	35.0	35.0	36.0	37.0	37.0
b. Ukraine's share in ag. procurements <sup>1</sup>	18.6	33.3	36.9	32.7	37.6
c. Procurements sub-factor (a x b)	6.86	11.66	13.29	12.10	13.91
d. Other turnover tax revenue	65.0	65.0	64.0	63.0	63.0
e. Ukraine's share in retail trade <sup>b</sup>	19.04	19.63 <sup>2</sup>	19.63 <sup>2</sup>	19.90	19.37
f. Retail trade sub-factor	12.38	12.76	12.56	12.54	12.21
g. Total allocation factor	19.24	24.42	25.85	24.34	26.12
h. Total allocation factor adjusted to pre-reform taxation system <sup>3</sup>	21.46	28.28			
<b>C. Ukraine's contribution to turnover tax (mil. of rubles)</b>					
a. Agricultural procurements	215.8 <sup>4</sup>	658.9 <sup>4</sup>	321.5	1,412.2	2,726.1
b. Retail trade	<u>389.4<sup>4</sup></u>	<u>721.3<sup>4</sup></u>	<u>304.1</u>	<u>1,463.3</u>	<u>2,391.2</u>
c. Total turnover tax collections in Ukraine	605.2 <sup>4</sup>	1,380.2 <sup>4</sup>	625.6	2,875.5	5,117.3

<sup>a</sup>Table I. THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.

<sup>b</sup>Table IV-B. RETAIL TRADE TURNOVER. Inasmuch as statistics on retail trade in the Ukraine, published in 1930's, are not always consistent, it is felt that information provided in the official statistical handbook published by the Central Statistical Administration of Ukrainian SSR in 1957 is more representative of the true state of affairs. Therefore, it was decided to rely on Table IV-B.

## NOTES:

<sup>1</sup>To each year's ratio (from Table VI. GRAIN PROCUREMENTS BY STATE) two percentage points have been added to give recognition to Ukraine's substantial deliveries of sugar beets (see note 43 to this chapter).

<sup>2</sup>Refers to 1930.

<sup>3</sup>Existing evidence leads us to believe that most of the land rent and the extra savings of peasantry realized from agricultural procurements were cashed by the government in excise taxes and craft tax. Therefore, the allocation factors need to be adjusted to reflect this condition. The allocation factors for 1928/29 and 1929/30 were adjusted in the following manner: the absolute values of contributions made by agricultural procurements to the equivalent of the turnover tax were obtained for these years by applying factors developed in section B of this table to the estimated turnover tax collections (from line 5, Table 3-2). Values thus obtained were related to the totals of receipts subject to allocation (from section A of this table).

	1928/29 (millions of rubles)	1929/30
1. Estimated turnover tax	3,146.1	5,653.3
2. Ukraine's contribution via procurements (line 1 x procurement sub-factor)	215.8	658.9
3. Ukraine's contribution via retail trade (line 1 x retail trade sub-factor)	<u>389.4</u>	<u>721.3</u>
4. Ukraine's total contributions	605.2	1,380.2
5. Receipts subject to allocation	2,820.2	4,880.4
6. Adjusted allocation factor	21.46%	28.28%

<sup>4</sup>See note 3, above.



procurements ". . . would not be reduced significantly . . .".<sup>42</sup> Nevertheless, lest we are too conservative, it is advisable to add somewhat to Ukraine's weight in grain procurements in order to recognize her dominant contribution to marketed surplus of sugar beets,<sup>43</sup> another major turnover tax revenue producing commodity. Thus, for each year, ratios from Table VI. GRAIN PROCUREMENTS BY STATE have been raised by two percentage points, an undoubtedly conservative increment.

A summary of the inter-budgetary allocations of the turnover tax revenue in Ukraine, consistent with its territorial origins, is presented in Table 3-4. Although craft tax collections from the private sector were not united in the turnover tax, we have included them in this table. We feel justified in doing so by the fact that in these early years the craft tax was equally applicable to both private and socialized sectors. In addition, the amounts involved

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<sup>42</sup> J. Coogan, op. cit., p. 167.

<sup>43</sup> For example, Ukraine's share in sugar beet procurements ranged between 83.52 per cent in 1928/29 (Ekonomicheskoye Obozreniye, 1, 1930, p. 203) and 67.11 per cent in 1932. (Sobraniye zakonov i rasporyazheniy rabochekrest'yanskogo pravitel'stva SSSR (Collected laws and enactments of the workers' and peasants' government of the USSR), p. 688.

TABLE 3-4. Reallocation of turnover tax receipts to Ukraine from the all-Union budget (in millions of rubles)

Item	1928/29	1929/30	4th Quarter 1930	1931	1932	1928/29-1932
1. Ukraine's contribution to turnover tax receipts	605.2	1,380.2	625.6	2,875.5	5,117.3	10,603.8
2. Ukraine's share in collections of craft tax from private sector <sup>1</sup>	<u>65.1</u>	<u>32.9</u>	-	-	-	<u>98.0</u>
3. Total collections in Ukraine	670.3	1,413.1	625.6	2,875.5	5,117.3	10,701.8
4. Deducted into state budget of Ukrainian SSR:						
a. Turnover tax	-	-	21.6	124.1	182.0	327.7
b. Craft tax	<u>162.9</u>	<u>253.2</u>	-	-	-	<u>416.1</u>
	<u>162.9</u>	<u>253.2</u>	<u>21.6</u>	<u>124.1</u>	<u>182.0</u>	<u>743.8</u>
5. Due Ukraine from all-Union budget	507.4	1,159.9	604.0	2,751.4	4,935.3	9,958.0

SOURCES:

Line 1: Table 3-3. Turnover Tax Collections in Ukraine.

Line 4: Table 1. THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.

## NOTES:

<sup>1</sup> It is assumed that private sector was concentrated entirely in small-scale industry. We know from Table III. INDUSTRIAL OUTPUT that small-scale industry was developed much better in Ukraine than in the rest of the USSR. On the other hand, Table IV. RETAIL TRADE TURNOVER suggests that private trade in Ukraine was rather unimportant in those years (because of widely developed trade co-operatives). Although it may not be entirely correct, we hope to minimize the errors of estimate by using a simple average of Ukraine's share in small-scale industrial output and private trade:

	1928/29	1930
1. Ukraine's share in small-scale industrial output	61.66%	34.04%
2. Ukraine's share in private retail trade	<u>14.84%</u>	<u>11.57%</u>
3. Total	76.50%	45.61%
4. Allocation factor for craft tax income from private sector	38.25%	22.81%

are not very significant.

Thus, Table 3-4 presents estimates of amounts due Ukraine from the all-Union budget on account of her contributions to turnover tax and its equivalent. A comparison with a summary of respective items in Table I. THE UNIFIED STATE BUDGET AND THE BUDGET OF UKRAINIAN SSR immediately draws the attention to the fact that while all republics together were returned about 11 per cent of such collections on their territories (4,676.3 million rubles out of 41,891.2 million rubles), Ukraine received barely 7 per cent of her contributions (743.8 out of 10,701.8 million rubles).

Finally, it is only fair to ask how reasonable are these estimates. On balance, it is felt that, if anything, they are conservative. Here are some reasons for this conclusion. Firstly, we know that Ukraine was not only a self-sufficient nation with respect to most agricultural products, but also an important contributor to the marketed surplus of the USSR in most commodities.

Also, inequities resulting from the pattern of geographic distribution of the land rent burden on the farmers and agricultural taxation lend support to our supposition. In connection with the agricultural tax system, V. Dobrogayev pointed out as early as 1928 that ". . .

there is no strict distinction between objective economic and subjective political moments in figuring up the tax . . . ."44

He based his conclusions on his analysis of agricultural tax which revealed that ". . . while gross output of Ukraine's agriculture constitutes 20 per cent of the all-Union values, dimensions of agricultural tax in Ukraine reach 26-27 per cent of the Union norms . . . ."45

Dobrogayev's conclusions seem to be well supported by the results of another review of agricultural taxation in the USSR.<sup>46</sup> For example, in the case of poor farmers (byednyaki), on the average Ukrainian farmer paid in 1928/29 in the form of agricultural tax 137.1 per cent of such payments of his USSR's counterpart while his average income was only 115.5 per cent of such farmer's income in the entire USSR. Corresponding figures for 1929/30 were 131.0 per cent for agricultural tax and 119.4 per cent for income. In the case of middle-wealthy farmers (serednyaki), Ukrainian farmer's income and agricultural

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<sup>44</sup>V. Dobrogayev, "Oblozheniye i dokhodnost' syel'skogo khozyaystva" (Taxation and income in agriculture), Khozyaystvo Ukrainy, 10, 1928, p. 149.

<sup>45</sup>Ibid.

<sup>46</sup>V. Speranskaya, "Itogi kampanii po syel'khoznaologu" (Results of agricultural tax campaign), Finansovye Problemy, 9, 1930, pp. 49-56.



tax compared with those of the entire USSR as follows: 104.9 per cent and 114.8 per cent in 1928/29, 103.7 and 107.0 per cent respectively in 1929/30. The only exception to this pattern was relatively lower taxation of Ukraine's rich farmers (kulaki) in 1928/29. In that year their income was equal to 99.2 per cent and agricultural tax to 98.0 per cent of the all-Union levels. However, this was quickly changed in 1929/30 to the following: income -- 94.8 per cent, tax -- 97.5 per cent.<sup>47</sup> Although it is not known to what extent this trend was preserved beyond 1929/30, both the agricultural tax collections in the succeeding years and the large differences in the geographical pattern of norms of obligatory deliveries<sup>48</sup> suggest that it continued to exert pressures on farm incomes in some areas, one of which was Ukraine.

Lastly, spreads between the free (farm) market and obligatory delivery prices for grains in several areas tend to confirm the suggestion that Ukrainian farmer was called upon to provide more than his share of resources for the economic development of the USSR. Free market prices of one quintal of rye rose in Ukraine from 5.20 rubles in October,

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<sup>47</sup>All percentages have been computed from information given by Speranskaya, ibid., pp. 51, 53, 55, 56.

1927 to 13.40 rubles in December, 1928 or about 163 per cent. In the same period they increased in Lower Volga region from 5.20 to 8.30 rubles, or 50 per cent. The same trend is observed in changes of wheat prices. They increased in the same period as follows: Ukraine -- from 7.70 rubles to 20.00 rubles per quintal, or 163 per cent; Lower Volga region -- from 9.70 to 10.70, or plus 10.3 per cent.<sup>49</sup> While some subjective motives may have played a part in the establishment of such a geographical pattern of farm prices, the resulting regional variations in price changes (and, therefore, spreads from the delivery prices) invariably reflect to a great extent the pressures from the government.

### Deductions from Profits

A. Method of Allocation. In spite of the prominent place that profits occupied in capital accumulation and economic development of the USSR, Soviet statistics on profits and depreciation

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<sup>48</sup>Table I. UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR; F. D. Holzman, op. cit., pp. 163-167; Byulleten' finansovogo i khozyaystvennogo zakonodatel'stva, 4, 1933, p. 32; 5, 1933, p. 46 and other relevant issues.

<sup>49</sup>A. Bryukhanov, "Itogi khlebnoy kampanii 1928/29 goda" (Results of the grain procurement campaign of 1928/29), Ekonomicheskoye obozreniye, 11, 1929, pp. 136-137.

funds are quite modest, incomplete, and rather sketchy. The importance of profits in capital formation is evidenced by the frequency with which Soviet economists and planners refer to them in the discussion of Soviet finances. According to Ryabov, profits provided 19.1 billion rubles or 15.9 per cent of all financial resources mobilized during the first five-year plan period,<sup>50</sup> ranking second only after the turnover tax collections.

In theory it should be possible to estimate profits directly from the rates of return on investment and the values of invested capital. In practice this cannot be accomplished without some difficulties. A number of notes on and references to profitability of industry appeared in various Soviet publications, especially in the early years of the first five-year plan. Yet, since most of the published rates of profitability refer to planned return on investment or on sales,<sup>51</sup> they cannot be relied on in our analysis. Secondly, realized

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<sup>50</sup>N. Ryabov, Sotsialisticheskoye nakopleniye i yego istochniki v pyervoy i vtoroy pyatiletkakh (Socialist accumulation and its sources in the first and second five-year plans) (Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury, 1951), p. 137.

<sup>51</sup>See for example: Vysshiiy Sovyet Narodnogo Khozyaystva SSSR, Kontrol'nye tsifry pyatiletnogo plana razvitiya promyshlennosti SSSR (1927/28-1931/32 g.g.) (Control figures of the five-year plan of the development of industry in the USSR, 1927/28-1931/32) (Moscow: Gosudarstvennoye Tekhnicheskoye Izdatel'stvo, 1927), pp. 114, 115, 125, 163-166.

rates are often not comparable due to certain accounting practices. For example, the reported rates of profitability realized in 1927/28 range from 10.0 per cent on invested capital for the all-Union industry to 6.0-9.9 per cent for republican and local industries taken together. The rates for Ukrainian SSR and Russian SFSR respectively compare as follows: republican industry 4.8 and 5.1 per cent; local industry 8.6 and 8.7 per cent; and local and republican industries together 6.0 and 7.7 per cent.<sup>52</sup> Since some of these rates are based on values which include write-offs of losses for prior years,<sup>53</sup> they do not reflect the true profitability of republican industries in 1927/28.

There are other reasons why these rates of profitability are not acceptable in our analysis of profits. In Soviet economic theory "Profitability of an individual enterprise or a branch of the economy . . . is subordinated to the national-economic profitability . . ."<sup>54</sup> The national-economic

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<sup>52</sup> Gosplan SSSR, Kontrol'nye tsifry narodnogo khozyaystva SSSR na 1928/29 god (Control figures of the national economy of the USSR for 1928/29) (Moscow: Izdatel'stvo "Planovoye Khozyaystvo," 1929), p. 649.

<sup>53</sup> Ibid.

<sup>54</sup> A. V. Bachurin, Pribyl' i nalog s oborota v SSSR (Profits and turnover tax in the USSR) (Moscow: Gosfinizdat, 1955), p. 77.

profitability is considered to be of a higher order. It is defined as profitability which takes into account the development of the entire national economy over a certain period of time.<sup>55</sup> It follows that, if regarded from the point of view of the entire national economy, accounting profits have little bearing on the "profitability" of a specific enterprise,<sup>56</sup> except for measuring and controlling its performance as compared with the goals which are set up for it in the economic plan.

This broader, national-economic concept of profitability explains in part such phenomena of Soviet economic system as subsidies to certain industries and segments of the economy, methods of allocation of funds, and the price structure. The distribution of capital goods within the state economy is carried out in the USSR in accordance with the centrally approved program of equipping individual enterprises and economic organizations with means of production,<sup>57</sup> and not through the

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<sup>55</sup> Ibid., p. 80.

<sup>56</sup> Ibid., pp. 78, 80.

<sup>57</sup> K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 109; V. Bachurin, op. cit., p. 55.

market mechanism. Under these conditions investment decisions cannot be based on the expected relative profitabilities of the alternative investment projects. Thus, funds available for investment are also directed into the various branches of the economy in accordance with the plan of economic development.

It has been indicated previously that the price system in the USSR does not necessarily reflect relative costs of production and/or scarcities of the various commodities. Soviet economists claim that prices of means of production (in total) do not have to correspond to the level of actual expenditures of social labor and, in comparison with such expenditures, may be relatively lower than prices for consumer goods.<sup>58</sup> This is true because planned allocation of capital goods reflects neither alienation of means of production by the state sector nor redistribution of income between the state, on the one hand, and the population or cooperative and collective organizations on the other hand. Indeed, prices of means of production are deliberately kept at a low level in the belief that this will encourage capital investments and

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<sup>58</sup>Bachurin, op. cit., p. 55.

industrial expansion.<sup>59</sup> Prices for some products of heavy industry were set even below their costs of manufacturing.<sup>60</sup> Such administered controlled prices resulted in mark-ups which understated the actual contribution of an enterprise to the capital formation. And the absolute profits of that enterprise did not reflect its profitability in any market-determined sense.<sup>61</sup> Obviously, under these conditions, profitability has lost much of its western meaning. It is precisely this planning element in the price determination as well as the nature of the USSR economic system in general which prompt us to reject Ryabov's suggestion that accumulation of light industry played a ". . . decisive role in the internal industrial accumulation in the years of the first five-year plan . . ."<sup>62</sup> After all, it follows from the above that capital goods industries were in effect subsidizing the favorable performance (profit wise) of consumer goods industries to some extent by

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<sup>59</sup>Plotnikov, op. cit., p. 109; Bachurin, op. cit., p. 161.

<sup>60</sup>Ryabov, op. cit., pp. 138-139.

<sup>61</sup>Holzman, op. cit., p. 96.

<sup>62</sup>Ryabov, op. cit., p. 138.

selling their output to the latter ones at relatively low prices. This is an important conclusion. For the shares of heavy and light industries in the industrial output were not uniform throughout the USSR. And, therefore, even if profits were reported by Soviet statisticians by the republics, they would not represent the true contributions of each republic to the internal industrial accumulations. In fact, it is reasonable to assume that, were it not for such an intentional maintenance of disparities between the price levels of capital goods and consumption goods, profitabilities of these industries would have tended to settle at a much more uniform level.

It is interesting that the official Soviet statistics show higher profit tax collections (deductions from profits) for the heavy than for the light industry.<sup>63</sup> In addition, it is

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<sup>63</sup>Sotsialisticheskoye Stroitel'stvo (1935, p. 650 and 1936, p. 644) shows the following profit taxes entering the unified state budget (in millions of rubles);

	Heavy Industry	Light Industry	Local Industry	N.K. Food Industry and trade
1928/29	157.8	156.2		88.3
1929/30	402.7	351.4	305.5	121.3
IV Q., 1930	135.0	72.1	67.2	55.9
1931	334.0	129.3	368.9	255.6
1932	388.3	163.3	162.3	229.6
	<hr/>	<hr/>	<hr/>	<hr/>
	1,417.8	872.3	903.9	750.7



obvious from these reports that profits were growing in the heavy industry at a much faster rate.<sup>64</sup> Curiously enough, even the addition of receipts from profit taxes of NKFood industry and trade to those of the light industry could not have secured for the light industry an overwhelming position in profits tax collections, and, therefore, in industrial profits in general.<sup>65</sup> And it was not until 1931 that taxation of industrial profits was linked to the investment plan of an enterprise.<sup>66</sup> In the interim (1927-1931), no differentiation was made among various industries as far as deductions from profits were concerned.<sup>67</sup> Thus, granting that deliberate manipulations of costs and prices by Soviet government and its agencies make it difficult to assess the reliability of statistical data concerning the distribution of profits by the various industries, it appears that the profitability in the Soviet industry was, much more uniform than Ryabov leads

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<sup>64</sup>Plotnikov, op. cit., p. 116; Ryabov, op. cit., p. 142.

<sup>65</sup>See note 63, above.

<sup>66</sup>Kabachkiv, op. cit., p. 150; Plotnikov, op. cit., p. 115; Suchkov, op. cit., pp. 107-109.

<sup>67</sup>Davies, op. cit., p. 120.

us to believe.<sup>68</sup>

Finally, distinction in the USSR between the turnover tax and profits (as well as profit taxes) probably does not coincide with an objective definition of these concepts. The turnover tax collections, in addition to the indirect taxation of the population at large, also include part of the tax burden of the agricultural producer; this was demonstrated in the preceding section. Also, there are indications to the effect that turnover tax absorbs an undetermined share of industrial profits. In this sense, there is some truth to Soviet claims that the turnover tax represented the "accumulations of socialized industry." (And, in our opinion, the choice of the turnover tax, as opposed to income taxation, was not prompted solely by the ". . . conscious attempt to use the money illusion to minimize the impact on the population . . ." <sup>69</sup> of the tremendous tax burden caused by the revenue needs due to the accelerated industrialization of the country.) Because of wide variations

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<sup>68</sup> Although the term "profitability" has been consistently used as equivalent with its Western meaning of return on investment, it should be remembered that in Soviet economic literature it is usually defined as relationship between profits and costs of production. (Holzman, op. cit., p. 96; Bachurin, op. cit., p. 84).

<sup>69</sup> Holzman, op. cit., p. 64.

in profits from enterprise to enterprise, turnover tax rates for the various groups of products were established with due recognition of the costs of production in the respective branches of the industry.<sup>70</sup> Indeed, the establishment of prices and turnover taxes by the government permitted the state to "regulate" the profitability of different enterprises and commodities as well as to prevent individual enterprises from accumulating large and "economically unjustified profits."<sup>71</sup>

This suggests that the regulation of profitability by the government with the assistance of the turnover tax was directed towards equalization of the rates of profits among industries, i.e., in relation to the costs of production.<sup>72</sup> Even then, profits (after payment of turnover taxes) usually varied from industry to industry between 5 and 15 per cent of commercial costs.<sup>73</sup> The differences in these rates came about mainly ". . . owing to different internal investment requirements and to seasonal fluctuations in demand and cost which make it necessary for some plants to keep large amounts of working

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<sup>70</sup>Plotnikov, op. cit., p. 112.

<sup>71</sup>Bachurin, op. cit., pp. 116-117.

<sup>72</sup>See note 68, above.

<sup>73</sup>Holzman, op. cit., p. 91.

capital or profits."<sup>74</sup> Thus, it could very well be that an adjustment of these rates to fixed capital, as a base, would narrow the spread sufficiently enough to render support to our assumption of greater equality of rates of return on investment than presumed by Soviet economists.

Profits absorbed by the state treasury in the form of turnover tax as a result of both pricing policies and "regulatory" practices with respect to profitability have never been quantified by either Western or Soviet economists. However, a quick inspection of profit taxes and profits suggests that they were probably not entirely insignificant. For example, in spite of the rapidly expanding fixed capital and industrial output, profits (and profit taxes) remained almost unchanged from 1932 to 1935.<sup>75</sup> Receipts from the turnover tax, on the other hand, increased sharply, from 19.6 billion rubles in 1932 to 52.2 billion rubles in 1935.<sup>76</sup> A similar situation can be observed in 1931.

Although profitability is a function of both investment

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<sup>74</sup>Ibid., p. 98.

<sup>75</sup>Bachurin, op. cit., pp. 160-161.

<sup>76</sup>Ibid.

and volume (of output), we feel justified to allocate profits and profit taxes to Ukrainian SSR on the basis of Ukraine's share in the fixed funds of the USSR. An allocation of these items according to participation in industrial output would unduly diminish Ukraine's share in the accumulation of industrial profits. This is true not only because profitability, under conditions prevailing at that time in the Soviet Union, was probably substantially uniform among the industries. More importantly, it appears that the officially reported industrial output in Ukraine, is understated in comparison to the rest of the USSR. The discrimination against capital goods industries in the Soviet pricing policies is evidently responsible for this understatement. It is liable to occur whenever a republic's composition of industrial output shows greater proportion of Group A (capital goods) than in the USSR in general, or whenever a republic's contribution to the value of Soviet industrial output comes from the heavy industry. This was the case of Ukraine. For example, our computations from the values listed in Table III reveal that while production of capital goods fluctuated in Ukraine during the first five-year plan period between 54.3 and 64.0 per cent of the value of her total industrial output, in the USSR it amounted to only

46.4-57.1 per cent.<sup>77</sup>

Also, Ukraine's contribution to the industrial output of the Soviet Union was much greater in the area of Group A than Group B. (In this connection it is interesting to observe that the Ukraine's share in Group A of the USSR dropped sharply in 1930, the year of financial reform, and remained roughly at that level throughout the rest of the period).

Another explanation of the understatement of the Ukraine's industrial output lies, probably, in the fact that Moscow attempted to direct the development of Ukrainian industry mainly towards production of raw materials and mining rather than manufacturing of finished goods. The only notable exception to this is the machine tool industry. Otherwise, it would be difficult to explain why the Ukraine, with 24.5 per cent of fixed funds of the VSNKh planned industry of the Soviet Union as of October 1, 1928,<sup>78</sup> contributed only 20.7 per cent of the

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<sup>77</sup> The ratios are as follows (in per cents):

	Ukrainian SSR	USSR
1928/29	56.7	46.4
1930	54.3	52.6
1931	64.0	55.4
1932	60.6	57.1
1928/29-1932	59.5	54.0

output of large-scale industry in 1928/29;<sup>79</sup> or with 21.7 per cent of fixed funds in large-scale industry in 1935 shared only to the extent of 18.4 per cent in the large-scale industry's output in that year.<sup>80</sup> Since Ukraine contained the only major coal and metallurgical center of the USSR in those years,<sup>81</sup> it is not likely that such a discrepancy between Ukraine's participation in output and her share of fixed funds resulted from excessive idleness. (As late as June-July of 1930 Stalin indicated in his speech to the XVIth Congress of the C.P.S.U. (B) that ". . . our industry, like the whole of our national economy, rests, in the main, on the coal and metallurgical base in the Ukraine. Needless to say, without such a base the industrialization of the country is inconceivable . . . ." <sup>82</sup>) And it was

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<sup>78</sup> Gosplan SSR, Pyatiletnyi plan narodno-khozyaystvennogo stroitel'stva SSSR (Five-Year plan of development of national economy of the USSR) (Moscow: Izdatel'stvo "Planovoye Khozyaystvo," 1930), III, pp. 582-583.

<sup>79</sup> Table III.

<sup>80</sup> Upravlinnya Narodno-Hospodars'koho Obliku URSR, Sotsialistychna Ukrayina (Socialist Ukraine) (Kiev: Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1937), p. 170.

<sup>81</sup> Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR (Essays in development of the national economy of Ukrainian SSR) (Moscow: Izdatel'stvo Akademii Nauk SSSR, 1954), p. 262.

not until the XVith Congress that the Soviets decided to step up the development of similar bases in the Urals and in Siberia.<sup>83</sup>

There are some reasons to believe that the rate of return on investment in Ukraine was at least equal to or even somewhat higher than the rate in the USSR as a whole. From whatever incomplete information is available it is known that in comparison with the USSR, repairs, reconstruction, and expansion of existing facilities accounted for a considerably larger part of capital investments in the Ukrainian industry. Conversely, only a minor portion of investible funds in Ukraine was devoted to new construction.<sup>84</sup> For example, new construction constituted the following proportions of capital investments

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<sup>82</sup>J. Stalin, Political Report of the Central Committee to the Sixteenth Congress of the C.P.S.U. (B) (Moscow: Foreign Languages Publishing House, 1951), p. 119.

<sup>83</sup>V. Sadovs'kyi, "Z pidsumkiv kol'onizatsiynoyi polityky v SSSR" (On results of colonial policy in the USSR), Suchasni problemy ekonomiky Ukrayiny (Contemporary problems of Ukraine's economy) (Warsaw: Ukrayins'kyi Naukovyi Instytut, 1936), XXXII, Economic Series, book 8, pp. 10-11.

<sup>84</sup>Gosplan SSSR, Kontrol'nye tsifry narodnogo khozyaystva SSSR na 1929/30 god (Control figures of the national economy of the USSR for 1929/30) (Moscow: Izdatel'stvo "Planovoye Khozyaystvo," 1930), pp. 616-626; Planovoye Khozyaystvo, 9, 1929, pp. 294-295.



in Ukraine, Russia and the USSR (in per cents):<sup>85</sup>

	1928/29	1929/30
Ukrainian SSR	27.5	25.4
Russian SFSR	39.5	50.7
USSR	37.6	41.8

Similarly, if we consider new construction in the entire USSR as 100 per cent, Ukraine shared in it only to the extent of 19.72 per cent in 1928/29 and 13.65 per cent in 1929/30, averaging 15.48 per cent over these two years.<sup>86</sup> Russia, on the other hand, received in these years respectively 63.63 per cent and 75.12 per cent of new construction, with a two-year average of 71.65 per cent.<sup>87</sup> Assuming that construction of a new plant requires on the average a longer period than repair or rehabilitation of an existing one, it is reasonable to accept that there was a larger part of reported fixed funds actively employed in the Ukraine than in the USSR at large. In addition, it appears that with prices fixed, return on investment in newly built plants was somewhat lower chiefly due to higher production costs in the initial stages of operation.<sup>88</sup>

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<sup>85</sup> Computed from values quoted in Gosplan SSSR, Ibid., pp. 616-617.

<sup>86</sup> Planovoye Khozyaystvo, 9, 1929, pp. 294-295.

<sup>87</sup> Ibid.

<sup>88</sup> Ryabov, op. cit., p. 138.

Obviously, it is not easy to pass definite judgment on the accuracy of relationships among certain statistical series in the USSR on the basis of the information available to the Western researcher. Nevertheless, it seems that trends and values discussed above tend to indicate that profits and profit taxes in that period were much closer related to fixed funds than any other single factor. Consequently, they are allocated to Ukrainian SSR on that basis.

B. Fixed Funds. A great number of official Soviet statistical handbooks contains some information on fixed funds in the Soviet Union. However, data presented in these publications are seriously inadequate in several respects. Such published information refers to the fixed funds in either large-scale or "planned" industry. Very little is known about fixed funds not only in such other branches of the economy as transportation and agriculture, but also in the national economy in total. Also, the generally available statistics are often not comparable. Some of them, for example, report fixed funds net of depreciation reserves, while others show only gross investments. Likewise, some sources adjust these figures for revaluation of imported equipment to their domestic costs (or transfer prices).

It appears that Moscow has been quite reluctant to reveal the values of fixed funds in the constituent republics in any consistent manner. Thus, although there is a score of economic studies, books, and articles which contain references to fixed funds in Ukraine,<sup>89</sup> the writer was unable to compile

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<sup>89</sup> For example: Akademiya Nauk Ukrainskoy SSR, op. cit.; Gosplan SSSR, Pyatiletnyi plan narodno-khozyaystvennogo stroitel'stva SSSR (Five-Year Plan of development of national economy of the USSR) (third edition; Moscow: Izdatel'stvo "Planovoye Khozyaystvo," 1930), III.; Upravlinnya Narodno-Hospodars'koho Obliku USRR, Radyans'ka torhivlya USRR (Soviet trade in Uk. SSR) (Kiev: Derzhavne Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1936); Upravlinnya Narodno-Hospodars'koho Obliku URSR, Sotsialistychna Ukrayina (Socialist Ukraine) (Kiev: Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1937); Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh (Uk. SSR in figures) (Derzhvydav "Narodne Hospodarstvo ta Oblik," 1936); V. P. Akulenko, "Kapital'ne budivnytstvo Ukrayiny na 1931 rik" (Capital construction in Ukraine for 1931), Hospodarstvo Ukrayiny, 11-12, 1930; G. Ya. Burshtein, "Osnovnye kapitaly Ukrainskoy promyshlennosti v 1925/26, 1926/27 i 1927/28 godakh" (Fixed capital of Ukrainian industry in 1925/26, 1926/27 and 1927/28), Hospodarstvo Ukrayiny, 7-8, 1929; Semen Hutsulyak, "Narodn'yo-hospodarchyi plan na tretiy vyrishal'nyi rik pyatyrichky" (National-economic plan for the third decisive year of the five-year plan), Bil'shovyk Ukrayiny, 1, 1931; S. Hutsulyak, "Osnovni problemy kontrol'nykh tsyfr narodn'yoho hospodarstva USRR na 1929/30 r." (Chief problems of control figures of Ukrainian SSR's national economy for 1929/30), Bil'shovyk Ukrayiny, 23, 1929; V. P. Kopnyayev, "Kapitaly ukrainskoy promyshlennosti v vosstanovitel'nyi i rekonstruktivnyi period" (Capital in Ukrainian industry during the restoration and reconstruction period), Khozyaystvo Ukrainy, 12, 1928; V. I. Lavrov, "K probleme postroyeniya pyatiletnyego plana promyshlennosti v rayonnom razreze" (On the problem of constructing industry's five-year plan in regional cross section ), Planovoye Khozyaystvo,

a satisfactory series of values comparable with those quoted for the USSR. As a result, it was necessary to rely quite heavily on projections and interpolation from the figures that are known to be comparable. As the purpose for compiling this information is limited to its utilization primarily in allocating profits and profit taxes to Ukrainian SSR, Ukraine's share in the fixed funds of the USSR is much more important than the absolute figures.

At the beginning of the first five-year plan, i.e., as of October 1, 1928, 24.5 per cent of the fixed funds of planned (VSNKh) industry of the USSR were located in Ukraine.<sup>90</sup> By January 1, 1935, Ukraine's share in the fixed funds of the

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1, 1928; N. Livshits, "Promyslovist' Ukrayiny za 15 rokiiv dyktatury proletariyatu" (Ukraine's industry during 15 years of dictatorship of the proletariat), Bil'shovyk Ukrayiny, 19-20, 1932; 21-22, 1932; V. Myshkis, "Balans narodnogo khozyaystva Ukrainy" (Balance of Ukraine's national economy), Khozyaystvo Ukrainy, 1, 1928; 2, 1928; M. Volobuyev, "proti ekonomichnoyi plyatforny natsionalizmu" (Against an economic platform of nationalism), Bil'shovyk Ukrayiny, 5-6, 1930; 7, 1930; V. Zhebrovs'kyi, "Pytannya hospodars'koyi polityky partiyyi i prava nebezpeka" (Question of economic policy of the Party and the right danger), Bil'shovyk Ukrayiny, 21-22, 1928.

<sup>90</sup> Gosplan SSSR, ibid., pp. 582-583; D. Bogorod and B. Tolstoy, "Territorialnye sdvigi promyshlennosti v pyervuyu pyatiletku" (Territorial upheavals in the industry during the first five-year plan), Problemy Ekonomiki, 6, 1932, p. 189.

large-scale industry diminished to some 21.9 per cent;<sup>91</sup>  
 by the end of 1935 it declined further to 21.7 per cent.<sup>92</sup>  
 What has happened between 1928 and 1934, or 1935? Specifically,  
 what was Ukraine's position in the fixed funds of the USSR  
 on October 1, 1929, and January 1 of each succeeding year,  
 beginning with 1931?

In the projections of Ukraine's importance in fixed  
 funds of the USSR it is necessary to recognize the effect of  
 the pattern of capital investments. During the first five-  
 year plan, 5.4 billion rubles were invested in Ukrainian industry.<sup>93</sup>  
 This was equal to 21.8 per cent of the 24.8 billion rubles  
 invested in the USSR industry.<sup>94</sup> Yet, while capital invest-  
 ments in Ukraine's planned industry amounted in 1928/29 to 27.0  
 per cent of comparable investments in the USSR,<sup>95</sup> they declined

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<sup>91</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1936, pp. 57-59.

<sup>92</sup>Upravlinnya Narodno-Hospodars'koho Obliku URSR, Sotsialistychna Ukrayina (Socialist Ukraine) (Kiev: Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1937), p. 170.

<sup>93</sup>Table XI.

<sup>94</sup>Gosudarstvyennaya Planovaya Komissiya pri Sovyete Narodnykh Komissarov Soyuz SSR, Itogi vypolnleniya pyer-vogo pyatiletnyego plana razvitiya narodnogo khozyaystva Soyuz SSR (Summary of the fulfillment of the first five-year plan of development of national economy of the USSR) (Moscow: Izdaniye Gosplana Soyuz SSR, 1933), p. 253.

<sup>95</sup>D. Bogorod and B. Tolstoy, op. cit., p. 189.

in 1929/30 to 22.3 per cent,<sup>96</sup> giving a two-years' average of 23.9 per cent.<sup>97</sup> Although it is difficult to assess the impact of investments, the closeness of the two-years' ratio of investments in Ukraine and her position in the fixed funds on October 1, 1928 leads to the conclusion that Ukraine's relative weight in the fixed capital of the Soviet Union as of October 1, 1929 and January 1, 1931, was probably very much the same as at the beginning of the period. The fact that in the last quarter of 1930 capital investments in Ukrainian industry reached 24.8 per cent<sup>98</sup> of such investments in the USSR tends to confirm this conclusion.

Ukrainian industry shared in USSR's industrial investments in the following proportions:<sup>99</sup> 20.4 per cent in

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<sup>96</sup> Computed from data appearing in Gosplan SSSR, Kontrol'nye tsifry narodnogo khozyaystva SSSR na 1929/30 god (Control figures of the national economy of USSR for 1929/30) (Moscow: Izdatel'stvo "Planovoye Khozyaystvo," 1930), pp. 616-617.

<sup>97</sup> Ibid.

<sup>98</sup> D. Bogorod and B. Tolstoy, op. cit., p. 189.

<sup>99</sup> Computed from the following sources: Upravlinnya Narodno-Hospodars'koho Obliku URSR, Sotsialistychna Ukrayina (Socialist Ukraine) (Kiev: Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1937), p. 9; Sotsialisticheskoye Stroitel'stvo, 1936, p. 384.

1931,<sup>100</sup> 20.7 per cent in 1932,<sup>100</sup> 20.2 per cent in 1933, and 18.8 per cent in 1934. In view of the relative stability of these investment ratios it is not unreasonable to ascertain Ukraine's proportion of fixed funds in the USSR in these years by interpolating from January 1, 1931, and January 1, 1935, percentages according to the arithmetic regression. As a result, the following percentages are obtained for industry's fixed funds located in Ukraine in relation to the USSR:

October 1, 1928	24.5
October 1, 1929	24.5
January 1, 1931	24.5
January 1, 1932	23.9
January 1, 1933	23.3
January 1, 1934	22.6
January 1, 1935	21.9

It is probably not unreasonable to inquire as to what extent one may rely solely on the ratios of fixed funds in the large-scale industry. Due to lack of necessary statistics there is no way one can answer this question with a great deal of satisfaction. Nevertheless, it appears that they are fairly representative of the conditions of the whole national economy. First of all, capital investments in the entire national economy

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<sup>100</sup> D. Bogorod and B. Tolstoy, op. cit., p. 189 indicate 18.0 per cent in 1931 and 24.2 per cent in 1932. However, the date of publication of their article leads us to suspect that their ratios may not be entirely reliable as they probably reflect preliminary estimates for 1931 and planned or projected figures for 1932.

of Ukraine reveal a rather similar trend; they have also been rising at a much slower rate than those of the USSR.<sup>101</sup>

Second, it is generally agreed that the small-scale industry was much better developed in Ukraine than in the rest of the USSR. For example, according to Table III Ukraine's share in the output of small-scale industry was 61.7 per cent in 1928/29 and 34.0 per cent in 1931. Consequently, an introduction of the fixed funds of the small-scale industry into these estimates is likely to result in an increase of the fixed fund ratios. Finally, according to Plotnikov, deductions from profits of agricultural enterprises amounted only to 60.8 million rubles out of total deductions from profits of 6,563.8 million rubles during the entire first five-year plan period.<sup>102</sup>

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<sup>101</sup> The following trends are computed from Table XI.

	Ukrainian SSR (per cent)	USSR (per cent)
1928/29	100.0	100.0
1929/30, incl. 4Q 1930	197.2	219.9
1931	247.3	300.0
1932	348.7	384.1

<sup>102</sup> Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 116.



Therefore, inasmuch as agriculture showed rather insignificant profits, it is desirable to disregard the effect of fixed funds of agriculture upon the computations altogether. In addition, at least 1928/29 and 1929/30 profits specifically excluded agricultural profits.<sup>103</sup>

C. Allocation of Profit Taxes and Profits to Ukrainian SSR.

Table 3-5 presents a summary of deductions from profits in Ukrainian SSR. It does not include profit taxes from local industries. According to these estimates, 56 per cent of profit taxes collected from the all-Union and republican enterprises in the Ukraine were retained in the all-Union budget. In the entire USSR, approximately 60 per cent of such revenues were retained by the central government (see Table 3-5 and Table I).

This suggests that (a) our estimates of the Ukraine's relative weight in the fixed funds (and thus her contributions to profits and profit taxes) are low, (b) the Ukraine's economy operated more efficiently than that of the USSR, or (c) enterprises subject to the all-Union authorities were of lesser

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<sup>103</sup> K. Shmyelev, "K yedinomu finansovomu planu na 1930/31 g." (Toward a unified financial plan for 1930/31), Finansovye Problemy, 6, 1930, p. 19.

Table 3-5. Profit taxes paid by all-Union and republican enterprises in Ukrainian SSR  
(in millions of rubles).

Years	Profit taxes in the USSRa/	Ukraine's share in fixed fundsb/ (per cent)	Profit taxes in Ukrainel/	Paid into the State budget of Ukr. SSRa/	Paid into the all-Union budget
	(1)	(2)	(3) = (1) x (2)	(4)	(5) = (3) - (4)
1928/29	417.7	24.5	102.3	16.2	86.1
1929/30	1,004.5	24.5	246.1	70.2	175.9
4 Q. 1930	382.8	24.5	93.8	39.9	53.9
1931	1,333.3 <sup>2</sup>	23.9	318.7	204.1 <sup>2</sup>	114.6
1932	<u>1,409.6</u>	23.3	<u>328.4</u>	<u>148.1</u>	<u>180.3</u>
1928/29-1932	4,547.9 <sup>2</sup>		1,089.3	478.5 <sup>2</sup>	610.8

SOURCES:

- (a) Table I.  
(b) Chapter 3, p. 106.

NOTES:

(1) It might have been more accurate to apply an average of the ratios of the beginning and of the end of each period. However, since all of them represent only best estimates, it is felt that such a ramification is not warranted at this time. It can readily be seen that our failure to do so results in a very minor discrepancy.

(2) Adjusted for transfers from local budgets, shown in Table I, under "Other Income."

importance in the Ukraine than in the rest of the USSR.

Even though the relative importance of the Union-industry in the various republics is not known, it does not appear likely that there was any noticeable difference in this respect, at least between the Ukraine and the Soviet Union in total.<sup>104</sup> This is true in spite of the fact that municipal economy might have been more important in Russia than in the Ukraine on account of such large cities as, for example, Moscow and Leningrad.

The previous discussion of profitability, uniformity of taxation of industrial profits (at least until 1931 or 1932), Soviet pricing policies, and the emphasis on Group A in the Ukraine, suggest that the alternative (b) may also be largely discounted. Yet, in the absence of more convincing evidence, preference is given to the original estimates of fixed funds in Ukraine, assuming that inaccuracy which may thus result would tend to add to the conservativeness of the estimates.

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<sup>104</sup>For example, compare information gathered in such sources as: Sotsialistychna Ukrayina, 5-6, 1934, pp. 107-108; Sotsialisticheskoye Stroitel'stvo SSR, 1935, pp. 30-31; Statystychne Upravlinnya Ukrsyins'koyi RSR, Narodne Hospodarstvo Ukrayins'koyi RSR (National economy of Ukr. SSR) (Kiev: Derzhavne Statystychne Vydavnytstvo, 1957), p. 21; Upravlinnya Narodno-Hospodars'koho Obliku USRR, Radyans'ka torhivlya USRR (Soviet trade in Ukr. SSR) (Kiev: Derzhavne Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1936), p. 14.

Determination of Ukraine's share in profits of the USSR economy is based on the annual profit values, as shown in Table 3-7. Total profits, which appear in column 1 of this table, include profits of local enterprises which should be eliminated for purposes of this section. Since industrial profits were taxed uniformly during most of the first five-year plan era, it is assumed that local enterprises shared in total profits in proportion to their contributions to profit taxes. Pari passu, proportions of profits originating in enterprises subordinated to the all-Union and republican authorities are obtained from a comparison of Plotnikov's statistics on profit taxes (which include collections from local industries) with the appropriate values in Table I. Computations are presented in Table 3-6.

In Table 3-7, which summarizes the estimates of profit accumulations in Ukraine and in the USSR, no specific reference is being made to the fourth quarter of 1930. Nevertheless, no attempts have been made to compensate for this apparent omission inasmuch as the totals for the period already exceed profit accumulations quoted by Ryabov<sup>105</sup> by one half of one

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<sup>105</sup>N Ryabov, op. cit., p. 137.

Table 3-6. Determination of profits of all-Union and republican enterprises.

	Deductions from profits (millions of rubles)		Profit taxes originating in enterprises of all-Union and republican subordination (per cent of total profits)
	Total <sup>a</sup>	All-Union and republican enterprises <sup>b</sup>	
1928/29	557.4	417.7	74.93
1929/30	1,263.2	1,004.5	79.52
4Q. 1930	562.3	382.8	68.26
1929/30 incl. 4Q. 1930	1,825.5	1,387.3	76.00
1931	2,157.5	1,333.3 <sup>1</sup>	61.80
1932	2,023.4	1,409.6	69.66
1928/29-1932	6,563.8	4,547.9 <sup>1</sup>	69.29

## SOURCES:

(a) K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva, p. 116.

(b) Table I.

## NOTES:

(1) Adjusted for transfers from local budgets, shown in Table I, under "Other income."

Table 3-7. Allocation of Profits to Ukrainian SSR.

	1928/29	1929/30	1931	1932	1928/29-1932
<b>USSR</b>					
1. Total profits - billions of rubles	3.3 <sup>a</sup>	4.6 <sup>b</sup>	5.1 <sup>e</sup>	6.6 <sup>c</sup>	19.6
2. Ratio of profits originating in the all-Union and republican enterprises (per cent) <sup>c</sup>	74.9	76.0 <sup>1</sup>	61.8	69.7	
3. Profits of enterprises of all-Union and republican subordination - bil. of rubles	2.47	3.50	3.15	4.60	13.72
<b>Ukrainian SSR</b>					
4. Ukraine's relative weight in fixed funds (per cent) <sup>d,2</sup>	24.5	24.5	23.9	23.3	
5. Total profits generated in Ukraine (millions of rubles) (1)x(4)	809	1,127	1,219	1,538	4,693
6. Profits of enterprises of all-Union and republican subordination - millions of rubles (3)x(4)	605	858	753	1,072	3,288

## SOURCES:

(a) K. Shmyelev, "K yedinomu finansovomu planu na 1931/32 g., " Finansovye Problemy, 6, 1930, p. 19.

(b) According to A. Lyando (his article, "Zadachi finplana 3-go goda pyatiletki," Finansy i Sotsialisticheskoye Khozyaystvo, 2-3, 1931, p. 5), 8.3 billion rubles of profits projected for 1931 were to exceed previous year's realized profits by 82.4 per cent. Thus, 1929/30 profits were probably in the vicinity of 4.55 billion rubles.

(c) Table 3-6. Determination of profits of all-Union and republican enterprises.

(d) Page 106, above.

(e) A. M. Lyando, Gosbyudzbet SSSR zavvershayushchego goda pyatiletki, p. 22. Preliminary figure of fulfillment.

## NOTES:

(1) Includes fourth quarter of 1930.

(2) It might have been more accurate to apply an average of the ratios of the beginning and of the end of each period. However, inasmuch as these ratios represent only our best estimates, it is felt that such ramification is not warranted at this time. It can readily be seen that our failure to do so does not result in any noticeable error.

billion rubles. Although this does not look like a minor discrepancy, it is not expected to result in consequences of grave importance. For there were essentially three sources of investible funds: retained profits, depreciation, and the budget. With capital investments, profit taxes, and depreciation known, the effect of the choice between our own and Ryabov's values of profits is largely reduced to offsetting variations in the extent to which capital investments were financed from retained profits rather than by subsidies from the government (budgetary appropriations).

A comparison of Table 3-7 with Tables 3-5 and I, reveals that the state budget of Ukrainian SSR received in the form of profit taxes during the entire period some 14.5 per cent of profits of all-Union and republican enterprises in Ukraine. At the same time, all republican state budgets combined, including Ukraine, collected 13.2 per cent of such profits.

This concludes the discussion of the two most important components in the budgetary relations in the Ukraine. The remaining items on the revenue side of the budget are analyzed in the next chapter.

## CHAPTER IV

## CAPITAL-FLOW ANALYSIS: UKRAINE VS. THE-REST-OF-THE-UNION

## A. BUDGETARY REVENUES, Continued

State Loans

Sales of government obligations in the USSR played an important part in raising funds that were needed to finance the industrialization and economic growth.<sup>1</sup> The names of the loans themselves attest to this: "loan of economic restoration," several "industrialization loans," the loan to "strengthen peasant economy," and the like.

It can be seen from Table I, that the revenues from sales of government bonds were rising rapidly both in absolute amounts and as a percentage of total receipts of the budget. This is not surprising. The government of the USSR considered state loans as "planned form" of attracting the savings of the population with the expressed purpose of utilizing them for covering productive expenditures, e.g., capital investments.<sup>2</sup>

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<sup>1</sup>K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 127.

<sup>2</sup>Ibid.



This continuous rise in the revenues from sales of government bonds can be attributed largely to the ambitious programs of the distribution of government obligations among the population as well as among economic enterprises and organizations which the government has been undertaking year after year.

The population's savings were invested in state securities both directly, i.e., through the individual or collective subscriptions of the loans, and indirectly, when the savings banks invested their "stable deposit balances"<sup>3</sup> (i.e., funds over and above operating requirements) in the public debt. Thus, in addition to its fiscal significance, the distribution of obligations has also served as an instrument for withdrawing the purchasing power of the population and diverting it into the state budget.

Estimates of sales of government bonds in the Ukraine are presented in Table 4-1. In this table, the computation of receipts from the distribution of bonds among the population in the Ukraine is based on the Ukraine's share in deductions

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<sup>3</sup>Ibid., p. 129.

Table 4-1. Revenues from the sales of government bonds in Ukraine and in the USSR.  
(in millions of rubles)

	1928/29	1929/30	4Q. 1930	1931	1932	1928/29-1932
<b>A. <u>Population:</u></b>						
1. USSR	270.2	656.0	212.4	1,616.4	2,429.3	5,184.3
2. Allocation factor <sup>1</sup> (per cent)	17.00	21.34	35.85	23.13	19.35	21.33
3. Ukraine	45.9	140.0	76.1	373.9	470.1	1,106.0
<b>B. <u>Savings Banks:</u></b>						
4. USSR	176.8	286.3	35.1	215.8	364.0	1,078.0
5. Ukraine's importance in changes in savings deposit balances (per cent)	12.86	10.98	13.43	14.98	11.66	12.4
6. Ukraine	22.7	31.4	4.7	32.3	42.5	133.6
<b>C. <u>Enterprises:</u></b>						
7. USSR	277.8	336.1	108.5	1,428.5	1,128.4	3,279.3
8. Ukraine's contributions to profits in the USSR (per cent)	24.5	24.5	24.5	23.9	23.3	
9. Ukraine	68.1	82.3	26.6	341.4	262.9	781.3
<b>D. <u>Total:</u></b>						
10. USSR	724.8	1,278.4	356.1	3,269.0	3,921.7	9,550.0
11. Ukrainian SSR	136.7	253.7	107.4	747.6	775.5	2,020.9
12. Ukraine as percentage of the USSR	18.9	19.8	30.2	22.9	19.8	21.2

Table 4-1 (Continued)

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**SOURCES:**

Lines 1, 4, 7, 10: Table I.

Line 5: Computed from data presented in Sotsialisticheskoye Stroitel'stvo, 1935, pp. 680-682.

Line 8: See Table 3-5 as well as the discussion on the method of allocation of profits and profit taxes.

**NOTES:**

(1) Revenues from the sale of government bonds to the population are allocated to the Ukraine according to her share in deductions from such revenues into the state budget of Ukrainian SSR as compared with the total deductions into state budgets of all republics. The ratios are computed from data presented in Table I.

from proceeds taken from sales of government bonds into the state budgets of all republics. The ratios were obtained from Table I.

Apparently, percentage rates, according to which revenues from sales of government bonds were deducted into the republican budgets (and through them into the local budgets), varied with the social groups to which the bond purchasers belonged (e.g., peasantry, workers, or unorganized population),<sup>4</sup> rather than in relation to any political or administrative division of the USSR. The largest deductions were allowed on sales to peasants.

Provisions were also made for penalties in cases of underfulfillment of the plan quota.<sup>5</sup> Penalties usually stipulated some specific reductions in the prescribed rates of deductions into the state budgets of the republics and into the local budgets. Like rates of deductions, penalties also varied according to the social groups of the bond purchasers.

To obtain more accurate results, revenues from the

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<sup>4</sup>See relevant instructions of the NKF. For example, instruction No. 243, dated July 5, 1931 (Byulleten' Finansovogo i Khozyaystvennogo Zakonodatel'stva, 21, 1931, pp. 7-8).

<sup>5</sup>Ibid.

sale of government securities in a specific republic should be determined by summarizing actual subscriptions to the bond issues in that republic by each social group of population. In practice this cannot be accomplished. Very little is known about the ways in which the quotas were established. Neither does the official statistics normally disclose actual purchases of bonds by the various social groups.

Nevertheless, on balance, it appears that our method is not liable to result in any significant errors. First of all, according to various sources, workers and salaried employees, who had come to occupy a commanding position in the ownership of government securities sold to the population,<sup>6</sup> were required to purchase government bonds in some specific relation to their earnings.<sup>7</sup> Second, available statistics reveal that sales

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<sup>6</sup>They owned the following shares of the total debt purchased by the population: October 1, 1928 -- 37.0 per cent; October 1, 1929 -- 55.0 per cent; January 1, 1930 -- 65.3 per cent; January 1, 1931 -- 66.1 per cent; January 1, 1932 -- 66.0 per cent; January 1, 1933 -- 69.2 per cent; January 1, 1934 -- 69.7 per cent; January 1, 1935 -- 71.7 per cent. Computed from data published in Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 672.

<sup>7</sup>Obyasnitel'naya zapiska k projektu yedinogo gosudarstvennogo byudzheta SSSR na 1928/29 byudzhetniy god (Explanatory note to the project of unified state budget of the USSR for 1928/29 fiscal year) (Moscow: Gosudarstvennoye Finansovoye Izdatel'stvo Soyuza SSR, 1928), p. 75; R. W. Davies, The Development of the Soviet Budgetary System (Cambridge: Cambridge University Press, 1958), pp. 127, 226.

of government bonds to peasants constituted a lesser part of the total sales to the population. Participation of villages in the subscriptions of the various state loans in the USSR was estimated by Ioffe as follows:<sup>8</sup> First Industrialization Loan -- 5 per cent; Second Industrialization Loan -- 8.9 per cent; Third Industrialization Loan -- 21.9 per cent; Five-Year-Plan-In-Four-Years Loan -- 24.6 per cent (as of May 31, 1931). In 1932, rural population subscribed to 21.47 per cent of the mass-subscription loans.<sup>9</sup> As a result, peasants claimed only a minor part of the outstanding public debt purchased by the population (in millions of rubles):<sup>10</sup>

	All population	Peasants
October 1, 1928	411.0	108.4
October 1, 1929	529.1	70.7
October 1, 1930	1,287.3	241.3
January 1, 1931	1,499.8	302.3
January 1, 1932	3,117.5	780.0
January 1, 1933	5,442.8	1,270.8

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<sup>8</sup>Ioffe, "1,700,000,000-moshchnyi vklad trudyashchykh-sya v sotsialisticheskuyu stranu" (1,700,000,000--mighty investments of working people in socialist country), Finansy i Sotsialisticheskoye Khozyaystvo, 16, 1931, p. 17.

<sup>9</sup>K. N. Plotnikov, op. cit., p. 129.

<sup>10</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 672.

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Third, population other than workers, salaried employees, and peasants owned even smaller amounts of the outstanding debt. As of the same dates these amounts were as follows (in millions of rubles):<sup>11</sup> 150.4, 167.5, 205.5, 206.5, 281.1, and 405.8.

Fourth, it appears that there were some differences among the republics in the fulfillment of the plans of the distribution of state obligations within the various social groups.<sup>12</sup> However, it is believed that the over-all pattern of these variations in each area or republic was consistent enough to justify the selection of the present basis of allocation. For we ought not lose sight of the fact that subscriptions to the state loans were not really voluntary. Subscription campaigns were accompanied by considerable social, administrative, and even physical pressures upon the population.<sup>13</sup> To this extent, the sales of government bonds were more akin

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<sup>11</sup> Ibid.

<sup>12</sup> See, for example, I. Landa, "Zayem pyatiletka v chetyre goda" (Five-year-plan-in-four-years loan), Finansovye Problemy, 10-11, 1930, p. 6.

<sup>13</sup> F. D. Holzman, Soviet Taxation (Cambridge: Harvard University Press, 1955), p. 200; R. W. Davies, op. cit., pp. 127-128; P. Malevsky-Malevich (ed.), Russia/U.S.S.R. (New York: William Farquhar Payson, 1933), p. 533.



to taxes than to the bonds sold by most Western nations.<sup>14</sup>

Therefore, actual purchases throughout the country probably corresponded reasonably well with the monetary incomes of the population and were consistent with the objectives of fiscal policies, directives concerning regional economic development, and the resulting campaign pressures.

It is not surprising that the government chose to rely heavier on the loan campaigns than on the work of the savings banks to enlist the resources of the population. Savings of the population could not have been expected to reach any important proportions under conditions of low real incomes and continuous discouragement of private ownership and entrepreneurship through taxation and social policies. Also, administrative and social pressures could not have been used here with the same ease and effectiveness as it was in the case of the loan subscription campaigns. For, whereas payments on subscriptions to the loans were deducted from earnings in installments at the source, the act of depositing one's savings in the bank continued to imply much more freedom on

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<sup>14</sup>F. D. Holzman, op. cit., p. 200; also R. W. Davies, op. cit., p. 125.

the part of an individual and to largely depend upon his personal value judgments.

Consequently, purchases of government securities by the savings banks were of secondary importance. In 1932, they were only slightly twice their 1928/29 level, while direct purchases by the population increased in the same period nine times (Table 4-1). Savings deposit balances of natural persons rose from 213,236.8 thousands of rubles on October 1, 1928, to 960,748.3 thousands of rubles on January 1, 1933, or four and one half times.<sup>15</sup> Equally, holdings of government bonds by the savings banks increased in the same period from 184.3 to 891.3 million rubles, or plus 484 per cent; while those of individuals rose from 411.0 to 5,442.8 million rubles, i.e., plus 1,324 per cent.<sup>16</sup>

In view of the fact that savings banks invested most of their funds in government obligations,<sup>17</sup> purchases of government bonds by the savings banks in the Ukraine were assumed to be directly proportional to her importance in

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<sup>15</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1935, pp. 682-683; also, 1936, p. 665.

<sup>16</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 672.

<sup>17</sup>F. D. Holzman, op. cit., p. 23.

population's savings deposits. They were computed by applying to the total of such purchases in the USSR the relative weight of the Ukraine in the changes of savings bank deposit balances of natural persons. The appropriate ratios for each year were computed from data gathered in Sotsialisticheskoye Stroitel'stvo SSSR.<sup>18</sup>

The main purpose of the distribution of government bonds among economic enterprises was the withdrawal of their temporarily free resources and the placement of these funds under direct supervision of the government. As in the case of the population, purchases of bonds were mandatory. If an enterprise failed to buy up its entire quota of bonds within the specified time limits, the state was authorized to

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<sup>18</sup>Sotsialisticheskoye Stroitel'stovo SSSR, 1935, pp. 681-682. It should be noted that savings deposits of natural persons had actually declined between October 1, 1930, and January 1, 1931, both in the Ukraine and in the USSR. Yet, it was decided to disregard the negative sign before these values primarily because the ratio of the Ukraine to the USSR seemed to bear out in comparison with other years.

It might have been desirable to base our computations on statistics concerning all savings deposits (i.e., natural and juridical persons). However, since changes in savings deposits of juridical persons tended to follow a much more irregular pattern, it was decided to leave them out altogether. In addition, data quoted by Sotialisticheskoye Stroitel'stovo BSSR (1936, p. 672) refer to holdings of government bonds by the savings banks on account of population only.

seize its bank account and to extract the payment for the balance of unpurchased bonds. Such compulsory deductions into the state treasury were subject to the same regulations which governed recovery of delinquent taxes, although they did not necessarily carry additional penalties. Of course, the enterprise was then delivered bonds to the full amount of its quota.<sup>19</sup>

Unfortunately, the Soviet government does not disclose the information on purchases of government bonds by economic enterprises in each republic. Nevertheless, the existing evidence seems to bear out the hypothesis that such purchases were closely related to profits.<sup>20</sup> It is assumed that the close dependence of purchases of state obligations by enterprises upon their profits was not altered even by some apparent

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<sup>19</sup>See, for example: Circular of the NKF No. 767, dated November 22, 1930 (Izvestiya Narkomfina, 46, 1930, p. 900); Decision of TsIK and SNK of the USSR, dated November 17, 1929 (Izvestiya Narkomfina, 8, 1929, p. 183).

<sup>20</sup>According to control figures of the first five-year plan, 9 per cent of industrial profits were to be applied in this way, Vysshiiy Sovyet Narodnogo Khozyaystva SSSR, Kontrol'nye tsifry pyatiletnogo plana razvitiya promyshlennosti SSSR (Control figures of the five-year plan of the development of industry in the USSR) (Moscow: Gosudarstvennoye Tekhnicheskoye Izdatel'stvo, 1927), p. 163. R. W. Davies (op. cit., p. 126) points out that 60 per cent of reserve capital had to be invested in state loans. Also, see note 21, below.

differences among the various sectors of the economy.<sup>21</sup> The fact that purchases of bonds by enterprises in some sectors of the economy were later modified to recognize investment requirements<sup>22</sup> does not cast much doubt upon the propriety of their allocation to Ukrainian SSR in accordance with her contributions to profits. For, with the total of funds unchanged, all that such "adjustments" would do is to modify the composition of their sources: profits, depreciation, and budgetary allocations.

Under the circumstances, it may not be improper to warn against undue confidence in the accuracy of these

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<sup>21</sup>In 1928/29 and 1929/30 industrial enterprises and joint stock companies were required to purchase government bonds to the extent of 9 per cent of their profits; syndicates and "economic-accounting" enterprises (like Tsentrospirt) were responsible for allocating in this manner 18 per cent of their profits; while the appropriate ratio for trade organizations of local and republican authorities was 15 per cent. Obyasnitel'naya zapiska k projektu yedinogo gosudarstvennogo byudzheta SSSR na 1928/29 byudzhetniy god (Explanatory note to the project of unified state budget of the USSR for 1928/29 fiscal year) (Moscow: Gosudarstvennoye Finansovoye Izdatel'stvo Soyuz SSR, 1928), p. 74.

<sup>22</sup>Circular of the NKF No. 767, dated November 22, 1930, instructs agricultural industrial enterprises (largely food industry) to invest in the state loans all of their resources not required for capital investments, profit taxes, and other mandatory deductions. This circular, while offering a detailed account of the method of determining the amounts to be thus invested by an enterprise, also dwells on the compulsory nature of such purchases. Izvestiya Narkomfina, 46, 1390, p. 900.

estimates. Nevertheless, statements obtained from various sources do indicate that the computations are, indeed, a fair representation of actual developments. Although, on balance, it appears that our figures probably fall short of actual purchases of government bonds in the Ukraine, i.e., at least by the population. For example, the above estimates of total receipts from sales of government bonds in Ukrainian SSR in 1928/29 (136.7 million rubles) are slightly below the 140.0 million rubles claimed by Hutsulyak.<sup>23</sup> The Ukraine's share in total proceeds (18.9 per cent based on estimated 136.7 million rubles) compares favorably with 18.3 per cent computed from the plan of deductions into the state budgets of union republics of the receipts from the distribution of the Second Industrialization Loan.<sup>24</sup> This loan was sold

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<sup>23</sup>S. Hutsulyak, "Ukrayins'ke narodnye hospodarstvo na shlakhu sotsiyalistychnoyi rekonstruktsiyi v 1928/29 rotsi" (Ukrainian national economy on the road of socialist reconstruction in 1928/29), Bil'shovyk Ukrayiny, 15-16, 1928, p. 13. Another source (Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR) (Moscow: Izdatel'stvo Akademii Nauk SSSR, 1954, p. 255) mentions briefly 100 million rubles as proceeds from sales of government bonds in the Ukraine in 1928/29. This, however, yields a ratio of only 13.8 per cent of the USSR, an undoubtedly unrealistically low one, especially when compared with other years.

<sup>24</sup>Yedinyi gosudarstvyennyi byudzheth Soyuzu Sovyetskikh Sotsialisticheskikh Respublik na 1928/29 byudzhethnyi god (Unified state budget of the USSR for 1928/29 fiscal year) (Moscow: Gosudarstvyennoye Finansovoye Izdatel'stvo Soyuzu SSR, 1928).

primarily to workers and salaried employees whose purchases were substantially proportional to their earnings; it was not to be sold to economic enterprises.

In 1929/30, according to planned deductions into the state budget of Ukrainian SSR, the Ukraine was expected to contribute to the various loans in the following proportions: (a) 18.8 per cent of the Second Industrialization Loan (which was planned to yield only five million rubles in the entire Soviet Union), (b) about 21.24 per cent of the Third Industrialization Loan (total sales in the USSR were planned at 575 million rubles), and (c) 20.57 per cent of the "new loans" (their total distribution was expected to reach 310 million rubles).<sup>25</sup> Actual purchases of bonds of Five-Year-Plan-In-Four-Years Loan reached in the Ukraine 104.7 per cent of the plan in the case of workers and salaried employees, and 50.7 per cent in the case of peasants. Comparable ratios for the entire USSR were: workers and salaried employees -- 101.3 per cent, peasants -- 44.3 per cent. This was at the time when the fulfillment of the planned distribution of this loan to the

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<sup>25</sup>Yedinyi gosudarstvyennyyi byudzheth Soyuzha Sovyetskikh Sotsialisticheskikh Respublic na 1929/30 g. (Unified state budget of the USSR for 1929/30) (Moscow: Gosudarstvyennoye Finansovoye Izdatel'stvo SSSR, 1930).

population in the USSR was listed at 81.6 per cent.<sup>26</sup>

Thus, it appears that the computed ratio of 21.34 per cent for the population is reasonable, especially in view of the fact that, as of July 1, 1930, Ukrainians were responsible for only 20.46 per cent of delinquent payments on subscriptions to the Third Industrialization Loan.<sup>27</sup>

The conversion of the then outstanding four mass-subscription loans (loan to strengthen peasant economy and the three industrialization loans) into Five-Year-Plan-In-Four-Year Loan, which was ordered by the Decision of TsIK and SNK of February 21, 1930, was to be completed by January 1, 1931.<sup>28</sup> It is likely that the differences in the tempo of conversions in the various republics and regions might have influenced the officially reported sales of government bonds, especially towards the end of 1930. Therefore, it is probably much more sensible to consider the last quarter of 1930 in conjunction with the entire year of 1929/30.

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<sup>26</sup>I. Landa, op. cit., pp. 5-6.

<sup>27</sup>Circular No. 593 of the NKF, dated August 13, 1930, Izvyestiya Narkomfina, 36, 1930, p. 754.

<sup>28</sup>K. N. Plotnikov, op. cit., p. 128. Decision of TsIK and SNK of February 21, 1930, Izvyestiya Narkomfina, 18, 1930, p. 404.



Although participation of the Ukraine in the purchases of government bonds in the fourth quarter of 1930 (30.2 per cent) may seem rather high at first inspection, when combined with 1929/30 it results in a ratio of 22.1 per cent. This combined ratio does not compare badly with other ratios, particularly 22.9 per cent in 1931.

In 1931, according to Berins'kyi, 343.5 million rubles worth of the Third Decisive Year Loan (1931 edition of the Five-Year-Plan-In-Four-Years Loan), or 21.47 per cent of the issue were to be sold in the Ukraine.<sup>29</sup> Actual sales to the population reached in the Ukraine 116.7 per cent of the plan,<sup>30</sup> i.e., with regard to the first lottery drawing. Assuming that this rate of realization of the plan was representative of the whole issue, sales of government bonds in the Ukraine

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<sup>29</sup> Berins'kyi, "Pozyka tret'yoho vyrishal'noho" (Loan of the third decisive year), Radyans'ka Ukrayina, 6, 1931, p. 41. This is at variance with 335.8 million rubles, Ukraine's quota, derived from figures cited by N. K-iy (his article, "Rabotat' metodami luchshikh" (Let us work as the better ones do), Finansy i Sotsialisticheskoye Khozyaystvo, 22, 1931, p. 19). According to the latter source, as of July 25, the plan was fulfilled in Ukraine as follows: total -- 91.9 per cent; workers and salaried employees -- 114.2 per cent; peasants -- 51.5 per cent; other population -- 84 per cent.

<sup>30</sup> L-ov, "Ukraina organizovano vstretila tyrazh," Finansy i Sotsialisticheskoye Khozyaystvo, 4, 1932, p. 19.

should have approached in 1931 a 400 million rubles level, rather than 373.9 million rubles shown in Table 4-1.

Official statistics released by the Board of Economic Accounting of Ukrainian SSR revealed that the population of the Ukraine invested in government securities from the introduction of the mass-subscription loans (i.e., August 24, 1927)<sup>31</sup> until the end of 1932 approximately 1,258.8 million rubles.<sup>32</sup> Purchases of government bonds by the population of the entire Soviet Union during the first five-year plan amounted to 5,184.3 million rubles. Thus, if 273.9 million rubles (net change in the holdings of state loans by the population between October 1, 1927, and October 1, 1928)<sup>33</sup> are added to the above total, a comparable figure for the USSR might have reached 5,458.1 million rubles. The Ukraine's participation thus becomes 23 per cent. This is somewhat above the 21.33 per cent ratio obtained by using estimates presented in Table 4-1.

Table 4-2 summarizes the inter-budgetary relationships on account of revenues from sales of government bonds in the Ukraine.

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<sup>31</sup>K. N. Plotnikov, op. cit., p. 127.

<sup>32</sup>Upravlinnya Narodno-Hospodars'koho Obliku URSR, Sotsialistychna Ukrayina (Socialist Ukraine) (Kiev: Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1937), p. 94.

<sup>33</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 672.

Table 4-2 The reallocation of revenues from sales of government bonds in the Ukraine between the state budget of Ukrainian SSR and the all-Union budget.  
(in millions of rubles)

Years	Sales of Government Bonds in Ukraine <sup>a</sup> /	Deductions into the state budget of UKr, SSR <sup>b</sup> /	Retained by the all-Union budget
1928/29	136.7	9.3	127.4
1929/30	253.7	14.6	239.1
4Q. 1930	107.4	5.7	101.7
1931	747.6	56.6	691.0
1932	775.5	133.2	642.3
1928/29-1932	2,020.9	219.4	1,801.5

SOURCES:

(a) Table 4-1.

(b) Table I.

Table 4-3 presents an attempt to estimate budgetary expenditures in the Ukraine connected with the government debt. Unfortunately, due to lack of information, it was not possible to analyze these expenditures beyond a recognition of retirement of the loan of economic restoration. Such statistics are virtually non-existent to the researcher.<sup>34</sup> The computations of retirements of public debt produce the following results (in millions of rubles):<sup>35</sup> 1928/29 -- 181.3; 1929/30 -- 685.3; fourth quarter of 1930 -- 22.8; 1931 -- 94.3; 1932 -- 172; 1928/29-1932 -- 1,155.7. It is gratifying to note that the estimated retirements of 172 millions of rubles in 1932 compare favorably with the planned retirements for that year (180.2 million rubles).<sup>36</sup> Of course, it is hoped that the

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<sup>34</sup> Only two references were found by this writer: a) Upravlinnya Narodno-Hospodars'koho Obliku URSR, Sotsiyalistychna Ukrayina (Socialist Ukraine) (Kiev: Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1937), p. 94; b) A. M. Lyando, Gosbyudzheth SSSR zavvershayushchego goda pyatiletki (State budget of the USSR in the concluding year of the five-year plan) (Moscow: Gosfinizdat, 1932), p. 32.

<sup>35</sup> Obtained by the following formula: beginning balance of outstanding public debt plus revenues during the period minus the ending balance. The beginning and the ending balances were taken from Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 672, while revenues came from Table I.

<sup>36</sup> A. M. Lyando, Gosbyudzheth SSSR zavvershayushchego goda pyatiletki (State budget of the USSR in the concluding year of the five-year plan) (Moscow: Gosfinizdat, 1932), p. 32.

Table 4-3. Allocation of expenditures on state loans from the all-Union budget.  
(in millions of rubles)

Years	Retirement of the Loan of Economic Restoration <sup>a</sup> /	Other Expenditures (Unspecified) <sup>a</sup> /	Total Expenditures	Allocation factor <sup>b</sup> / (per cent)	Expenditures from the all- Union budget in Ukraine
1928/29	28.5	317.5	346.0	18.9	65.4
1929/30	65.1	405.7	470.8	19.8	93.2
4Q. 1930	30.1	74.9	105.0	30.2	31.7
1931	-	408.3	408.3	22.9	93.5
1932	-	961.8	961.8	19.8	190.4
1928/29-1932	123.7	2,168.2	2,291.9		474.2

SOURCES:

(a) Table I.

(b) Table 4-1.

above estimates fairly well represent actual retirements of government bonds during the first five-year plan period. An exception should be taken with respect to 1929/30. An unusually large value of retirements in that year suggests that some conversions of the old loans into the Five-Year-Plan-In-Four-Years Loan were possibly double counted on the revenue side without proper adjustment of the expenditures side of the budget (compare 685.3 million rubles estimated retirements with 470.8 million rubles of total expenditures from the budget on account of public debt management).

Expenditures connected with public debt were allocated to the Ukraine on the basis of her participation in the total purchases of government bonds. The underlying assumption here is, of course, that, over an extended period of time, such expenditures should be proportionate to sales of bonds. (This may not be entirely correct in the case of bonds involving lottery prizes rather than conventional method of interest payments).<sup>37</sup> It is known that in 1932 retirements and interest payments to the population in the Ukraine amounted to 58.2

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<sup>37</sup> See F. D. Holzman, op. cit., pp. 202-203.

million rubles.<sup>38</sup> On the strength of this information alone, one would be tempted to conclude that estimates of expenditures in the Ukraine presented in this paper are excessive. However, since it can hardly be considered an adequate evidence for passing such a conclusive judgment, it has been decided to retain the original estimates.

A comparison of budgetary revenues and expenditures associated with public debt administration in the Ukraine and in the USSR fail to reveal any divergent patterns. Thus, while all union republics received during the entire first five-year plan approximately 11.2 per cent of revenues from sales of government bonds on their territories, the Ukraine was returned about 10.9 per cent of such proceeds. Taking into account budgetary expenditures incurred in connection with the maintenance of public debt, the central government retained for its own purposes 64.8 per cent of gross collections in all union republics taken together, as opposed to 65.7 per cent in the Ukraine.

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<sup>38</sup>Upravlinnya Narodno-Hospodars'koho Obliku URSR, Sotsialistychna Ukrayina (Socialist Ukraine) (Kiev: Vydavnytstvo "Narodne Hospodarstvo ta Oblik," 1937), p. 94.

### Transportation

Means of transportation were largely owned, operated, and controlled in the Russian Empire by public authorities.<sup>39</sup> The Soviet government revived and extended these pre-revolutionary practices of centralized control over the transportation industries. Thus, with minor exceptions, they are all under direct supervision of the all-Union authorities. Until 1932, virtually all of their revenues and expenditures were included in the all-Union budget on the gross basis.<sup>40</sup> As in many other respects, the central government failed to exhibit enough interest in regional analysis of transportation's revenues and expenditures. At any rate, it appears that the government has consistently avoided publicizing them.

A. Revenues. Of necessity, the distribution of revenues and expenditures between the Ukraine and the rest of

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<sup>39</sup>According to Kononenko, in 1913 no less than 80.5 per cent of capital invested in the railroads came from the state. K. Kononenko, Ukraine and Russia (Milwaukee: Marquette University Press, 1958), pp. 205-207.

<sup>40</sup>See: K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 107; F. D. Holzman, op. cit., pp. 215-216; R. W. Davies, op. cit., pp. 239-240.



the USSR will have to be made with the assistance of a number of pertinent indicators more readily available. Since most of the transportation revenues originated in the railroads,<sup>41</sup> the structure of railroad revenues was projected into the analysis of total revenues of public carriers. Freight traffic alone produced in 1927/28 approximately 76.87 per cent of the railroad revenues, while passenger traffic was responsible for additional 17.43 per cent of such receipts. By 1932 their shares had changed as follows: 55.91 per cent for freight and 37.33 per cent for passenger traffic.<sup>42</sup> Since these two sources together accounted for 94.3 per cent of the revenues of the railway system in 1927/28 and 93.2 per cent in 1932, their ratios were adjusted to a 100 per cent basis.

The adjusted ratios become: a) freight traffic 81.5 per cent in 1927/28 and 60.0 per cent in 1932; b) passenger traffic 18.5 per cent in 1927/28 and 40 per cent in 1932.

The above changes in the structure of the revenues

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<sup>41</sup>See Table I.

<sup>42</sup>All ratios computed from statistics presented in The U.S.S.R. in Figures (Moscow: Soyuzorgoutchot, 1935), p. 195.

were brought about by two factors. First, changes in the passenger rates were much greater than those of the freight rates. Thus, while passenger rates per passenger-kilometer have risen from 1.35 rubles in 1927/28 to 2.45 rubles in 1932, or plus 81.5 per cent, freight rates, on the other hand, have increased in the same period by only 5.9 per cent: from 1.52 to 1.61 rubles per ton/km.<sup>43</sup>

Second, passenger traffic itself had experienced in that period a tremendous upsurge. Sotsialisticheskoye Stroitel'stvo SSSR<sup>44</sup> makes possible the following comparisons of trends in physical turnover (in relation to 1928 in both cases):

1) freight (billions of ton-kilometers): 1929 - 120.9 per cent; 1930 - 143.4 per cent; 1931 - 162.9 per cent; 1932 - 181.3 per cent; 2) passenger traffic (billions of passenger-kilometers): 1929 - 130.6 per cent; 1930 - 211.4 per cent; 1931 - 252.2 per cent; 1932 - 341.6 per cent.

Whereas the dates and the patterns of changes in the rates are not known, a comparison of trends in physical turnover suggests a continuous, rather than an abrupt, gain

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<sup>43</sup> Ibid.

<sup>44</sup> Sotsialisticheskoye Stroitel'stvo SSSR, 1936, pp. 416-417.

in the structure of railroad receipts. It is for this reason that the weights for the two sources of revenues in the intervening years were obtained by interpolating from 1927/28 and 1932 adjusted figures according to simple arithmetic regression. The ratios are presented in Table 4-5.

It is assumed that the railways in the Ukraine were likewise responsible for the overwhelming proportion of transportation revenues. Thus, receipts originating in the Ukraine were estimated by direct reference to statistics on freight and passenger traffic in the Ukraine and their comparison with similar data for the USSR. The Ukraine's share in railroad traffic in the Soviet Union for the years for which the information was available is shown in Table 4-4. For other years the ratios were developed in Table 4-5 by simple arithmetic interpolation from values presented in Table 4-4

B. Expenditures. It has been already stated that the classification of budgetary revenues and expenditures was changed in 1932 so as to exclude from the budget all operating receipts and expenditures of the transportation. Table II shows that operating expenditures of the railways

Table 4-4. Railroad traffic.

	1928/29 <sup>1</sup>	1932	1933	1934	1935
<u>Ukraine</u>					
Freight, billion tons/km	21.8 <sup>a</sup>	33.8 <sup>a</sup>	33.8 <sup>a</sup>	42.6 <sup>a</sup>	51.4 <sup>d</sup>
Passengers:					
1. millions of persons	74.6 <sup>b</sup>			197.2 <sup>a</sup>	20.0 <sup>d</sup>
2. billions of passengers/km	4.9 <sup>a</sup>			12.1 <sup>a</sup>	11.0 <sup>d</sup>
<u>USSR<sup>c</sup></u>					
Freight, billions tons/km	93.4 <sup>2</sup>	169.3	169.5	205.7	258.1
Passengers:					
1. millions of persons	291.1 <sup>2</sup>			942.5	919.1
2. billions of passengers/km	24.5 <sup>2</sup>			71.4	67.9
<u>Ukraine as percentage of the USSR</u>					
Freight, billion tons/km <sup>1</sup>	23.34 <sup>2</sup>	19.97	19.94	20.71	19.91
Passengers:					
1. millions of persons	25.63 <sup>2</sup>			20.92	21.76
2. billions of passengers/km	20.00 <sup>2</sup>			16.95	16.20

## SOURCES:

- (a) Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, p. 354.
- (b) Ibid., p. 294.
- (c) Sotsialisticheskoye Stroitel'stvo SSSR, 1936, pp. 416-417.
- (d) Naukove Tovarystvo im. Shevchenka, Entsyklopediya Ukrayinoznavstva, I, p. 1099.

## NOTES:

(1) The following ratios were computed for the Ukraine's share in total inbound and outbound freight traffic of the railways in the USSR, originally expressed in thousands of tons (per cent of the USSR):

	Inbound traffic	Outbound traffic
1929 <sup>a</sup>	27.0	32.7
1932 <sup>a</sup>	27.9	34.0
1933 <sup>b</sup>	28.6	33.7

- (a) Sotsialisticheskoye Stroitel'stvo SSSR, 1934, pp. 263-264.
- (b) Sotsialisticheskoye Stroitel'stvo SSSR, 1935, pp. 400-401.
- (2) 1928.

Table 4-5. The development of factors for allocating transportation revenues and expenditures to Ukrainian SSR (per cent).

A. <u>Revenues</u>		Freight		Passenger		Allocation Factors
		Ukraine's weight (in bil. of ton/ km) <sup>a</sup>	Importance of the source in total revenue <sup>b</sup>	Ukraine's weight (in bil. of passenger/km) <sup>c</sup>	Importance of the source in total revenue <sup>b</sup>	
1928/29		23.3	76.0	20.0	24.0	22.5
1929/30		22.2	70.5	19.4	29.5	21.4
1931		21.1	65.0	18.8	35.0	20.3
1932		20.0	60.0	18.2	40.0	19.3
B. <u>Operating Expenditures</u>		Wage Fund		Other Operating Expenditures		Allocation Factors
		Ukraine's share <sup>d</sup>	Importance in operating expenditures <sup>e</sup>	Ukraine's share in freight and passenger traffic <sup>f</sup>	Importance in operating expenditures <sup>g</sup>	
1928/29		17.2	72.37	22.5	27.63	18.7
1929/30		17.7	69.18	21.4	30.82	18.8
1931		18.2	65.12	20.3	34.88	18.9
1932		18.7	78.74	19.3	21.26	18.8

Table 4-5 Continued

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**SOURCES:**

(a) 1928/29 and 1932 from Table 4-4 1929/30 and 1931 interpolated from 1928/29 and 1932 figures.

(b) 1932, computed from statistics on freight and passenger revenues presented in The U.S.S.R. in Figures, 1935, p. 195, and adjusted to 100 per cent base. Ratios for other years were obtained by interpolation from 1927/28 and 1932 figures (ibid.).

(c) 1928/29 from Table 4-4. Ratios for other years were obtained by interpolations from 1928/29 and 1934 figures (ibid.).

(d) 1928/29 and 1932 from Table VII. 1929/30 and 1931 interpolated from 1928/29 and 1932.

(e) See note 47, to this chapter.

(f) Allocation Factor for Revenues.

(g) Residual.

amounted in 1932 to 2,899.3 million rubles. Similar figures for all transportation for the entire period were obtained by comparing transportation expenditures in Table II with such expenditures listed in the budget arranged according to the 1933 classification, i.e., net of operating expenditures.<sup>45</sup>

This analysis reveals that operating expenditures of transportation during the first five-year plan period were equal to 8,377.8 million rubles.<sup>46</sup>

It is important to note that the wage fund in the

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	Expenditures prior to exclusion of operating expenditures <sup>a</sup>	Expenditures net of operating expenditures <sup>b</sup>	Operating expenditures
1928/29	2,475.4	1,282.7	1,192.7
1929/30	3,148.6	1,694.6	1,454.0
4Q. 1930	1,066.5	620.5	446.0
1931	4,986.7	2,637.0	2,349.7
1932	6,589.6 <sup>c</sup>	3,654.2	2,935.4
1928/29-1932	18,266.8	9,889.0	8,377.8

(a) Table II; Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 646.

(b) Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 651; 1936, p. 645.

(c) Adjusted for 2,899.3 million rubles of operating expenditures of the railways system, which were excluded in Table II.

<sup>46</sup> See note 45, above. All figures adjusted for 2,899.3 million rubles operating expenditures of the railroad system, not included in 1932 budgets.



railways system accounted for 65.1 - 78.7 per cent of its operating expenditures.<sup>47</sup> Again, as in the case of the revenues, it was assumed that these ratios were representative of the entire system of transportation.

The allocation factors that were employed in estimating expenditures on transportation in the Ukraine are weighted averages of the Ukraine's share in the wage fund of transportation and of her importance in the freight and passenger traffic. The latter part was based on the assumption that operating expenditures other than labor were proportional to the traffic turnover. And it was assumed that the Ukraine's share in the freight and passenger traffic was the same as her importance in the transportation revenues. The allocation factors are

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<sup>47</sup> Operating expenditures of the railways were obtained by employing the same method used in note 45, above, to estimate operating expenditures of the entire transportation system. They were as follows (in millions of rubles); 1928/29 - 1,191.8; 1929/30 - 1,451.0; 4Q. 1930 - 445.3; 1931 - 2,349.7; 1932 - 2,899.3 (for sources see note 45).

Wage fund in transportation is taken from Table VII. Since Table VII indicates values for 1928, 1929, and 1930, the following averages were assumed: 1928 and 1929 for 1928/29; and 1929 and 1930 for 1929/30.

The ratios of wage fund to operating expenditures for individual years are as follows (per cent): 1928/29 - 72.37; 1929/30 - 69.18; 1931 - 65.12; 1932 - 78.74.

presented in Table 4-5.

The remaining 9,889 million rubles of expenditures in transportation (of the total of 18,266.8 million rubles) very closely approximate the capital investments in transportation during this period, i.e., 9.8 billion rubles.<sup>48</sup> Indeed, ". . . from 1927/28 onwards . . . the gross income of the railways considerably exceeded current expenditures on running costs and maintenance and was sufficient to cover investment on the railways and the various social and cultural services they maintained, in addition to their operating costs."<sup>49</sup> The role of the budget in financing capital investment in transportation was rather insignificant: 139.8 million rubles in 1928/29;<sup>50</sup> its financing of investments in transportation and posts amounted to 131.1 million rubles in 1928/29 and 21.7 million rubles in 1929/30.<sup>51</sup>

The following note also indicates that capital investments in transportation were financed mainly from internal

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<sup>48</sup>State Planning Commission of the C.P.C. of the Union of SSR, Summary of the Fulfillment of the First Five-Year Plan for the Development of the National Economy of the USSR (Moscow: State Planning Commission of the USSR, 1933), p. 270.

<sup>49</sup>R. W. Davies, op. cit., p. 239.

<sup>50</sup>Ibid., p. 135.

<sup>51</sup>Ibid., p. 83.



Table 4-6. Computation of receipts and expenditures of transportation in the Ukraine.  
(in millions of rubles)

	1928/29	1929/30	4Q. 1930	1931	1932	1928/29-1932
<u>USSR</u>						
A. Revenues						
1. Regular <sup>a</sup>	2,335.6	3,099.3	931.0	4,458.4	5,410.9 <sup>1</sup>	16,235.2
2. Special levy on <sup>b</sup> transportation					127.7	127.7
B. Operating Expenditures <sup>c</sup>	1,192.7	1,454.0	446.0	2,349.7	2,935.4	8,377.8
<u>Ukraine</u>						
A. Revenues						
1. Regular <sup>d</sup>	525.5	663.3	199.2	905.1	1,044.3	3,337.4
2. Special levy on <sup>d</sup> transportation					24.6	24.6
Total Revenue	525.5	663.3	199.2	905.1	1,068.9	3,362.0
B. Expenditures						
1. Operating expenditures <sup>d</sup>	223.0	273.4	83.9	444.1	551.9	1,576.3
Excess of revenues over operating expenditures	302.5	389.9	115.3	461.0	517.0	1,785.7
2. Total investments in transportation in Ukraine	153.9	326.1			571.8	1,424.7 <sup>e</sup>
Less: Investments assumed by Republican authorities <sup>2</sup>				372.9		242.2
Investments financed by all- Union authorities						
C. Net withdrawals from Ukraine						1,182.5
						603.2

Table 4-6 (Continued).

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SOURCES:

- (a) Table I.
- (b) Ibid., note 3.
- (c) See note 45, to this chapter.
- (d) USSR values multiplied by appropriate allocation factors from Table 4-5.
- (e) Table XI.

## NOTES:

(1) Adjusted for 2,899 of operating revenues not included in the budget.

(2) V. P. Akulenko, "Kapital'ne budivnytstvo Ukrayiny na 1931 rik," Hospodarstvo Ukrayiny, 11-12, 1930, p. 31; M. Vasylenko, "Pidsumky druhoyi sesiyi VUTsVK-u ta TsVK-u Soyuzu, " Bil'shovyk Ukrayiny, 24, 1929, p. 21. These sources indicate the amounts which were presumably financed by other than all-Union authorities in 1928/29 through 1931. The above figures yield the following rates: 17.0 per cent in 1930 and 16.6 per cent in 1931. Their figures suggest slightly higher ratios in 1928/29 and 1929/30. We have assumed here a ratio of 17 per cent.

sources.

In 1933 the Industrial Bank financed the People's Commissariats of Railway Transport and Water Transport in the second half-year only.<sup>52</sup>

In view of the above, other than operating expenditures were assumed to represent primarily capital investments. The Ukraine's share in them was obtained from Table XI.

C. Summary. Table 4-6 summarizes the results of operation of means of transportation in the Ukraine. Both receipts and expenditures were computed by applying to the USSR values the appropriate allocation factors from Table 4-5. Capital investments, from Table XI, were adjusted for the portion financed by other than the all-Union authorities. According to Table 4-6, about 18 per cent of the transportation's gross revenues that originated in Ukrainian SSR were diverted from the Ukraine into other areas of the Soviet Union.

#### Communication

According to Soviet terminology, this includes post,

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<sup>52</sup> The U.S.S.R. in Figures (Moscow: Soyuzorgoutchot, 1935), p. 323. Whereas in 1933 such financing did not exceed 1,058 million rubles, in 1934 it rose, according to this source, to 2,989 million rubles.



telegraph, telephone, and radio.<sup>53</sup> No doubt, all of these services had to be increased along with the general expansion of the economy and the growing demand for them by the population. Therefore, in the absence of more detailed information, it is probably fair to allocate revenues and expenditures of communication services (with the exception of capital investments) to the individual republics in relation to their weight in industrial output and the population. Thus, in Table 4-7, receipts and expenditures of communication services in the Ukraine were determined on the basis of an average of her contributions to the output of the large-scale industry and her share in the USSR population.

Table 4-7 reveals that communication revenues in the USSR exceeded all expenditures on account of these services in every year during the first five-year plan era. It follows that collections of fees for such services amply covered not only operating expenditures and all capital investments in communications system but actually produced a budgetary surplus

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<sup>53</sup>State Planning Commission of Council of People's Commissars of the USSR, Summary of the Fulfillment of the First Five-Year Plan for the Development of the National Economy of the USSR (Moscow: State Planning Commission of the USSR, 1933), p. 178.



Table 4-7. Allocations to Ukrainian SSR of receipts and expenditures of communication services (in millions of rubles).

	1928/29	1929/30 <sup>1</sup>	1931	1932	1928/29-1932
<b>A. <u>Allocation Factors</u></b>					
1. Ukraine's share in output of large-scale industry (per cent)	20.65	18.99 <sup>2</sup>	18.16	18.01	
2. Population: Ukraine/USSR (per cent)	19.61 <sup>3</sup>	19.58 <sup>4</sup>	19.49 <sup>5</sup>	19.25 <sup>6</sup>	
3. Allocation factors (1 + 2):2	20.13	19.29	18.83	18.63	
<b>B. <u>Revenues</u></b>					
4. USSR <sup>a</sup>	202.5	403.9	562.0	781.7	1,950.1
5. Ukraine (4x3)	40.8	77.9	105.8	145.6	370.1
<b>C. <u>Expenditures</u></b>					
I. USSR					
6. total <sup>a</sup>	193.8	372.7	531.0	690.3	1,787.8
7. Less: capital investments <sup>b</sup>	70.3 <sup>7</sup>	123.0 <sup>8</sup>	184.3	183.5	563.4
8. Operating Expenditures	123.5	249.7	346.7	504.5	1,224.4
II. Ukraine:					
9. Operating Expenditures	24.9	48.2	65.3	94.0	232.4
10. Capital investments <sup>c</sup>	8.6 <sup>7</sup>	20.0 <sup>8</sup>	30.0	30.0	88.6
11. Total expenditures	33.5	68.2	95.3	124.0	321.0
<b>D. <u>Retained by the all-Union budget</u></b>					
12. (5-11)	7.3	9.7	10.5	21.6	49.1



Table 4-7 (Continued)

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SOURCES:

- (a) Table I.
- (b) Sotsialisticheskoye Stroitel'stvo SSSR, 1934, pp. 300-301.
- (c) 1928/29-1931: V. P Akulenko, "Kapital'ne budivnytstvo Ukrayiny na 1931 rik," Hospodarstvo Ukrayiny, 11-12, 1930, p. 31; 1932 assumed to be the same as in 1931 so as to reflect the trend evident in the USSR.

NOTES:

- (1) Including 4Q. of 1930.
- (2) 1930.
- (3) January 1, 1929.
- (4) January 1, 1931.
- (5) January 1, 1932.
- (6) January 1, 1933.
- (7) 1929.
- (8) 1930.

of 8.3 per cent of gross revenues during the five-year plan. In the Ukraine on the other hand, the unified state budget retained 13.3 per cent of communications gross receipts. The difference in this budgetary surplus between the USSR and the Ukraine can be explained chiefly by disproportionately low capital investments in communication enterprises in the Ukraine -- 15.7 per cent of such investments in the USSR. It should be added that, while the analysis of this as well as of the remaining items on the revenue side of the budget (presented below) may not be entirely accurate, the seriousness of the error is deemed to be minimal in view of the relatively small amounts involved.

### Customs Revenues

An analysis of customs revenues in the USSR is hindered by several factors. First of all, there is the problem of statistics. Actual receipts of these revenues by the various ports of entry are of limited value to the researcher. In all probability, they do not properly reflect the origins of the customs receipts, i.e., according to the republics which have ultimately paid the duties. An adjustment of the official statistics would require the knowledge of the

following data: (1) destination of the imported goods (so as to determine the location of the payer of the duty, which may not necessarily coincide with the location of the port of entry), (2) exact composition of the imports passing through each custom office, and (3) schedule of tariffs.

The situation is further complicated by the government's monopoly of foreign trade. This monopoly has enabled the state to plan and manipulate its commercial relations with other countries not only for purposes of assisting in the fulfillment of its general economic plan, but also towards the ends of attaining political influences and economic domination over the weaker foreign countries.<sup>54</sup> With a direct control over the foreign trade, the government did not need to resort to tariffs in order to protect domestic industries. Thus, the role of tariffs was reduced to equalization of costs of imported and domestically made goods.<sup>55</sup>

Neither is it possible to recreate a complete picture

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<sup>54</sup>Harry Schwartz, Russia's Soviet Economy (second edition; New York: Prentice-Hall, Inc., 1954), pp. 574-578; A. Baykov, The Development of the Soviet Economic System (Cambridge: Cambridge University Press, 1950), pp. 71-77, 265-266.

<sup>55</sup>H. Schwartz, op. cit., p. 585.

of contributions to receipts from foreign trade of each republic by looking at the imports alone. Owing to a thorough control of foreign trade, the government could view imports and exports as one transaction without paying much attention to the profitability from trade of individual products. Further, there was nothing to prevent the state from continuing to export a product even at the risk of displeasing some segments of Soviet society and disregarding their legitimate interests. Thus, "Some goods were even exported at the expense of home consumption and without profit, indeed sometimes with a loss, as they provided foreign currency for the payment of the required imports."<sup>56</sup> For example, while rationing consumer goods on the domestic markets, the government continued to export grains in the early 1930's under conditions of unfavorable terms of trade despite the widespread famine in the Ukraine.<sup>57</sup>

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<sup>56</sup>A. Baykov., op. cit., p. 77.

<sup>57</sup>H. Schwartz, op. cit., pp. 589-590. Schwartz apparently refers to the so-called "artificial famine" of 1932-33 which was responsible for deaths of several million people in the Ukraine; according to the official information, the Ukraine failed to account in 1933 for at least 3 million persons. (See Vsevolod Holub, "Prychyny holodu 1932-33 roku," (Causes of the 1932-33 famine), Vpered, 10 (94), 1958, pp. 6-7). On this subject also see: O. Martovich, Ukrainian Liberation

Baykov estimated that raw materials, semi-manufactured, and manufactured goods accounted for 89.0 - 93.4 per cent of all imports in 1929-1932.<sup>58</sup> Manufactured goods alone were responsible for one half to three quarters of the total imports; they were mostly capital goods purchased for the industry. Thus, customs revenues were allocated to the Ukraine (Table 4-8) on the basis of an average of her importance in capital investments in the industry and in the retail trade turnover.

The Ukraine's contribution to Cultural and Housing levies, as well as to income taxes were obtained by applying

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Movement in Modern Times (Edinburgh), pp. 65-66; M. Mishchenko, "Hunger as a Method of Terror and Rule in the Soviet Union," Ukrainian Quarterly, 3, 1949, pp. 219-255; M. Mischenko, "My Testimony on the Genocide in Ukraine," Ukrainian Quarterly, 3, 1950, pp. 256-264.

<sup>58</sup>A. Baykov, op. cit., p. 275. In each year their share was as follows (in per cent of total imports):

	Raw materials and semi- manufactured goods	Manufactured goods	Raw materials, semi-manufactured, and manufactured goods
1929	43.6	46.6	90.2
1930	25.3	63.7	89.0
1931	19.2	74.2	93.4
1932	16.5	73.4	89.9

Table 4-8. Allocation of customs revenues, cultural and housing levies, income taxes, and other revenues 1928/29-1932 (in millions of rubles)

	Unified State Budget- USSR <sup>a</sup>	Unified State Budget- Ukraine	Less: State Budget of Ukrainian SSR	Retained by the central government
1. Customs Revenue	1,215.2	253.2 <sup>1</sup>	-	253.2
2. Cultural and Housing levies	1,201.6	427.8 <sup>2</sup>	216.6	211.2
3. Income Taxes	1,561.1	230.0 <sup>3</sup>	207.8	22.2
4. 1932 tax on individually owned farms	166.1	30.5 <sup>4</sup>	-	30.5
5. Other Revenues	1,030.0 <sup>5</sup>	206.0 <sup>6</sup>	82.0 <sup>7</sup>	124.0

SOURCES:  
(a) Table I.

NOTES:  
(1) Obtained in the following manner:

	(1)	(2)	(3)	(4)
Customs Revenue	Ukraine's share in	Ukraine's share in	Customs revenue	
USSR <sup>a</sup>	Retail trade turnover <sup>b</sup>	capital investments	in the Ukraine	
(mil. of rubles)	(per cent)	in industry <sup>c</sup> (per cent)		
1928/29	258.2	20.23		26.1
1929/30 <sup>e</sup>	393.9	20.08 <sup>f</sup>		39.6
1931	281.3	19.81		27.9
1932	281.8	19.37		27.3
1928/29-1932	1,215.2		21.77	132.3
				<u>253.2</u>

a/ Table I.  
b/ Table IV-B.  
c/ Table XI.



Table 4-8 (Continued)

d/ Computed as follows:

$$\frac{(1)x(2)}{2} \text{ and } \frac{(1)x(3)}{2}$$

e/ Including fourth quarter of 1930.  
f/ 1930.

(2) Assumed to be proportional to deductions into the state budget of the Ukraine:

	1931	1932	Total
Total collections in USSR (mil. of rubles)	260.0	941.6	1,201.6
Ukraine's weight in deductions into the republican budgets (per cent)	16.54	40.87	
Collections in the Ukraine (mil. of rubles)	43.0	384.8	427.8

(3) Total collections in the USSR multiplied by 14.73 per cent - ratio of 1928/29-1932 deductions into the state budget of Ukrainian SSR to deductions into the state budgets of all republics.

(4) In proportion to the Ukraine's contribution to agricultural tax - 18.32 per cent.

(5) Net of deductions into the state budgets of Union republics.

(6) Twenty per cent of the following unallocated items retained by the all-Union budget (mil. of rubles):

Agricultural tax	8.4
Other tax revenue	232.2
Income from state property	2.4
Other non-tax revenue	653.9
Monetary income	133.1
	<hr/>
	1,030.0

(7) Discrepancy between total of tax revenues in the state budget of Ukrainian SSR and summary of individual items  
Transfers from all-Union budget

29.9  
52.1

to such collections in the entire Soviet Union the percentages of their deductions into the state budget of Ukrainian SSR as compared with deductions into the state budgets of all union republics. Similarly, the Ukraine's share in receipts from the 1932 tax on individually owned farms (included in Table I under "other tax revenue") was assumed to be proportional to the proceeds from the agricultural tax in the Ukraine.

As indicated in notes 6 and 7 to Table 4-8, other revenues consisted of the previously unallocated miscellaneous minor items, and the discrepancy between the total revenues and the summary of the individual items listed in the state budget of Ukrainian SSR. Twenty per cent of these receipts, -- with the exception of the discrepancy and the subsidies from the all-Union budget, which are known -- are assumed to have originated in the Ukraine.

## CHAPTER V

CAPITAL FLOW ANALYSIS:  
UKRAINE vs. THE-REST-OF-THE-UNION:  
B. BUDGETARY EXPENDITURES

A distinct practical advantage of using a centralized budgetary system as practiced in the USSR is that it gives the government a leading role in both establishing economic goals and supervising the performance of economic institutions. The financial reform of 1930 went beyond simple sanctioning of the centralist aspirations of the Kremlin rulers. By strengthening the already dominant position of the all-Union budget, it furnished the central government with immense economic powers, thus, singling it out as the only level in the political organization of the USSR capable of imposing its undisputed influence upon the economic life of the constituent national republics.<sup>1</sup> This centralist rule was asserted chiefly by

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<sup>1</sup>The political meaning of this reform cannot be ignored. For it was in those years that Stalin renewed the fierce struggle of the Russian chauvinism against the non-Russians, waging it in every field of life. Eventually, Stalin won it along with the centralist Russian forces: the battle against non-Russian nationalities, and in particular against the Ukraine (the largest of them) culminated in the reversal by the XVIIth Congress of CPSU(b) -- January, 1934 -- of the Soviet nationalities policy adopted in 1923. The new policy towards nationalities declared openly that it was not the imperialist Russian chauvinism, but rather the "national deviations" of non-Russians which posed the chief threat to the Party and the Soviet State. For an illuminating discussion of the struggle of these forces

means of redistribution of financial resources according to the centrally prepared plan of economic development.

### 1 Expenditures on National Economy

The analysis presented in this section is limited to expenditures on industry, trade, supply and procurement organizations, and electrification. Expenditures on transportation and communication (as well as on state loans, which are shown separately in Table II and are not a part of expenditures on the economy within the meaning of Soviet budgetary classification) were discussed in Chapter IV in conjunction with revenues from these segments of the economy. Expenditures on agriculture are set forth in the next section.

Budgetary expenditures on the economy contain: (a) appropriations for capital investments (and working capital) in excess of own resources of an enterprise or an industry and (b) other expenditures, such as operating expenditures not included in product cost accounting, subsidies to unprofitable enterprises (the situation resulting mainly from the pricing

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within the Party in those years see Hryhory Kostyuk, Stalinist Rule in the Ukraine (New York: Frederick Preager, 1960).

policies of the government), creation of necessary material reserves for the state, and the like.<sup>2</sup> Amounts spent by the government on the economy are therefore subdivided into these two broad categories.

A. Capital Investments. Capital investments were usually financed from depreciation reserves, profits, and the budget.<sup>3</sup> Technically speaking, though, the banking system usually entered the picture as an intermediary. All investment resources, including budgetary allocations and depreciation reserves,<sup>4</sup> were concentrated in the appropriate banks for long term financing.<sup>5</sup> These banks were solely responsible for the administration and expenditure of such funds pursuant to the plan of capital construction. However, since participation of

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<sup>2</sup>N. N. Rovinskiy, Gosudarstvyennyi byudzheth SSSR (State budget of the USSR) (Gosfinizdat, 1944), p. 135; K. N. Plotnikov, Finansy i kredit v SSSR (Finances and credit in the USSR) (Moscow: Vysshaya Partiynaya Shkola pri TsK KPSS, 1956), pp. 78-79; R. W. Davies, The Development of the Soviet Budgetary System (Cambridge: Cambridge University Press, 1958), pp. 159-160.

<sup>3</sup>K. N. Plotnikov, op. cit., pp. 80-81; R. W. Davies, op. cit., p. 209; N. N. Rovinskiy, op. cit., p. 75.

<sup>4</sup>R. W. Davies, op. cit., pp. 162, 234; K. N. Plotnikov, op. cit., p. 81; N. N. Rovinskiy, op. cit., p. 123; N. Kaplan, Capital Investments in the Soviet Union, 1924-51 (Rand Publication, 1951), p. 26.

<sup>5</sup>R. W. Davies, op. cit., p. 209.

the banking system in capital investments was limited to providing technical services and did not result in any measurable addition to financial resources, the role of the banks is thus excluded from the discussion.

Regretfully, Soviet statistics on depreciation reserves is all too scanty to portray a satisfactory picture of the size and importance of depreciation in each year. Even Ryabov fails to fill this gap in his extensive study of capital formation in the Soviet Union; he dispenses the subject with a brief reference to the total depreciation fund over the entire period -- 6.3 billion rubles.<sup>6</sup>

Yet, notes on depreciation charges contained in a number of references suggest that depreciation rates were reasonably stable during most of the first five-year plan era.<sup>7</sup> Under the circumstances, it may not be inappropriate

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<sup>6</sup>N. Ryabov, Sotsialisticheskoye nakopleniye i yego istochniki v pyervoy i vtoroy pyatiletkakh (Socialist accumulation and its sources in the first and second five-year plans) (Gosudarstvennoye Izdatel'stvo Politicheskoy Literatury, 1951), p. 123.

<sup>7</sup>According to G. Ya. Burshtein ("Osnovnye kapitaly Ukrainской promyshlennosti v 1925/26, 1926/27 i 1927/28 godakh" (Fixed capital of Ukrainian industry in 1925 /26, 1926/27 and 1927/28), Hospodarstvo Ukrayiny, 7-8, 1929, p. 109), depreciation was actually charged at the rate of 4.5 per cent of fixed capital in 1926/27 and 4.4 per cent in 1927/28. Sotsialisticheskoye Stroitel'stvo SSSR, 1935, pp. 20, 22, claims the following rates: 1931 and 1932 - 5.5 per cent, 1933 and 1934 - 5.4 per cent.

to assume that each year's depreciation charges were proportional to its stock of fixed funds. Thus, annual values for depreciation allowances in Table 5-1 were computed by apportioning 6.3 billion rubles, the total depreciation fund, to each fiscal period in proportion of the ratio of its average stock of fixed funds to the summary of average values of fixed funds for 1928/29-1932. However crude this method may be, it is encouraging to note that at least the 1932 computed value checks out with the figure actually reported for that year.<sup>8</sup>

Profits constituted the second part of internal resources of economic enterprises. They were adjusted for profit taxes to show only retained profits. In addition, since economic enterprises were obliged to participate in the purchases of government bonds, not all retained earnings were available for investments. Accordingly, retained profits were further reduced to reflect this condition.

Finally, capital investments themselves had to be adjusted in order to avoid double counting (investments in agriculture, transportation, and communication) and to recognize

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<sup>8</sup>K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinidzdat, 1954), p. 171.





Table 5-1. Depreciation allowances in the USSR and in the Ukraine (in millions of rubles).

Fixed Funds--USSR			Depreciation			
Average annual stock <sup>a</sup>	Per cent of total		USSR		UKRAINE	
(1)	(2)		Total <sup>b</sup>	All-Union and Republican enterprises <sup>c</sup>	Total <sup>d</sup>	All-Union and Republican enterprises <sup>e</sup>
			(3)	(4)	(5)	(6)
1928/29	10,826	17.3	1,090	817	267	200
1929/30	12,794	20.5	1,290	980	316	240
4thQ. 1930	3,199	5.1	320	243	79	60
1931	15,787	25.2	1,590	983	380	235
1932	19,996	31.9	2,010	1,401	468	326
	62,602	100.0	6,300 <sup>f</sup>	4,424	1,510	1,061

SOURCES:

(a) Computed from information published in Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 3. Covers large-scale industry only.

(b) 6.3 billion rubles times column (2).

(c) Column (3) times relative weight of all-Union and republican enterprises in total profits (from Table 3-7).

(d) Column (3) times Ukraine's share of fixed funds (Table 3-7, line 4).

(e) Column (5) times relative weight of all-Union and republican enterprises in total profits (Table 3-7).

(f) N. Ryabov, Sotsialisticheskoye nakopleniye i yego istochniki v pervoy i vtoroy pyatiletakh, p. 123.

those investments which were financed from other than unified state budget (municipal economy and a part of housing construction). The computations for both the Ukraine and the USSR appear in Table 5-2.

B. Other Expenditures. For the USSR as a whole these expenditures were obtained by deducting appropriations for capital investments from the total expenditures of the unified state budget on the economy.

To the Ukraine they were allocated on the basis of her contributions to industrial output of the USSR for the following reasons. First of all, in part, these expenditures included increases in working capital which, all things being equal, can probably be expected to move in the same direction as output. Second, it is assumed that expenditures on such items as employee training, geological surveys, and research should in the long run benefit the republic; although it is recognized that under conditions of tight central controls over the economy, prevailing in the Soviet Union, the Ukraine was probably prevented from reaping full benefits of such projects. Third, in spite of the fact that an undetermined portion of these expenditures (especially those for labor and

Table 5-2. Computation of appropriations for capital investments from all-Union and republican budgets during the first five-year plan (excluding agriculture, transportation, and communication) (in millions of rubles).

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	Ukraine	USSR
A. 1. Total investments in socialized sector	9,389.0 <sup>a</sup>	52,500.0 <sup>b</sup>
Less: investments in:		
2. Agriculture	1,402.3 <sup>a</sup>	10,800.0 <sup>b</sup>
3. Transportation	1,424.7 <sup>a</sup>	9,800.0 <sup>b</sup>
4. Communication	88.6 <sup>c</sup> <sub>d</sub>	563.0 <sup>c</sup>
5. Municipal economy	313.0	1,929.0 <sup>e</sup>
6. Housing	293.8 <sup>f</sup>	853.0 <sup>g</sup>
	<u>3,522.4</u>	<u>23,945.0</u>
7. Applicable investments	5,866.6	28,555.0
B. <u>Internal Financing by the Industry</u>		
8. Profits of all-Union and republican enterprises <sup>h</sup>	3,288.0	13,720.0
9. Less: Profit taxes <sup>i</sup>	1,089.3	4,547.9
10. Purchases of government bonds by all-Union and republican enterprises <sup>j</sup>	<u>528.7</u>	<u>2,218.4</u>
	1,618.0	6,766.3
11. Retained profits available for investment	1,670.0	6,953.7
12. Depreciation reserves <sup>k</sup>	<u>1,061.0</u>	<u>4,424.0</u>
13. Total Internal Sources	2,731.0	11,377.7
C. <u>Budget Financing of Capital Investments</u> (7-13)	<u>3,135.6</u>	<u>17,177.3</u>

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Table 5-2 (Continued).

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SOURCES:

(a) Table XI.

(b) Gosudarstvyennaya Planovaya Komissiya pri Sovyete Narodnykh Komissarov Soyuza SSR, Itoqi vypolnyeniya pyervogo pyatiletnyego plana razvitiya narodnogo khozyaystva Soyuz SSR, p. 253.

(c) Table 4-7.

(d) Kanars'kyi, "Zhytlo-komunal'ne hospodarstvo do XV rokovyn zhovtnya," Hospodarstvo Ukrayiny, 12, 1932, p. 111; S. Kanars'kyi, "Zhytlove ta komunal'ne hospodarstvo v 1933 r.," Hospodarstvo Ukrayiny, 3-4, 1933, p. 112.

(e) Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 596.

(f) All housing construction in Ukrainian SSR from 1929-1932 amounted to 734.5 million rubles (S. Kanars'kyi, "Zhytlo-komunal'ne hospodarstvo do XV rokovyn zhovtnya," Hospodarstvo Ukrayiny, 12, 1932, p. 120). According to V. P. Akulenko, (his article, "Kapital'ne budivnytstvo Ukrayiny na 1931 rik," Hospodarstvo Ukrayiny, 11-12, 1930, p. 31) 46.6 per cent of these investments in 1929 and 39.5 per cent in 1930 were actually financed by housing cooperatives. The 1931 plan of housing construction in the Ukraine considered that 29 per cent of them would be financed by housing cooperatives; total financing by institutions subject to republican authorities in 1932 were planned at 66.2 per cent (Akulenko, ibid.). The latter ratio seems somewhat high. It is assumed, therefore, that the ratio of housing construction by cooperatives in 1930 is a more reasonable representation of the minimum share financed by other than all-Union authorities. Consequently, the amount shown in this Table is equal to 40 per cent of total housing construction in the Ukraine during the first five-year plan.

(g) N. Kaplan, Capital Investments in the Soviet Union, 1924-51, p. 182. This amount represents investments by Executive Committees of local soviets and housing cooperatives only.

(h) Table 3-7.

(i) Table 3-5.

(j) Purchases of enterprises (from Table 4-1) times relative weight of all-Union and republican enterprises in total profits (from Table 3-6).

(k) Table 5-1.

its supervision) may be more properly related to the wage fund, the difference between these two indexes is too small to justify such a ramification: the Ukraine's contribution to the USSR industrial output was 18.66 per cent, her weight in the wage fund -- 18.54 per cent.

Total expenditures on the Ukraine's economy from the all-Union budget are shown in Table 5-3. A comparison of this table with Table XI, indicates that economic policies of the central government in the Ukraine were guided entirely by the all-Union requirements and, as such, frequently ran against the interests of the Ukrainian nation. For example, while investments in Ukrainian industry were equal to 21.8 per cent of the total industrial investments in the USSR, the central government financed only 3,136 million rubles of the indicated investments. This was equal to 18.3 per cent of comparable capital investments financed by the central government in the USSR. (Although this comparison is not entirely accurate, it is meaningful, inasmuch as "applicable investments" in Table 5-2 represent mostly investments in the industry.)

Expenditures on Agriculture, Social and  
Cultural Services, and Defense and  
Administration

Soviet agriculture has undoubtedly played an important part in capital accumulations, especially after its

Table 5-3. Financing of the Ukraine's economy from the all-Union budget.

	Total Expenditures	Financing of capital investments	Other Expenditures
<u>USSR</u>			
Unified State Budget	31,102.4 <sup>1</sup>	17,177.3 <sup>2</sup>	13,925.1 <sup>3</sup>
<u>Ukraine</u>			
Unified State Budget	5,734.0	3,135.6 <sup>2</sup>	2,598.4 <sup>4</sup>
Less: Appropriations from the state budget of U- krainian SSR	<u>191.5<sup>5</sup></u>		
Expenditures by the all-Union budget	5,542.5		

NOTES:

(1) Includes the following items listed in Table II:

(millions of rubles)

Industry, excluding food industry	23,018.7
Food industry, trade, and procurement organizations	6,059.9
Electrification	1,759.3
Municipal economy and housing	264.5

(2) From Table 5-2.

(3) Residual.

(4) Allocated to the Ukraine at 18.66 per cent - her contributions to industrial output of the USSR (large-scale industry) as presented in Table III.

(5) Table II.

collectivization. This is fairly obvious from the analysis of the turnover tax collections in Chapter III. Nevertheless, Soviet economists are quite reluctant to admit it openly and to discuss objectively the problems of agriculture.<sup>9</sup>

Budgetary expenditures on agriculture from the unified state budget included primarily financing of state farms and Machine Tractor Stations (MTS). They are divided, again, into appropriations for capital investments and other expenditures.

From 1929 to 1932 capital investments in state farms in the USSR totaled 5,204.6 million rubles.<sup>10</sup> In the Ukraine, from 1930-1932 they were equal to 491.3 million rubles,<sup>11</sup> or 9.94 per cent of the USSR total for a comparable period.

From 1929-1932 investments in MTS in the USSR amounted to 1,117 million rubles. It is not known how much of this was invested in the Ukraine. However, since the idea of the MTS spread into other parts of the USSR from the Ukraine,

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<sup>9</sup> Bachurin is about the only one who hinted it indirectly by having stated that agriculture participated, inter alia, in "expenditures on the development of national economy" and defense facilities through the procurement price system, and specifically its contributions to the turnover tax collections. (Pribyl' i nalog s oborota v SSSR (Profit and turnover tax in the USSR) (Moscow: Gosfinizdat, 1955), pp. 24, 43).

<sup>10</sup> Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 244.

<sup>11</sup> Table XI.

where they were first organized on an experimental basis,<sup>12</sup> it is assumed that the Ukraine's share in investments in MTS was higher than in investments in state farms. Consequently, the Ukraine's participation in investments in the state sector of agriculture is computed in Table 5-4 as follows: 10 per cent of the USSR investments in state farms, and 15 per cent of investments in MTS.

The remaining expenditures on agriculture in the Ukraine were assumed to be proportional to her contributions to the output of grains. The extent to which Ukrainian agriculture was financed by the central government was determined by deducting expenditures on agriculture met by the republican budget from total expenditures on socialized agriculture in the Ukraine.

Expenditures for defense and administration incurred by the all-Union budget are attributed to the Ukraine in proportion to her share in the population and in fixed funds of the USSR (Table 5-5). This is based on the assumption that the chief purpose of these activities is the protection of life,

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<sup>12</sup>V. Obolensky-Ossinsky et al., Social Economic Planning in the Union of the Socialist Republics (The Hague: The International Industrial Relations Association, 1931), p. 119; N. Olezhko, Ahrarna polityka bol'shevykiv (Agricultural policy of bolsheviks) (Nasha Knyhozbirnya, 1947), p. 61.



Table 5-4. Computation of financing of Ukraine's agriculture by the all-Union authorities 1928/29-1932 (in millions of rubles).

	Total Expenditures	Capital Investments	Other Expenditures
<u>USSR</u>			
Unified State Budget	8,646.0 <sup>a</sup>	6,321.6 <sup>b</sup>	2,324.4 <sup>c</sup>
<u>Ukraine</u>			
Unified State Budget	1,215.8	688.0 <sup>d</sup>	527.8 <sup>e</sup>
State Budget of Ukrainian SSR	<u>305.2<sup>a</sup></u>		
All-Union Budget	910.6		

**SOURCES:**

(a) Table II.

(b) Includes 1929-1932 investments in state farms-- 5,204.6 million rubles (Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 244) and in MTS - 1,117 million rubles (Sotsialisticheskoye Stroitel'stvo SSSR, 1936, pp. 464-465); Sotsialisticheskoye Stroitel'stvo SSSR, 1934, pp. 300-301), Also see note e, below.

(c) Residual.

(d) Per Table XI investments in state farms in the Ukraine from 1930-1932 were equal to 491.3 million rubles. Comparable investments in the USSR were 4,944.4 million rubles (Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 244). Therefore, the Ukraine shared in them to the extent of 9.94 per cent. Accordingly, capital investments in state farms in the Ukraine are assumed to be 10 per cent of such investments in the USSR. Since MTS were first organized in the Ukraine on an experimental basis, it is assumed that the Ukraine's share in investments in MTS was higher than in the investments in state farms-- 15 per cent.

Table 5-4 (Continued).

(e) Allocated to the Ukraine in proportion to her contribution to output of grains in the USSR (in millions of rubles):

	USSR			Ukraine	
	Total Expendi- tures <sup>1</sup>	Capital Invest- ments in MTS and State Farms <sup>2</sup>	Other Expendi- tures	Ukraine's Contribu- tion to grain output <sup>3</sup> (per cent)	Other Expendi- tures in Ukraine <sup>4</sup>
1928/29	547.8	270.2	277.6	18.94	52.5
1929/30					
incl. 4th quarter	1,681.1	1,282.1	399.0	26.8	106.9
1931	2,693.6	2,252.8	440.8	26.34	116.1
1932	3,723.5	2,526.5	1,207.0	20.90	252.3
Total	8,646.0	6,321.6	2,324.4		527.8

1. Table I.

2. For sources see note b, to this table.

3. Table V.

4. Other expenditures (USSR) multiplied by the Ukraine's contribution to grain output.

Table 5-5. Allocation of defense and administration, social and cultural services, and other expenditures 1928/29-1932 (in millions of rubles).

	Unified State Budget in the USSR	Unified State Budget in the Ukraine	Less State Budget of Ukrainian SSR	Expendi- tures from the all- Union Budget in the Ukraine
1. Defense and Administration	6,839.0 <sup>a</sup>	1,463.9 <sup>c</sup>	137.3 <sup>a</sup>	1,326.6 <sup>b</sup>
2. Social and Cultural Services	4,568.9	888.0 <sup>d</sup>	614.4 <sup>a</sup>	273.6
3. Other Expenditures	2,102.0	403.1 <sup>e</sup>	222.6 <sup>f</sup>	180.5

SOURCES:

(a) Table II.

(b) Computed by applying to expenditures from the all-Union budget each year's average of the Ukraine's share in population (Table X; notes 3-6 to Table 4-7) and in fixed funds (Table 3-7, line 4).

(c) The sum of expenditures from the all-Union and republican budgets.

(d) Assumed to be proportional to the Ukraine's population in the USSR.

(e) Obtained in the following manner (in millions of rubles):

USSR

Other expenditures on national economy	273.6
Transfers to social insurance, state insurance, and State Bank	383.0
Special state reserve fund	50.0
Other expenditures	<u>1,395.4</u>
	2,102.0
Less: Expenditures from the state budgets	<u>358.6</u>
Expenditures from the all-Union budget	1,743.4

Table 5-5. (Continued).

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<u>Ukraine</u>	
Expenditures from the all-Union budget (20 per cent of 1,743.4)	348.7
Expenditures from the state budget of the Ukraine: special state reserve fund - 13.2, other expenditures - 41.2 million rubles	<u>54.4</u>
Unified State Budget in the Ukraine	403.1
(f) Includes the following items (in millions of rubles):	
Discrepancy between total and itemized list of expenditures on national economy from the state budget of Ukrainian SSR	103.4
Social insurance of workers and salaried employees	29.0
Transfers to all-Union budget	35.8
Special state reserve fund, and other expenditures (see note e, above)	54.4
	<u>222.6</u>

property, and productive capacity of the country.

In view of the relatively small amounts involved, and, the apparent lack of more accurate evidence, the Ukraine's participation in expenditures on social and cultural services were computed in proportion to her share in the population. Finally, as in the case of revenues, it is assumed that 20 per cent of all other items were spent in the Ukraine, i.e., except for such known items as discrepancy between the summary of expenditures on national economy and their total listed in the republican budget, social insurance, and transfers to the all-Union budget.

## CHAPTER VI

## SUMMARY OF BUDGETARY RELATIONS IN UKRAINE

In Chapters III-V the attention was focused on the individual components of revenues and expenditures of the all-Union and republican budgets. Now, with statistical evidence presented and inter-budgetary relations concerning each of these items computed, it becomes possible to strike a balance between revenues and expenditures of the central government in Ukraine. The outcome, of course, should indicate whether Ukraine, at least in the period under consideration, was capital importing or exporting nation.

Such a summary of budgetary receipts and expenditures in the Ukraine is presented in Table 6-1. This table also illustrates relations between the all-Union and the republican budgets. It reveals that from 1928/29-1932 almost 5 billion rubles were withdrawn from the Ukraine by Kremlin without compensation and invested outside of her borders.

The impact of this sizeable diversion of capital from the Ukraine upon her economy can be illustrated without much effort. It is equal to 29.6 per cent of the receipts of the all-Union budget in the Ukraine. If compared with the

Table 6-1. Summary of budgetary relations in Ukraine during the first five-year period, 1928/29-1932 (in millions of rubles).

	Unified State Budget in Ukraine	State Budget of Ukrainian SSR	All-Union budget in Ukraine
<b>Revenues:</b>			
1. Turnover tax	10,701.8	743.8	9,958.0
2. Profit taxes	1,089.3	478.5	610.8
3. State loans	2,020.9	219.4	1,801.5
4. Transport	3,362.0	--	3,362.0
5. Communication	370.1	--	370.1
6. Customs revenues	253.2	--	253.2
7. Cultural and housing levies	427.8	216.6	211.2
8. Income taxes	230.0	207.8	22.2
9. 1932 tax on individually owned farms	30.5	--	30.5
10. Other revenues	206.0	82.0	124.0
11. Agricultural tax	441.5	441.5	--
12. Income from state property	<u>105.1</u>	<u>105.1</u>	<u>--</u>
13. Total Revenues	19,238.2	2,494.7	16,743.5
<b>Expenditures:</b>			
14. National economy, ex- cluding agriculture, transport and communication	5,734.0	191.5	5,542.5
15. Agriculture	1,215.8	305.2	910.6
16. Transport	3,001.0	242.2	2,758.8
17. Communication	321.0	--	321.0
18. State loans	474.2	--	474.2
19. Defense and Administration	1,463.9	137.3	1,326.6
20. Social and Cultural services	888.0	614.4	273.6
21. Other expenditures	<u>403.1</u>	<u>222.6</u>	<u>180.5</u>
22. Total Expenditures	13,501.0	1,713.2	11,787.8
23. Excess of Revenues over Expenditures	<u>5,737.2</u>	<u>781.5</u>	<u>4,955.7</u>

territorial budget,<sup>1</sup> this net capital outflow from the Ukraine reached 23.1 per cent of all budgetary receipts in the Ukraine.<sup>2</sup> Volobuyev, working on a similar problem for 1925/26 and 1926/27, concluded that withholding by the central government of 20 per cent of all the budgetary receipts in the Ukraine, which he claimed was the case in those years, was far too excessive a price for the Ukraine to pay for her membership in the Soviet Union.<sup>3</sup> Ritchyts'kyi, on the other hand, asserted that Volobuyev apparently did not account for the Ukraine's share

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<sup>1</sup>The term "territorial budget" was often referred to in the 1920's. It included local, republican, and the all-Union budgets on the territory of a republic.

<sup>2</sup>In order to obtain the territorial budget in the Ukraine, it is necessary to add local budgets (net of transfers from the state budget) to the unified state budget:

Unified state budget	19,238.2 million rubles <sup>a</sup>
Local budget - net	2,225.9 million rubles <sup>b</sup>
Territorial budget in Ukraine	<u>21,464.1</u>

a). Table 6-1.

b). Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 669. The rate of net capital outflow from the Ukraine is 23.1 per cent of her territorial budget (4,955.7 : 21,464.1).

<sup>3</sup>Mykh. Volobuyev, "Do problemy ukrayins'koyi ekonomiky" (On the problem of Ukraine's economic status), Bil'shovyk Ukrayiny, 3, 1928, pp. 59-60. His analysis was based on statistical evidence developed and presented by V. Dobrogayev in an article "Problema finansovogo balansu Ukrainy" (The problem of Ukraine's financial balance), Khozyaystvo Ukrainy, 2, 1927.



in defense and administration expenditures of the central government. Therefore, he contended that net withdrawals from the Ukraine in 1925/26 and 1926/27 were in the vicinity of 8-14 per cent of her territorial budget.<sup>4</sup> The essence of his attack on Volobuyev lay in the criticism of Volobuyev's comparison of "colonial exploitation" of the Ukraine by Tsarist Russia and the Soviet Union. In his opinion, Volobuyev understated the extent of colonial position of the Ukraine under the Tsars and exaggerated it in the USSR. Yet, it is most revealing that Ritschyts'kyi did not deny the very fact of "colonial exploitation" of the Ukraine by Russia<sup>5</sup> which, incidentally, was the crucial issue and the leading theme in Volobuyev's article.<sup>6</sup>

It is suggested that the above computed 23.1 per cent ratio of capital outflow from the Ukraine in 1928/29-1932

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<sup>4</sup>And. Ritschyts'kyi, "Do problemy likvidatsiyi perezhytiv koloniyal'nosty ta natsionalizmu" (On the problem of liquidation of vestiges of colonialism and nationalism), Bil'shovyk Ukrayiny, 3, 1928, p. 80.

<sup>5</sup>Bohdan Vynar, Ekonomichnyi koloniyalizm v Ukrayini (Economic colonialism in Ukraine) (Paris: Natsionalistychne Vydavnytstvo v Europi, 1958), p. 90.

<sup>6</sup>Mykhaylo Volobuyev, "Do problemy ukrayins'koyi ekonomiky" (On the problem of Ukraine's economic status), Bil'shovyk Ukrayiny, 2, 1928, pp. 46-72; 3, 1928, pp. 42-63.

is not unrealistic. Indeed, the rate of capital withdrawals from the Ukraine by the central government through the budgetary system must have increased towards the end of the first five-year plan period, as compared with the middle 1920's. The following findings are offered in support of this statement:

1. The financial reform of 1930 provided for concentration in the all-Union budget of all the important revenue producing taxes and levies, thereby strengthening the central government's position in relation to republican and local authorities. Thus, for example, while during the first two years of the plan (1928/29 and 1929/30) the Ukraine received 416.1 million rubles or 20 per cent of the receipts from taxes equivalent to turnover tax (2,083.4 million rubles) on her territory, in the period following the financial reform (October 1, 1929 - December 31, 1932) the Ukraine was returned only 327.7 out of 8,618.6 million rubles, or 3.8 per cent of her contributions to the turnover tax collections.

2. Undoubtedly the impact of the pressure on the peasantry from forced delivery of farm produce to the state was relatively stronger in the Ukraine than in the rest of the USSR. The Ukraine, with less than 20 per cent of the Soviet Union's population, and 24 per cent of the grain output of the USSR,

delivered during the first five-year plan period 31 per cent of all grain procurements by the state. As pointed out earlier, profits on obligatory grain deliveries to the state were the major source of turnover tax receipts in the village.

3. Taxation of profits at the rates which diverted the bulk of profits into the budget--coupled with tight financial controls over business enterprises by the banking system--made capital investments from retained profits and depreciation almost entirely dependent upon the central government's plan of economic development. With strong emphasis on construction of new industrial centers in the Asiatic part of the USSR (from 1930 on), the Ukraine was called upon to supply as much of the required financial resources as possible. The trend and the pattern of capital investments in the Ukraine confirm this without reservations.

There is no doubt that Ukrainian capital expropriated by Russia played a prominent part in the Soviet economic development. It constituted 9.4 per cent of all capital investments in the socialized sector of the USSR (52.5 billion rubles), and 11.5 per cent of such investments in the USSR exclusive of the Ukraine (43.1 billion rubles). Comparably, in this manner the Ukraine provided funds for 25.5 per cent

of all capital investments in the industry in the USSR excluding the Ukraine (19.4 billion rubles).

The loss of one third of all capital formed in the Ukraine undoubtedly hindered the development of the Ukraine's own economy. This loss was equal to 52.8 per cent of all capital investments in the Ukraine, or 91.7 per cent of capital investments in her industry. It exceeded all capital investments in Ukrainian agriculture as well as those in transportation by three and one-half times.

## CHAPTER VII

## CAPITAL FORMATION IN THE UKRAINE

That part of capital accumulation in the Ukraine which was diverted into other parts of the USSR by the budgetary system was analyzed in Chapters III-V and summarized in Chapter VI. To obtain a complete picture of the Ukraine's total capital formation during the first five-year plan it is necessary to add all the capital investments made in the Ukraine. Thus, total capital accumulation in the Ukraine during the period examined amounted to 14,345 million rubles (4,955.7 + 9,389.0 million rubles).<sup>1</sup>

However, this is only a rough measure of capital creation in the Ukraine. The inaccuracy in this approach results, of course, from the fact that 4,955.7 million rubles represent capital that was withdrawn from the Ukraine only through the budgetary system. A number of other "leakages" is left unaccounted for: movement of surpluses of social and state insurance agencies; geographic redistribution of surplus resources by the banking system (in the sense of excess of

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<sup>1</sup>Tables 6-1 and XI.

resources over their expenditures pursuant to plans of regional economic development); and, finally, transfers of funds through professional and trade organizations. Needless to say, difficulties in securing necessary information prevent their full investigation and inclusion in the computations. Nevertheless, on the strength of the existing evidence, it is believed that net capital movements through these other channels were not significant in comparison with the total capital formation and, therefore, their omission is unlikely to seriously affect the computation. To the extent that some capital might have left the Ukraine through these other channels, both capital exports and capital formation presented above may be understated.

The more important sources of capital formation in the Ukraine are listed in Table 7-1. It is recognized that the first item, net capital outflow, is more properly thought of as an application, rather than source, of capital. Nevertheless, its current use is dictated by the complex nature of the budgetary relations between the Ukraine and the rest of the USSR. Thus, net capital outflow is used here as a composite source comprising several ultimate sources that may be grouped into (a) forced savings of population and (b) transfers

Table 7-1. Sources of capital formation in the Ukraine,  
1928/29-1932 (in millions of rubles).

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1. Net capital outflow		4,955.7 <sup>a</sup>
2. Profits	4,693.0 <sup>b</sup>	
less: profit taxes paid into the all-		
Union budget	610.8 <sup>c</sup>	
purchases of government bonds	<u>226.9<sup>d</sup></u>	3,855.3 <sup>e</sup>
3. Depreciation fund		1,510.0 <sup>f</sup>
4. Transportation (capital investments)		1,424.7 <sup>g</sup>
5. Communication (capital investments)		88.6 <sup>f</sup>
6. Agriculture (capital investments)		<u>1,402.3<sup>f</sup></u>
		13,236.6

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SOURCES:

(a) Table 6-1.

(b) Table 3-7.

(c) Table 3-5.

(d) Since government bonds were purchased by enterprises in proportion to their profits, participation of enterprises of all-Union subordination in these purchases is assumed to be in proportion to their contributions of profit tax collections from the all-Union and Republican enterprises: 56.1 per cent (computed from data presented in Table 3-5) of 528.7 million rubles (Table 5-2), or 296.6 million rubles. It is further assumed that expenditures connected with the above purchases relate to such total expenditures as these purchases relate to total sales of government bonds in the Ukraine, or 14.7 per cent of such expenditures in the Ukraine (296.6: 2,020.9; Table 4-1). Consequently, 69.7 million rubles were deducted from 296.6 million rubles (above).

(e) Table 5-1.

(f) Table XI.

(g) Table 4-7.

of internal accumulations of economic enterprises on behalf of the central government. Even a cursory investigation of Table 6-1 reveals that the first category, the turnover tax, is the more significant one. It includes indirect taxation of consumers and commodity taxation of agricultural producers. The importance of the second group is reduced largely by simultaneous parallel expenditures from the budget on various segments of the economy (transport, communications, industry, agriculture).

The remaining items constitute mainly internal accumulations of economic organizations over and above those included in the budgetary analysis. Thus, inasmuch as capital investments in transportation and communications system have been financed mainly from their own revenues, they are included in Table 7-1 without modifications. Profits, on the other hand, had to be adjusted for profit taxes and net purchases of government bonds by the all-Union enterprises (included in the evaluation of net capital exports).

Agriculture presents an especially interesting case. It was pointed out earlier that a large part of the turnover tax collections was derived from agriculture in the course of state procurements of agricultural commodities. This, of



course, was facilitated by the pricing policies of agricultural products. It will be recalled that this technique helped to divert from agriculture both profits and incomes; and it resulted in a serious underpayment for productive efforts of the rural population. It is apparent from a comparison of Tables 3-3 and XI that funds provided by agriculture through the commodity taxation greatly exceeded all investments in agriculture in that period. This was particularly true of the Ukraine, owing to the fact that Ukrainian SSR provided the Soviet Union with almost one third of Soviet agriculture's marketable output of grains.<sup>2</sup>

To obtain a complete picture of agriculture's role in capital formation, it is necessary to add capital investments in agriculture. A quick review of Table 5-4 and its comparison with Table XI reveals that substantial amounts were invested in other than state farms and MTS, presumably collective farms. Investments in collective farms were financed almost exclusively from the collective farms' own resources plus loans from the Agricultural Bank.<sup>3</sup> And, since these loans were repayable,

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<sup>2</sup>Table VI.

<sup>3</sup>N. Kaplan, Capital Investments in the Soviet Union, 1924-51 (Rand Publications, 1951), pp. 22-23.

one is justified to assume that collective farms financed all of their capital investments from their own sources.

A summary of items enumerated in Table 7-1 falls short of estimated total capital formation in the Ukraine by approximately 1.1 billion rubles. This difference was provided by a number of quantitatively less important sources, such as savings by the population, co-operatives, and social and state insurance agencies.

It appears that most of the savings of the individuals (i.e., excluding investment in home ownership), were reflected in purchases of government bonds by the savings bank.<sup>4</sup> Similarly, a good portion of the accumulations by co-operatives were already included in resources of industry and agriculture.<sup>5</sup>

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<sup>4</sup>While savings deposit balances of the population (natural persons) increased in the USSR from 213.2 to 960.7 or by 747.5 million rubles from October 1, 1928, to December 31, 1932, (Sotsialisticheskoye Stroitel'stvo SSSR, 1935 pp. 680-683), holdings of government bonds by savings banks changed in the same period by 707.0 million rubles--from 184.3 to 891.3 million rubles (Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 672).

<sup>5</sup>According to Sotsialisticheskoye Stroitel'stvo SSSR, (1936, p. 384) capital investments of co-operative system amounted to some 12 per cent of all capital investments in the socialized sector from 1929-1932. This is, however, seriously exaggerated since capital investments of collective farms are included in this source with investments of co-operative sector. Therefore, a better measure of the relative importance of co-operatives in capital investments may be obtained from the

Although it is a fact that, beginning with October, 1929, insurance of all property of the socialized sector was compulsory,<sup>6</sup> there are numerous indications that net accumulations of state insurance organization played a minor role in capital formation. For example, accumulations of state insurance in the USSR were expected to reach in 1930/31 only 56.1 million rubles.<sup>7</sup> Actual profits of state insurance in 1931, according to Suchkov, were only 35.8 million rubles (climbing to 219.6 million rubles in 1934).<sup>8</sup> Its total revenues were also minor (all planned figures): 287.8 million rubles in 1928/29 and 426.3 in 1929/30,<sup>9</sup> and 491 million

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fact that co-operative enterprises, outside of agriculture, contributed in that period 6.1 per cent of all comparable investments in the USSR (*ibid.*). Capital investments of agricultural co-operatives, on the other hand, amounted to 577 million rubles (Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 244), or 5.3 per cent of all investments in agriculture (10.8 billion rubles -- Table XI.).

<sup>6</sup>A. V. Bachurin, Pribyl' i nalog s oborotay SSSR (Profit and turnover tax in the USSR) (Moscow: Gosfinizdat, 1955), p. 132.

<sup>7</sup>P. Serebryakov, "Perspektivy raboty gosstrakha na syele na 1930/31 god" (Outlook for the work of state insurance in the village in 1930/31), Finansovye Problemy, 4, 1930, p. 36.

<sup>8</sup>A. Suchkov, Dokhody gosudarstvennogo byudzheta SSSR (Revenues of state budget of the USSR) (Moscow: Gosfinizdat, 1955), p. 109.

<sup>9</sup>Narodnyi Komissariat Finansov, Yedinyi Finansovyi Plan na 1929-30 god (Unified financial plan for 1929-30) (Moscow: Gosudarstvennoye Finansovoye Izdatel'stvo Soyuza SSR, 1930), p. 135.

rubles in 1931.<sup>10</sup> In addition, an undetermined portion of resources of state insurance were evidently included in several items in the budget. For example, Bachurin maintains that all [premium] payments for insurance of state property, with minor exceptions, were unified in 1930 in the turnover tax.<sup>11</sup> In part, revenues of state insurance were also included in deductions into local budgets, government loans,<sup>12</sup> as well as, possibly, deductions from profits.

It is regretful that the state of available statistics does not permit closer investigation of social insurance. For resources of state insurance agencies must have been responsible for a substantial portion of the 1.1 billion rubles of capital investments unaccounted for in Table 7-1. Whereas some accumulations of social insurance fund were evidently included in the all-Union budget via purchases of

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<sup>10</sup> Narodnoye khozyaystvo SSSR na poroge tret'yego goda pyatiletki i kontrol'nye tsifry na 1931 god (National economy of the USSR on the threshold of the third year of the five-year plan and control figures for 1931) (Moscow - Leningrad: Gosudarstvennoye Sotsial'no-Ekonomicheskoye Izdatel'stvo, 1931), p. 283; Planovoye Khozyaystvo, 12, 1930, p. 379.

<sup>11</sup> Bachurin, op. cit., p. 132.

<sup>12</sup> A. M. Lyando, Gosbyudzhët SSSR zavyershayushchego goda pyatiletki (State budget of the USSR in the concluding year of the five-year plan) (Moscow: Gosfinizdat, 1932), p. 34.

government bonds,<sup>13</sup> most of its resources were probably spent on financing various communal projects. For example, the budget of state social insurance fund provided during the first five-year plan 1,370 million rubles for housing construction and 7,376 million rubles for various social and cultural undertakings; its total expenditures in that period amounted to 8,866 million rubles.<sup>14</sup> To the extent that some expenditures on social and cultural projects undoubtedly included capital investments in those areas, social insurance contributed to capital formation in the country.<sup>15</sup> Unfortunately, it is not possible to determine at this time the extent to which the Ukraine participated in either revenues or expenditures of the social insurance budget.

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<sup>13</sup>K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Essays in history of the budget of the Soviet state) (Moscow: Gosfinizdat, 1954), p. 107. This evidently contained excess of revenues over all expenditures of the fund.

<sup>14</sup>Ibid., p. 132.

<sup>15</sup>N. Kaplan, (op. cit., p. 167) quoting Sotissalistichekoye Stroitel'stvo SSSR (1936, pp. 384, 349) shows that capital investments in social and cultural administration during 1929-1932 amounted to 4,926 million rubles, of which housing was 1,303 million rubles, and municipal services 1,416 million rubles.

## CHAPTER VIII

## CONCLUSIONS

1. The study reveals that capital accumulations in the Ukraine during the first five-year plan amounted to 14.3 billion rubles and were equal to 27.2 per cent of all capital investments in the socialized sector of the Soviet economy. This is not surprising in view of the Ukraine's paramount importance as an industrial center and exporter of agricultural products.

2. The investigation shows that rapid industrial development of new areas was accomplished by extensive capital movements within the Soviet Union. During the period under review, the Ukraine provided capital exports to the rest of the USSR of approximately 5 billion rubles. This was equal to 29.6 per cent of the revenues of the all-Union budget in the Ukraine, or 23.1 per cent of the combined revenues of the all-Union, republican, and local budgets.

The above figures confirm the extent to which the Ukraine was obliged to subsidize economic development in other parts of the USSR. The subsidy constituted about one third of all capital created in the Ukraine. Moreover, the Ukraine's capital exports equalled 11.5 per cent of all capital investments

in the USSR socialized economy exclusive of the Ukraine.

Such a high capital export must have inhibited growth of the Ukraine's own economy, while holding down, if not lowering, local living standards. At the same time, the Ukraine received no interest on her capital exports and lost all hope of ever being reimbursed at a future date. It should also be remembered that the decisions to export capital were made unilaterally by the central government without any reference to the wishes of the Ukrainian people. For these reasons, many writers consider that the Ukraine has been exploited by a modern form of Russian imperialism far more crippling than anything experienced in the past.

3. The investigation clearly indicates that agriculture has played a prominent part in capital accumulations in spite of persistent silence on this matter from Soviet officials. There is no doubt that the Soviet government was aware of the great fiscal opportunities afforded by a combination of pricing policies and commodity taxation of agricultural producers. The results of this study seem to bear out the hypothesis that the prospect of diversion of resources from agriculture presented an important consideration in forced collectivization. As a major bread producing republic, the Ukraine obviously

felt the impact of this diversion of funds to a much greater extent than many other parts of the Soviet Union.

4. There is no single way of measuring the impact of financial reform of 1930 on capital formation. Yet, the facts indicate that it influenced both the rate of capital accumulation and pattern of capital distribution in the country.

The reform helped to raise the rate of capital formation in several ways. First, the newly established turnover tax provided the basis for extending indirect taxation of consumers which, in conjunction with government controlled output, costs, and prices, permitted the state to tax away ever higher proportions of personal income. In addition, by combining the turnover tax, state procurements, and the pricing of agricultural commodities, the reform facilitated large-scale diversions of capital resources away from agriculture. Finally, taxation of industrial profits by way of the turnover tax siphoned off a large portion of industrial profits, thus reducing the level of profits reported by an enterprise. This technique ("regulation of profitability") placed industrial managers under constant pressure to implement cost saving measures because any relatively small changes in absolute profits left in their hands represented a significant percentage



deviation from the planned profit level.

The redistribution of capital was greatly facilitated by the simplified tax structure, control of industry by financial institutions ("control by the ruble"), centralization of the more important taxes and other levies in the all-Union budget, increased taxation of profits (almost at confiscating levels), and, finally, tying in of profit taxation with plant's investment plans. All of these measures were either included in the reform itself or taken up subsequently as modifications of the original provisions.

**APPENDIX**

TABLE I-A

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
 ANALYSIS OF BUDGETARY REVENUES  
 (in millions of rubles)  
 1928/29

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
<b>TAX REVENUE</b>	4,004.1	1,741.2	340.4	2,262.9
1. Turnover tax	-	-	-	-
2. Craft tax (Promtax)	1,055.9	950.6	162.9	105.3
Inc.: Socialized sector	885.8			
Private sector	170.1			
3. Income tax:	285.5	282.6	52.7	2.9
Incl.: Socialized sector	120.0	118.7	20.9	1.3
Population <sup>1</sup>	165.5 <sup>11</sup>	163.9	31.8	1.6
4. Agricultural tax	449.4 <sup>d</sup>	444.9	112.7	4.5
Incl.: from collective farms	9.9 <sup>a</sup>			
from farmers	439.5 <sup>a</sup>			
5. Cultural and housing levies	-	-	-	-
6. Excises	1,802.6			1,802.6
7. Customs revenue	258.2			258.2
8. Dues and levies	131.8			131.8
Incl.: Stamp tax	71.6			71.6
9. Other tax revenue	20.7			20.7
10. Discrepancy		63.1	12.1	(63.1)
<b>NON-TAX REVENUE</b>	3,461.2	492.2	63.0	2,969.0
1. Transportation	2,335.6			2,335.6
Incl.: Railways	2,305.3			2,305.3
2. Communication	202.5			202.5
3. Deductions from profits	417.7	54.9	16.2	362.8
Incl.: Credit institutions	108.5			
Trade	16.7			
Industry	286.9	44.8	12.6	242.1
4. State property	406.8	405.3	43.0	1.5
Incl.: Timber	307.6	307.4	31.1	.2
Ores	65.6	65.6	10.9	-

(Table I-A Continued)

5. Special commodity fund	-	-	-	-
6. Other non-tax revenue	98.6	32.0	3.8	66.6
STATE LOANS	724.8	54.7	9.3	670.1
1. From population	270.2 <sup>a, f</sup>			
2. From enterprises	277.8 <sup>a</sup>			
3. From savings banks	176.8 <sup>a</sup>			
OTHER INCOME	32.2	-	-	32.2
a. Monetary income	32.2			32.2
b. Income from the local budget	-	-		
TOTAL REVENUES OF UNION REPUBLICS		2,288.1	412.7	
TRANSFERS (from all-Union budget)		98.9	.1	(98.9)
TOTAL REVENUE	8,222.3	2,387.0	412.8	5,835.3
Remainder from fulfillment of the budget for prior years	205.4	-	-	205.4
(Balancing) TOTAL	8,427.7	2,387.0	412.8	6,040.7

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TABLE I-B

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
 ANALYSIS OF BUDGETARY REVENUES  
 (in millions of rubles)  
 1929/30

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
TAX REVENUE	6,083.7	2,044.6	439.6	4,039.1
1. Turnover tax	-	-	-	-
2. Craft tax (Promtax)	1,941.4	1,080.6	253.2	860.8
Incl.: Socialized sector	1,797.1			
Private sector	144.3			
3. Income tax:	614.6	483.1	70.1	131.5
Incl.: Socialized sector	421.3	291.8	36.0	129.5
Population <sup>1</sup>	193.3 <sup>ll</sup>	191.3	34.1	2.0
4. Agricultural tax	405.6 <sup>d</sup>	401.6	100.0	4.0
Incl.: from collective farms	21.1 <sup>a</sup>			
from farmers	384.5 <sup>a</sup>			
5. Cultural and housing levies	-	-	-	-
6. Excises	2,643.0			2,643.0
7. Customs revenue	304.3			304.3
8. Dues and levies	141.1			141.1
Incl.: Stamp tax	77.5			77.5
9. Other tax revenue	33.7			33.7
10. Discrepancy		79.3	16.3	(79.3)
NON-TAX REVENUE	5,402.0	1,085.9	142.2	4,316.1
1. Transportation	3,099.3			3,099.3
Incl.: Railways	3,049.4			3,049.4
2. Communication	300.5			300.5
3. Deductions from profits	1,004.5	429.2	70.2	575.3
Incl.: Credit institutions	116.1			
Trade	36.6			
Industry	846.7	418.3	68.3	428.4

(Table I-B Continued)

4. State property	593.9	593.0	61.8	.9
Incl.: Timber	477.0	477.0	47.8	-
Ores	83.0	83.0	13.7	-
5. Special commodity fund	299.2			299.2
6. Other non-tax revenue	104.6	63.7	10.2	40.9
STATE LOANS	1,278.4	68.4	14.6	1,210.0
1. From population	656.0 <sup>a,e</sup>			
2. From enterprises	336.1 <sup>a</sup>			
3. From savings banks	286.3 <sup>a</sup>			
OTHER INCOME	35.6	15.8	-	19.8
a. Monetary income	19.8			19.8
b. Income from the local budget	15.8	15.8	-	-
TOTAL REVENUES OF UNION REPUBLICS		3,214.7	596.4	
TRANSFERS (from all-Union budget)		178.6	8.9	(178.6)
TOTAL REVENUE	12,799.7	3,393.3	605.3	9,406.4
Remainder from fulfillment of the budget for prior years	186.8	.8	.5	186.0
(Balancing) TOTAL	12,986.5	3,394.1	605.8	9,592.4

TABLE I-C

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
 ANALYSIS OF BUDGETARY REVENUES  
 (in millions of rubles)  
 Fourth Quarter, 1930

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
<b>TAX REVENUE</b>	2,563.3	468.7	71.5	2,094.6
1. Turnover tax	2,172.0	168.7	21.6	2,003.3
2. Craft tax (Promtax)	57.6	57.5	6.1	.1
Incl.: Socialized sector	-			-
Private sector	57.6	57.5	6.1	.1
3. Income tax:	70.6	69.4	12.7	1.2
Incl.: Socialized sector	2.1	.9	.2	1.2
Population <sup>1</sup>	68.5 <sup>11</sup>	68.5	12.5	-
4. Agricultural tax	170.2	170.3	30.9	(.1)
Incl.: from collective farms	15.4 <sup>a,b</sup>			
from farmers	154.8 <sup>a,c</sup>			
5. Cultural and housing levies	-	-	-	-
6. Excises	-	-	-	-
7. Customs revenue	89.6			89.6
8. Dues and levies	.3			.3
Incl.: Stamp tax	-			-
9. Other tax revenue	3.0			3.0
10. Discrepancy		2.8	.2	(2.8)
<b>NON-TAX REVENUE</b>	1,742.4	192.5	46.2	1,549.9
1. Transportation	931.0			931.0
Incl.: Railways	925.9			925.9
2. Communication	103.4			103.4
3. Deductions from profits	382.8	159.1	39.9	223.7
Incl.: Credit institutions	36.5			.
Trade	6.4			
Industry	331.1	135.5	25.8	195.6

4. State property	2.6	2.6	.1	-
Incl.: Timber	-	-	-	-
Ores	-	-	-	-
5. Special commodity fund	248.3			248.3
6. Other non-tax revenue	74.3	30.8	6.2	43.5
STATE LOANS	356.1	15.9	5.7	340.2
1. From population	212.4 <sup>a,e</sup>			
2. From enterprises	108.5 <sup>a</sup>			
3. From savings banks	35.1 <sup>a</sup>			
OTHER INCOME	8.9	-	-	8.9
a. Monetary income	8.9			8.9
b. Income from the local budget	-			
TOTAL REVENUES OF UNION REPUBLICS		677.1	123.4	
TRANSFERS (from all-Union budget)		36.3	4.1	(36.3)
TOTAL REVENUE	4,670.7	713.4	127.5	3,957.3
Remainder from fulfillment of the budget for prior years	651.5	22.0	7.7	629.5
(Balancing) TOTAL	5,322.2	735.4	135.2	4,586.8

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TABLE I-D

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
ANALYSIS OF BUDGETARY REVENUES  
(in millions of rubles)  
1931

Item	Unified State Budget	Totals of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
TAX REVENUE	12,115.5	1,993.7	342.8	10,121.8
1. Turnover tax	10,601.8	902.7	124.1	9,699.1
2. Craft tax (Promtax)	128.4	128.4	15.9	-
Incl.: Socialized sector	-			
Private sector	128.4	128.4	15.9	-
3. Income tax:	345.2	339.8	62.3	5.4
Incl.: Socialized sector	16.3	10.9	3.5	5.4
Population <sup>1</sup>	328.9	328.9	58.8	-
4. Agricultural tax	457.9	457.9	113.8	-
Incl.: from collective farms	77.0 <sup>a, b</sup>			
from farmers	380.9 <sup>c</sup>			
5. Cultural and housing levies	260.0 <sup>g</sup>	154.8	25.6	105.2
6. Excises	-			
7. Customs revenue	281.3			281.3
8. Dues and levies	1.1			1.1
Incl.: Stamp tax	-			-
9. Other tax revenue	39.8			39.8
10. Discrepancy		10.1	1.1	(10.1)
NON-TAX REVENUE	7,381.8	603.6	197.9	6,778.2
1. Transportation	4,458.4			4,458.4
Incl.: Railways	4,445.9			4,445.9
2. Communication	562.0			562.0
3. Deductions from profits <sup>10</sup>	970.0	479.2	179.6	490.8
Incl.: Credit institutions	176.4			-
Trade	42.9			
Industry	684.7	419.5	175.0	265.2

(Table I-D Continued)

4. State property	32.4	32.4	.2	-
Incl.: Timber	-	-		
Ores	-	-		
5. Special commodity fund	1,070.2			1,070.2
6. Other non-tax revenue	288.8 <sup>2</sup>	92.0	18.1	196.8
STATE LOANS	3,269.0	244.7	56.6	3,024.3
1. From population	1,616.4 <sup>a, e</sup>			
2. From enterprises	1,428.5 <sup>a</sup>			
3. From savings banks	215.8 <sup>a</sup>			
OTHER INCOME	388.6	273.7	24.5	114.9
a. Monetary income	25.3			25.3
b. Income from the local budget <sup>10</sup>	363.3	273.7	24.5	89.6
TOTAL REVENUES OF UNION REPUBLICS		3,115.7	621.8	
TRANSFERS (from all-Union budget)		153.4	22.1	(153.4)
TOTAL REVENUE	23,154.9	3,269.1	643.9	19,885.8
Remainder from fulfill- ment of the budget from prior years	706.2	9.1	4.6	697.1
(Balancing) TOTAL	23,861.1	3,278.2	648.5	20,582.9

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TABLE I-E

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
ANALYSIS OF BUDGETARY REVENUES  
(in millions of rubles)  
1932

Item	Unified State Budget	Totals of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
TAX REVENUE	20,050.9	2,550.4	467.3	17,500.5
1. Turnover tax	17,693.3	1,387.8	182.0 <sup>7</sup>	16,305.5
2. Craft tax (Promtax)	-	-	-	-
Incl.: Socialized sector	-	-		
Private sector	-	-		
3. Income tax	245.2	235.5	10.0	9.7
Incl.: Socialized sector	130.8	121.1	10.0	9.4
Population <sup>1</sup>	114.4	114.4	-	-
4. Agricultural tax	459.0	459.0	84.1	-
Incl.: from collective farms	121.5 <sup>a,b</sup>	121.5	24.1	-
from farmers	337.5 <sup>a,c</sup>	337.5	60.0	-
5. Cultural and housing levies	941.6	467.3	191.0	474.3
6. Excises	-			
7. Customs revenue	281.8			281.8
8. Dues and levies	1.2			1.2
Incl.: Stamp tax	-			-
9. Other tax revenue	428.8 <sup>3</sup>			428.8 <sup>3</sup>
10. Discrepancy		.8	.2	(.8)
NON-TAX REVENUE	7,011.4 <sup>4</sup>	509.9	163.4	6,501.5 <sup>4</sup>
1. Transportation	2,511.9 <sup>4</sup>			2,511.9 <sup>4</sup>
Incl.: Railways	2,479.2 <sup>4</sup>			2,479.2 <sup>4</sup>
2. Communication	781.7			781.7
3. Deductions from profits	1,409.6	409.6	148.1	1,000.0
Incl.: Credit institutions	358.6			358.6
Trade	55.4			55.4
Industry	901.4	306.3	141.8	595.1

(Table I-E Continued)

4. State property	-	-	-	-
Incl.: Timber		-	-	
Ores		-	-	
5. Special commodity fund	1,901.8	-	-	1,901.8
6. Other non-tax revenue	406.4 <sup>2</sup>	100.3	15.3	306.1 <sup>2</sup>
STATE LOANS	3,921.7	688.3	133.2	3,233.4
1. From population	2,429.3 <sup>e</sup>			
2. From enterprises	1,128.4			
3. From savings banks	364.0			
OTHER INCOME	46.9			46.9
a. Monetary income	46.9			46.9
TOTAL REVENUES OF UNION REPUBLICS		3,748.6	763.9	
TRANSFERS				
(Subsidies from all- Union budget) <sup>6</sup>		363.6	16.9 <sup>8</sup>	(363.6)
TOTAL REVENUE	31,030.9 <sup>4</sup>	4,112.2	780.8	26,918.7
Remainder from fulfill- ment of the budget for prior years	598.6 <sup>5</sup>	1.1	-	597.5
(Balancing) TOTAL	31,629.5 <sup>4</sup>	4,113.3	780.8	27,516.2

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TABLE I-F

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
 ANALYSIS OF BUDGETARY REVENUES  
 (in millions of rubles)  
 1928/29 - 1932 Total

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
TAX REVENUE	44,817.5	8,798.6	1,661.6	36,018.9
1. Turnover tax	30,467.1	2,459.2	327.7	28,007.9
2. Craft tax (Promtax)	3,183.3	2,217.1	438.1	966.2
Incl.: Socialized sector	2,682.9			
Private sector	500.4			
3. Income tax:	1,561.1	1,410.4	207.8	150.7
Incl.: Socialized sector	690.5	543.4	70.6	146.8
Population <sup>1</sup>	870.6	867.0	137.2	3.9
4. Agricultural tax	1,942.1	1,933.7	441.5	8.4
Incl.: from collective farms	244.9			
from farmers	1,697.2			
5. Cultural and housing levies	1,201.6	622.1	216.6	579.5
6. Excises	4,445.6			4,445.6
7. Customs revenue	1,215.2			1,215.2
8. Dues and levies	275.7			275.7
Incl.: Stamp tax	149.1			149.1
9. Other tax revenue	526.0			526.0
10. Discrepancy		156.1	29.9	(156.1)
NON-TAX REVENUE	24,998.8	2,884.1	612.7	22,114.7
1. Transportation	13,336.2			13,336.2
Incl.: Railways	13,205.7			13,205.7
2. Communication	1,950.1			1,950.1
3. Deductions from profits	4,184.6	1,532.0	454.0	2,652.6
Incl.: Credit institutions	796.1			
Trade	158.0			
Industry	3,050.8	1,324.4	423.5	1,708.4

(Table I-F Continued)

4. State property	1,035.7	1,033.3	105.1	2.4
Incl.: Timber	784.6 <sup>9</sup>	784.4 <sup>9</sup>	78.9 <sup>9</sup>	
Ores	148.6 <sup>9</sup>	148.6 <sup>9</sup>	24.6 <sup>9</sup>	
5. Special commodity fund	3,519.5			3,519.5
6. Other non-tax revenue	972.7	318.8	53.6	653.9
STATE LOANS	9,550.0	1,072.0	219.4	8,478.0
1. From population	5,184.3			
2. From enterprises	3,279.3			
3. From savings banks	1,078.0			
OTHER INCOME	512.2	289.5	24.5	222.7
a. Monetary income	133.1			133.1
b. Income from the local budget	379.1	289.5	24.5	89.6
TOTAL REVENUES OF UNION REPUBLICS		13,044.2	2,518.2	
TRANSFERS (from all-Union budget)		830.8	52.1	(830.8)
TOTAL REVENUE	79,878.5	13,875.0	2,570.3	66,003.5
Remainder from fulfillment of the budget for prior years	2,348.5	33.0	12.8	2,315.5
(Balancing) TOTAL	82,227.0	13,908.0	2,583.1	68,319.0

## SOURCES:

UNIFIED STATE BUDGET: Sotsialisticheskoye stroitel'stvo SSSR, 1934, pp. 440-441; Ibid., 1935, pp. 644-645, unless otherwise stated.

TOTAL OF STATE BUDGETS OF UNION REPUBLICS and STATE BUDGET OF UKRAINIAN SSR: Sotsialisticheskoye Stroitel'stvo SSSR, 1934, pp. 446-447, 453; Ibid., 1935, pp. 654, 655-661.

<sup>a</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1934, p. 456; Ibid., 1935, p. 650; Ibid., 1936, p. 644.

<sup>b</sup>K. N. Plotnikov, Ocherki istorii byudzheta sovyetskogo gosudarstva (Moscow: Gosfinizdat, 1954), p. 118.

<sup>c</sup>Plotnikov, op. cit., p. 126.

<sup>d</sup>Plotnikov, (op. cit., p. 126) lists only total collections of agricultural tax for the USSR.

<sup>e</sup>Ibid., p. 128.

<sup>f</sup>N. Ryabov, Sotsialisticheskoye nakopleniye i yego istochniki v pervoy i vtoroy pyatiletkakh, p. 149.

<sup>g</sup>According to Plotnikov, this refers to collections in towns. Collections in villages amounted to 244.7 million rubles (Plotnikov, op. cit., p. 126). Indeed, state budget in standardized classification lists total collections (towns and villages) of 518.1 million rubles; Sotsialisticheskoye Stroitel'stvo SSSR, 1934, p. 456; Ibid., 1935, p. 650; Ibid., 1936, p. 644; R. W. Davies, The Development of the Soviet Budgetary System, p. 295.

<sup>h</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 664; Ibid., 1936, p. 648.

#### NOTES:

<sup>1</sup>In the cases of total of state budgets of union republics and the state budget of Ukrainian SSR this item includes income tax from private sector of the economy.

<sup>2</sup>Including the following receipts from reduction of administrative expenses of economic organizations: 101.8 million rubles in 1931, 117.1 million rubles in 1932.

<sup>3</sup>Includes: 166.1 million rubles from tax on individually (privately) owned farms; and special levy on transportation equal to 127.7 million rubles.

<sup>4</sup>For comparison with prior years, the amount of 2,899 million rubles should be added to account for operating revenues of railways and deductions to FUBR. They were excluded from the state budget for 1932.

<sup>5</sup>Without surpluses (ostatkov) of NKPS.

<sup>6</sup>The amount of subsidies from all-Union budgets includes in 1932 special deduction from turnover tax on cotton, oil, and tobacco in the amount of 62.0 million rubles for all union republics.

<sup>7</sup> Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 664 and 1936, p. 648 indicate 183.1 million rubles.

<sup>8</sup> Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 664 and 1936, p. 648 indicate 15.8 million rubles.

<sup>9</sup> 1928/29 and 1929/30 only; remainder unallocated.

<sup>10</sup> Apparently, this is included in deductions from profits in the budgets arranged according to standard classification (Sotsialisticheskoye Stroitel'stvo, 1935, p. 650).

<sup>11</sup> A. Suchkov (Dokhody gosudarstvennogo byudzheta SSSR, 1955, pp. 81, 88) lists as 223.8 million rubles in 1928/29, and 257.2 million rubles in 1929/30, and 67.7 million rubles in the fourth quarter of 1930.



TABLE II-A

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
ANALYSIS OF BUDGETARY EXPENDITURES  
(in millions of rubles)  
1928/29

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
NATIONAL ECONOMY	4,784.3	560.4	94.7	4,223.9
1. Industry, excluding food industry	972.5	226.5	27.9	746.0
a. Heavy industry, excl. electrification	785.7 <sup>7</sup>			
b. Light industry	28.9 <sup>a</sup>			
c. Timber industries	157.9 <sup>a</sup>			
2. a. Food industry, domestic trade, supply and procure- ment organizations b. Foreign trade	257.6			257.6
3. Electrification	179.3			179.3
4. Agriculture	547.8	241.1	48.1	306.7
5. Transport	2,475.4			2,475.4
a. Railways	2,217.3			2,217.3
b. Water transport	181.6			181.6
c. Land transport	74.3			74.3
d. Air transport	2.2			2.2
6. Communication (posts)	193.8			193.8
7. Municipal economy and housing <sup>1</sup>	67.5			67.5
8. Loan of economic restoration <sup>2</sup>	28.5			28.5
9. Other expenditures	61.9			61.9
10. Discrepancy		92.8	18.7	(92.8)

(Table II-A Continued)

SOCIAL AND CULTURAL SERVICES	481.7	328.0	68.1	153.7
1. Education	398.2	251.0	55.7	147.2
2. Health and physical education	44.7	42.2	6.6	2.5
3. Discrepancy	38.8	34.8	5.8	4.0
SOCIAL INSURANCE OF WORKERS AND EMPLOYEES		25.6	4.3	(25.6)
DEFENSE, ADMINISTRATION, REGULATION OF NATIONAL ECONOMY, ADMINISTRATION OF SOCIAL AND CULTURAL SERVICES	1,206.9	153.7	26.2	1,053.2
EXPENDITURE ON STATE LOANS	317.5			317.5
TRANSFERS TO OTHER FINANCIAL INSTITUTIONS	1,299.3	1,264.1	203.7	35.2
a. Local budget	1,264.1	1,264.1	203.7	-
b. Social insurance	35.2			35.2
c. State insurance	-	-		-
d. State bank	-	-		-
SPECIAL STATE RESERVE FUND	50.0	37.7	13.2	12.3
OTHER EXPENDITURES	101.2	15.5	2.1	85.7
TOTAL EXPENDITURE OF UNION REPUBLICS		2,385.0	412.3	
TRANSFER TO ALL-UNION BUDGET		1.2	-	(1.2)
TOTAL EXPENDITURES	8,240.9			5,854.7
EXCESS OF REVENUE OVER EXPENDITURE	186.8			186.8
(Balancing) TOTAL	8,427.7	2,386.2	412.3	6,041.5

TABLE II-B

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
ANALYSIS OF BUDGETARY EXPENDITURES  
(in millions of rubles)  
1929/30

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
NATIONAL ECONOMY	7,680.7	919.3	128.9	6,761.4
1. Industry, excluding food industry	2,045.3	438.7	47.8	1,606.6
a. Heavy industry, excl. electrification	1,631.8 <sup>7</sup>			
b. Light industry	140.3 <sup>a</sup>			
c. Timber industries	273.2 <sup>a</sup>			
2. a. Food industry, domestic trade, supply and procure- ment organizations	689.5			689.5
b. Foreign trade				
3. Electrification	229.4			229.4
4. Agriculture	1,099.0	391.9	68.0	707.1
5. Transport	3,148.6			3,148.6
a. Railways	2,717.7			2,717.7
b. Water transport	294.2			294.2
c. Land transport	118.5			118.5
d. Air transport	18.2			18.2
6. Communication (posts)	272.9			272.9
7. Municipal economy and housing <sup>1</sup>	76.1			76.1
8. Loan of economic restoration <sup>2</sup>	65.1			65.1
9. Other expenditures	54.8			54.8
10. Discrepancy		88.7	13.1	(88.7)

(Table II-B Continued)

SOCIAL AND CULTURAL SERVICES	794.9	484.9	113.2	310.0
1. Education	704.6	400.9	95.3	303.7
2. Health and physical education	49.0	47.8	11.5	1.2
3. Discrepancy	41.3	36.2	6.4	5.1
SOCIAL INSURANCE OF WORKERS AND EMPLOYEES		30.5	5.9	(30.5)
DEFENSE, ADMINISTRATION, REGULATION OF NATIONAL ECONOMY, ADMINISTRATION OF SOCIAL AND CULTURAL SERVICES	1,396.9	154.5	30.7	1,242.4
EXPENDITURE ON STATE LOANS	405.7			405.7
TRANSFERS TO OTHER FINANCIAL INSTITUTIONS	1,743.6	1,701.4	302.5	42.2
a. Local budget	1,701.4	1,701.4	302.5	-
b. Social insurance	42.2			42.2
c. State insurance	-	-	-	-
d. State bank	-	-	-	-
SPECIAL STATE RESERVE FUND	-	-	-	-
OTHER EXPENDITURES	313.2	43.7	7.5	269.5
TOTAL EXPENDITURE OF UNION REPUBLICS		3,334.3	588.7	
TRANSFER TO ALL-UNION BUDGET		40.2	9.4	(40.2)
TOTAL EXPENDITURES	12,335.0			8,960.5
EXCESS OF REVENUE OVER EXPENDITURE	651.5			651.5
(Balancing) TOTAL	12,986.5	3,374.5	598.1	9,612.0

TABLE II-C

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
 ANALYSIS OF BUDGETARY EXPENDITURES  
 (in millions of rubles)  
 Fourth Quarter, 1930

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
NATIONAL ECONOMY	3,124.7	176.6	29.8	2,948.1
1. Industry, excluding food industry	898.6	68.4	11.5	830.2
a. Heavy industry, excl. electrification	677.2 <sup>7</sup>			
b. Light industry	41.5 <sup>a</sup>			
c. Timber industries	179.8 <sup>a</sup>			
2. a. Food industry, domestic trade, supply and procure- ment organizations	342.6			342.6
b. Foreign trade				
3. Electrification	95.7			95.7
4. Agriculture	582.1	93.9	17.0	488.2
5. Transport	1,066.5			1,066.5
a. Railways	903.4			903.4
b. Water transport	93.1			93.1
c. Land transport	59.1			59.1
d. Air transport	10.9			10.9
6. Communication (posts)	99.8			99.8
7. Municipal economy and housing <sup>1</sup>	.5			.5
8. Loan of economic restoration <sup>2</sup>	30.1			30.1
9. Other expenditures	8.8			8.8
10. Discrepancy		14.3	1.3	(14.3)

(Table II-C Continued)

SOCIAL AND CULTURAL SERVICES	295.8	147.7	36.5	148.1
1. Education	275.8	129.9	33.7	145.9
2. Health and physical education	12.2	11.1	2.1	1.1
3. Discrepancy	7.8	6.7	.7	1.1
SOCIAL INSURANCE OF WORKERS AND EMPLOYEES		5.2	1.4	(5.2)
DEFENSE, ADMINISTRATION, REGULATION OF NATIONAL ECONOMY, ADMINISTRATION OF SOCIAL AND CULTURAL SERVICES	533.4	25.3	5.4	508.1
EXPENDITURE ON STATE LOANS	74.9			74.9
TRANSFERS TO OTHER FINANCIAL INSTITUTIONS	418.3	337.2	56.6	81.1
a. Local budget	337.2	337.2	56.6	-
b. Social insurance	6.6	-	-	6.6
c. State insurance	31.0	-	-	31.0
d. State bank	43.5	-	-	43.5
SPECIAL STATE RESERVE FUND	-	-	-	-
OTHER EXPENDITURES	168.9	17.0	.9	151.9
TOTAL EXPENDITURE OF UNION REPUBLICS		709.0	130.6	
TRANSFER TO ALL-UNION BUDGET		21.4	-	(21.4)
TOTAL EXPENDITURES	4,616.0			3,885.6
EXCESS OF REVENUE OVER EXPENDITURE	706.2			706.2
(Balancing) TOTAL	5,322.2	730.4	130.6	4,591.8

TABLE II-D

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
ANALYSIS OF BUDGETARY EXPENDITURES  
(in millions of rubles)  
1931

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
NATIONAL ECONOMY	18,047.7	850.1	151.8	17,197.6
1. Industry, excluding food industry	7,200.5	240.5	50.3	6,960.0
a. Heavy industry, excl. electrification	6,438.9 <sup>7</sup>			
b. Light industry	224.0 <sup>a</sup>			
c. Timber industries	537.6 <sup>a</sup>			
2. a. Food industry, domestic trade, supply and procure- ment organizations	1,749.0 <sup>a</sup>			1,749.0
b. Foreign trade	240.9 <sup>a</sup>			240.9
3. Electrification	579.8			579.8
4. Agriculture	2,693.6	504.0	81.0	2,189.6
5. Transport	4,986.7			4,986.7
a. Railways	4,274.9			4,274.9
b. Water transport	289.2			289.2
c. Land transport	288.1			288.1
d. Air transport	134.5			134.5
6. Communication (posts)	531.0			531.0
7. Municipal economy and housing <sup>1</sup>	24.7			24.7
8. Loan of economic restoration <sup>2</sup>	-			-
9. Other expenditures	41.5			41.5
10. Discrepancy		105.6	20.5	(105.6)

(Table II-D Continued)

SOCIAL AND CULTURAL SERVICES	1,290.7	689.8	172.2	600.9
1. Education	1,171.6	581.2	153.6	590.4
2. Health and physical education	74.1	68.0	13.6	6.1
3. Discrepancy	45.0	40.6	5.0	4.4
SOCIAL INSURANCE OF WORKERS AND EMPLOYEES		25.6	7.1	(25.6)
DEFENSE, ADMINISTRATION, REGULATION OF NATIONAL ECONOMY, ADMINISTRATION OF SOCIAL AND CULTURAL SERVICES	1,714.5	133.5	23.3	1,581.0
EXPENDITURE ON STATE LOANS	408.3			408.3
TRANSFERS TO OTHER FINANCIAL INSTITUTIONS	1,400.6	1,345.0	268.4	55.6
a. Local budget	1,345.0	1,345.0	268.4	-
b. Social insurance	35.6	-	-	35.6
c. State insurance	20.0	-	-	20.0
d. State bank	-	-	-	-
SPECIAL STATE RESERVE FUND	-	-	-	-
OTHER EXPENDITURES	284.0	106.2	13.0	177.8
TOTAL EXPENDITURE OF UNION REPUBLICS		3,150.2	635.8	
TRANSFER TO ALL-UNION BUDGET		139.7	12.7	(139.7)
TOTAL EXPENDITURES	23,145.8			19,855.9
EXCESS OF REVENUE OVER EXPENDITURE	715.3			715.3
(Balancing) TOTAL	23,861.1	3,289.9	648.5	20,571.2

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TABLE II-E

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
 ANALYSIS OF BUDGETARY EXPENDITURES  
 (in millions of rubles)  
 1932

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
NATIONAL ECONOMY	23,663.6 <sup>3</sup>	960.0 <sup>5</sup>	194.9 <sup>6</sup>	22,703.6
1. Industry, excluding food industry	11,901.8	260.3 <sup>8</sup>	54.0	11,641.5
a. Heavy industry, excl. electrification	10,474.6 <sup>7</sup>	194.5 <sup>b</sup>	40.9 <sup>c</sup>	10,280.1
b. Light industry	393.4 <sup>a</sup>	65.8 <sup>b</sup>	13.1 <sup>c</sup>	327.6
c. Timber industries	1,033.8 <sup>a</sup>			
2. a. Food industry, domestic trade, supply and procure- ment organizations	2,646.4 <sup>a</sup>	54.9 <sup>b</sup>	31.6 <sup>c</sup>	2,725.4
b. Foreign trade	133.9 <sup>a</sup>			
3. Electrification	675.1			675.1
4. Agriculture	3,723.5	559.5	91.1	3,164.0
5. Transport	3,690.3 <sup>3</sup>			3,690.3
a. Railways	2,691.2 <sup>3</sup>			2,691.2
b. Water transport	469.3			469.3
c. Land transport	364.6			364.6
d. Air transport	165.2			165.2
6. Communication (posts)	690.3			690.3
7. Municipal economy and housing <sup>1</sup>	95.7			95.7
8. Loan of economic restoration <sup>2</sup>	-			-
9. Other expenditures	106.6			106.6
10. Discrepancy		159.8	49.8	(159.8)

(Table II-E Continued)

SOCIAL AND CULTURAL SERVICES	1,705.8	899.2	224.4	806.6
1. Education	1,523.4	740.3	187.4	783.1
2. Health and physical education	103.9	91.7	23.8	12.2
3. Discrepancy	78.5	67.2	13.2	11.3
SOCIAL INSURANCE ON WORKERS AND EMPLOYEES		34.3	10.3	(34.3)
DEFENSE, ADMINISTRATION, REGULATION OF NATIONAL ECONOMY, ADMINISTRATION OF SOCIAL AND CULTURAL SERVICES	1,987.3	271.1	51.7	1,716.2
EXPENDITURE ON STATE LOANS	961.8			961.8
TRANSFERS TO OTHER FINANCIAL INSTITUTIONS	1,893.8	1,724.9	247.4	168.9
a. Local budget	1,724.9	1,724.9	247.4	-
b. Social insurance	60.0	-	-	60.0
c. State insurance	28.9	-	-	28.9
d. State bank	80.0	-	-	80.0
SPECIAL STATE RESERVE FUND	-			-
OTHER EXPENDITURES	528.1	138.5	17.7	389.6
TOTAL EXPENDITURE OF UNION REPUBLICS		4,028.0	746.4	
TRANSFERS TO ALL-UNION BUDGET		15.2	13.7	(15.2)
TOTAL EXPENDITURES	30,740.4 <sup>3</sup>			26,697.2
EXCESS OF REVENUES OVER EXPENDITURE	889.1 <sup>4</sup>			889.1
(Balancing) TOTAL	31,629.5 <sup>3</sup>	4,043.2	760.1	27,586.3

TABLE II-F

THE UNIFIED STATE BUDGET AND THE STATE BUDGET OF UKRAINIAN SSR.  
 ANALYSIS OF BUDGETARY EXPENDITURES  
 (in millions of rubles)  
 1928/29 - 1932 Total

Item	Unified State Budget	Total of State Budgets of Union Republics	State Budget of Uk- rainian SSR	All- Union Budget
NATIONAL ECONOMY	57,301.0	3,466.4	600.1	53,834.6
1. Industry, excluding food industry	23,018.7	1,234.4	191.5	21,784.3
a. Heavy industry, excl. electrification	20,008.2 <sup>7</sup>			
b. Light industry	828.1			
c. Timber industries	2,182.3			
2. a. Food industry, domestic trade, supply and procure- ment organizations	6,059.9			6,059.9
b. Foreign trade				
3. Electrification	1,759.3			1,759.3
4. Agriculture	8,646.0	1,790.4	305.2	6,855.6
5. Transport	15,367.5			15,367.5
a. Railways	12,804.5			12,804.5
b. Water transport	1,327.4			1,327.4
c. Land transport	904.6			904.6
d. Air transport	331.0			331.0
6. Communication (posts)	1,787.8			1,787.8
7. Municipal economy and housing <sup>1</sup>	264.5			264.5
8. Loan of economic restoration <sup>2</sup>	123.7			123.7
9. Other expenditures	273.6			273.6
10. Discrepancy		461.2	103.4	(461.2)

(Table II-F Continued)

SOCIAL AND CULTURAL SERVICES	4,568.9	2,549.6	614.4	2,019.3
1. Education	4,073.6	2,103.3	525.7	1,970.3
2. Health and physical education	283.9	260.8	57.6	23.1
3. Discrepancy	211.4	185.5	31.1	25.9
SOCIAL INSURANCE ON WORKERS AND EMPLOYEES		121.2	29.0	(121.2)
DEFENSE, ADMINISTRATION, REGULATION OF NATIONAL ECONOMY, ADMINISTRATION OF SOCIAL AND CULTURAL SERVICES	6,839.0	738.1	137.3	6,100.9
EXPENDITURE ON STATE LOANS	2,168.2	-	-	2,168.2
TRANSFERS TO OTHER FINANCIAL INSTITUTIONS	6,755.6	6,372.6	1,078.6	383.0
a. Local budget	6,372.6	6,372.6	1,078.6	
b. Social insurance	179.6	-		179.6
c. State insurance	79.9			79.9
d. State bank	123.5			123.5
SPECIAL STATE RESERVE FUND	50.0	37.7	13.2	12.3
OTHER EXPENDITURES	1,395.4	320.9	41.2	1,074.5
TOTAL EXPENDITURE OF UNION REPUBLICS		13,606.5	2,513.8	
TRANSFERS TO ALL-UNION BUDGET		217.7	35.8	(217.7)
TOTAL EXPENDITURES	79,078.1			65,253.9
EXCESS OF RESERVE OVER EXPENDITURE	3,148.9			3,148.9
(Balancing) TOTAL	82,227.0	13,824.2	2,549.6	68,402.8

## SOURCES:

Unless otherwise stated, Sotsialisticheskoye stroitel'stvo SSSR, 1934, pp. 442-443, 446-447, 453; Ibid., 1935, pp. 646-647, 654, 655, 661.

<sup>a</sup> Sotsialisticheskoye stroitel'stvo SSSR, 1936, p. 645.

<sup>b</sup> Sotsialisticheskoye stroitel'stvo SSSR, 1935, p. 665, Ibid., 1936, p. 649.

<sup>c</sup> Sotsialisticheskoye stroitel'stvo SSSR, 1935, p. 664, Ibid., 1936, p. 648.

## NOTES:

<sup>1</sup> Beginning with the Fourth Quarter of 1930, financing of housing construction undertaken by the individual branches of the economy is included in financing of those branches.

<sup>2</sup> In Sotsialisticheskoye stroitel'stvo SSSR, 1936, p. 645, included in item 9, other expenditures.

<sup>3</sup> For comparative purposes, this amount should be increased by 2,899.3 million rubles to account for operating expenses and deductions into FUBR by railways, which are excluded from the 1932 budget.

<sup>4</sup> Excluding surpluses of NKPS.

<sup>5</sup> Sotsialisticheskoye stroitel'stvo SSSR, 1936, p. 649 shows 964.2 million rubles.

<sup>6</sup> Sotsialisticheskoye stroitel'stvo SSSR, 1936, p. 648 shows 195.8 million rubles.

<sup>7</sup> It should be noted that 1935 and 1936 editions of Sotsialisticheskoye stroitel'stvo SSSR do not agree with respect to expenditures on heavy industry, including electrification (millions of rubles):

	<u>Sotsialisticheskoye</u> <u>stroitel'stvo SSSR</u>	<u>Sotsialisticheskoye</u> <u>stroitel'stvo SSSR</u>	Difference
	1936, p. 645	1935, p. 651	
1928/29	965.0	888.6	76.4
1929/30	1,861.2	1,731.6	129.6
4th Q., 1930	772.9	700.8	72.1
1931	7,018.7	6,431.2	587.5
1932	<u>11,149.7</u>	<u>10,435.3</u>	<u>714.4</u>
	21,767.5	20,187.5	1,580.0

However, both editions show the same values for total expenditures on industry and trade, as well as all other items in this category. Expenditures on heavy industry exclude expenditures on electrification. Expenditures on heavy industry were computed in the following manner (in millions of rubles):

	Expenditures on Heavy Industry, Including Electrification*	Electri- fication**	Heavy Industry Excluding Electrification
1928/29	965.0	179.3	785.7
1929/30	1,861.2	229.4	1,631.8
4th quarter, 1930	772.9	95.7	677.2
1931	7,018.7	579.8	6,438.9
1932	<u>11,149.7</u>	<u>675.1</u>	<u>10,474.6</u>
	<u>21,767.5</u>	<u>1,759.3</u>	<u>20,008.2</u>

\*Sotsialisticheskoye stroitel'stvo SSSR, 1936, p. 645.

\*\*Sotsialisticheskoye stroitel'stvo SSSR, 1935, p. 646.

These expenditures are listed in the table under a separate heading.

<sup>8</sup> Total of a and b (194.5 + 65.8); however, Sotsialisticheskoye stroitel'stvo SSSR, 1934, p. 453 and 1935, p. 661 show 240.7 million rubles.

TABLE III

INDUSTRIAL OUTPUT  
(in millions of rubles; in prices of 1926/27)

	1928/29	1930	1931	1932
<u>Ukrainian SSR:</u>				
Large-scale industry	3,450.1 <sup>a</sup>	5,217.1 <sup>a</sup>	6,156.2 <sup>1</sup>	6,927 <sup>b</sup>
Group A	1,955.7 <sup>a</sup>	2,834.9 <sup>a</sup>	3,943. <sup>2</sup>	4,198 <sup>c</sup>
Group B	1,494.4 <sup>a</sup>	2,382.2 <sup>a</sup>	2,213.2 <sup>3</sup>	2,729 <sup>c</sup>
Small-scale industry	801.8 <sup>d</sup>		1,602. <sup>9</sup>	
Total	4,251.9 <sup>4</sup>		7,758. <sup>9</sup>	
<u>Union of SSR<sup>e</sup></u>				
Large-scale industry <sup>10</sup>	16,704. <sup>5</sup>	27,477.	33,903.	38,464
Group A <sup>10</sup>	7,757. <sup>5</sup>	14,455.	18,776.	21,942
Group B <sup>10</sup>	8,947. <sup>5</sup>	13,022.	15,127	16,522
Small-scale industry	1,300. <sup>5</sup>		4,700.	4,800
Total	18,000. <sup>5</sup>		38,600.	43,300
<u>Ukrainian SSR as Percentage of the USSR</u>				
Large-scale industry	20.65 <sup>6</sup>	18.99 <sup>8</sup>	18.16	18.01
Group A	25.21 <sup>7</sup>	19.61	21.00	19.53
Group B	16.70	18.29	14.63	16.52
Small-scale industry	61.66		34.04	
Total	23.62		20.10 <sup>f</sup>	

## SOURCES:

<sup>a</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh, p. 52; Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnoho khozyaystva Ukrainskoy SSR, p. 327.

<sup>b</sup> Akademiya Nauk Ukrainskoy SSR, op. cit., p. 392; Great Soviet Encyclopedia, LV, p. 800.

<sup>c</sup> Akademiya Nauk URSR, Narysy rozvytku narodnoho hospodarstva Ukrayins'koyi RSR, p. 321.

<sup>d</sup> Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, p. 269.

<sup>e</sup> Central Administration of Economic and Social Statistics of the State Planning Commission of the USSR, The U.S.S.R. in Figures (1934), pp. 32, 36.

<sup>f</sup> N. Livshyts', "Vazhka promyslovist' Ukrayiny na XV Yuviley Zhovtnya," Hospodarstvo Ukrayiny, 12, 1932, p. 19.

#### NOTES:

<sup>1</sup> Computed as 118 per cent of 1930 industrial output. This ratio of 1931 to 1930 output of Ukraine's "census" industry is given by N. Livshits in his article "Promyslovist' Ukrayiny za 15 rokiv dyktatury proletariyatu," Bil'shovyk Ukrayiny, 19-20, 1932, p. 57.

<sup>2</sup> Estimated as 21.0 per cent of output of Group A in the USSR. The ratio taken from N. Livshits, op. cit., p. 50.

<sup>3</sup> Residual.

<sup>4</sup> It should be noted that B. Sihal reports output of all industry in Ukrainian SSR in this year as 4,429.0 million (chervontsi) rubles (his article "Pryvatnyi kapital na shlahu likvidatsiyi," Bil'shovyk Ukrayiny, 7, 1930, pp. 63-64.

<sup>5</sup> Cited in the source as 1928.

<sup>6</sup> K. Sukhomlin's values yield 19.21 per cent of the USSR, in 1926/27 prices (his article "Dva roky borot'by za pyatrichku ta cherhovi zavdannya yiyi vykonannya," Bil'shovyk Ukrayiny, 9-10, 1930, p. 19. On the other hand H. Oleksyn uses 21.0 per cent which closely approximates our own estimates (H. Oleksyn, "Dvanadtsyat' rokiv sotsiyalistychnoyi promyslovosty," Bil'shovyk Ukrayiny, 20, 1929, p. 10.

<sup>7</sup> N. Livshits (op. cit., p. 50) reports 24.6 per cent.

<sup>8</sup> Values used by K. Sukhomlin (op. cit., p. 19) are in 1926/27 prices. They yield a ratio of 19.52 per cent in 1929/30.



<sup>9</sup> N. Livshyts' points out that Ukraine contributed in 1931 20.1 per cent of the output of all industry of the USSR. Thus, output of Ukraine's small-scale industry is computed as follows: 20.1 per cent of 38.6 billion rubles yields 7,758 million rubles; by deducting from this the output of large-scale industry (6,156.2 million rubles) we obtain 1.6 billion rubles as output of small-scale industry.

<sup>10</sup> Including fisheries and lumber industry.



TABLE IV

RETAIL TRADE TURNOVER OF STATE, CO-OPERATIVE  
AND PRIVATE TRADING ENTERPRISES  
(millions of rubles, in prices of corresponding years)

	1928/29	1930	1931	1932
<u>Ukrainian SSR<sup>a</sup></u>				
Cities:	1,883.8	1,899.1 <sup>c</sup>	2,941.7	4,374.9
State & cooperative	1,493.5	1,797.1 <sup>c</sup>	2,921.1	4,347.9
Private	390.3	102.0 <sup>c</sup>	20.6	-
Villages:	941.3	1,288.9 <sup>c</sup>	1,721.7	2,365.6
State & cooperative	826.2	1,270.2 <sup>c</sup>	1,719.7	2,365.6
Private	115.1	18.7 <sup>c</sup>	2.0	-
All Retail Trade (Excluding Public Catering):	2,825.1 <sup>b</sup>	3,188.0 <sup>2</sup>	4,663.4	6,713.5
State	226.7 <sup>b</sup>	442.7 <sup>2</sup>	959.9	2,319.6
Cooperative	2,093.0 <sup>b</sup>	2,624.6 <sup>2</sup>	3,680.9	4,393.9
Private	505.4 <sup>b</sup>	120.7 <sup>2</sup>	22.6	-
Public Catering	127.9 <sup>1</sup>	220.3 <sup>d</sup>	457.6 <sup>6</sup>	791.9 <sup>d</sup>
Total	2,953.0 <sup>i</sup>	3,408.3 <sup>5</sup>	5,121.0 <sup>6</sup>	7,505.4
<u>USSR</u>				
Cities:	10,494.5 <sup>5</sup>	11,996.3	16,447.0	23,387.8
State & cooperative <sup>g</sup>	7,793.0	11,140.0 <sup>f</sup>	16,447.0 <sup>f</sup>	23,387.8 <sup>f</sup>
Private	2,701.5 <sup>e</sup>	856.3 <sup>f</sup>	-	-
Villages:	4,662.1 <sup>5</sup>	6,629.2	8,278.2	12,116.5
State & cooperative <sup>g</sup>	3,957.0	6,442.5 <sup>f</sup>	8,278.2 <sup>f</sup>	12,116.5 <sup>f</sup>
Private	705.1 <sup>e</sup>	186.7 <sup>f</sup>	-	-
All Retail Trade (Excluding Public Catering):	15,156.6 <sup>g,5</sup>	18,626.0	24,725.2 <sup>f</sup>	35,504.3 <sup>f</sup>

(Table IV Continued)

State <sup>h</sup>	2,409.0 <sup>2</sup>	4,283.0	6,547.0	12,715.0
Cooperative <sup>h</sup>	9,341.0 <sup>2</sup>	13,300.0	18,178.0	22,789.0 <sup>3</sup>
Private	3,406.6 <sup>e</sup>	1,043.0 <sup>f</sup>	-	
Public Catering <sup>g</sup>	350.0	1,290.0	2,740.0	4,852.0
Total	15,506.6 <sup>4,7</sup>	19,916.0 <sup>7</sup>	27,465.2 <sup>7</sup>	40,356.3 <sup>7</sup>

Ukrainian SSR as  
Percentage of the  
USSR

Cities:	17.95	15.83	17.89	18.71
State & cooperative	19.16	16.13	17.76	18.71
Private	14.45	11.91	-	-
Villages:	20.19	19.44	20.80	19.52
State & cooperative	20.88	19.71	20.77	19.52
Private	16.32	10.02	-	-
All Retail Trade (Excluding Public Catering):	18.64	17.12	18.86	18.91
State	9.41	10.34	14.66	18.24
Cooperative	22.41	19.73	20.25	19.28
Private	14.84	11.57	-	-
Public Catering	36.54	17.08	16.70 <sup>6</sup>	16.32
Total	19.04 <sup>4</sup>	17.11	18.65 <sup>6</sup>	18.60

SOURCES:

<sup>a</sup>Upravlinnya Narodno-Hospodars'koho Obliku USRR, Radyans'ka torhivlya USRR, 1936, pp. 203-205, 207, unless otherwise indicated; years 1928/29, 1930 and 1932 also from Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh, 1936, pp. 370-371.

<sup>b</sup>Also, Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, 1954, p. 295.

<sup>c</sup>Also, ibid., p. 357

<sup>d</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USSR v tsyfrakh, 1936, p. 370.

<sup>e</sup>TsUNKhU Gosplana SSSR, Sotsialisticheskoye Stroitel'stvo SSSR, 1934, p. 362.

<sup>f</sup>Also, ibid., 1936, p. 607.

<sup>g</sup>Central Administration of Economic and Social Statistics, The U.S.S.R. in Figures, 1935, pp. 294-295.

<sup>h</sup>Ibid., pp. 296-297.

<sup>i</sup>TsUNKhU Gosplana SSSR, Sotsialisticheskoye Stroitel'stvo Soyuz SSR, 1939, p. 163.

#### NOTES:

<sup>1</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1939, p. 163, indicates all retail Trade, including public catering as 2,953 million rubles. Thus, if we deduct our retail trade, we obtain 127.9 million rubles for public catering.

<sup>2</sup>Indicated in the source as 1928; however, since it is compared (in Upravlinnya Narodno-Hospodars'koho Obliku USSR, Radyans'ka torhivlya USSR, 1936, p. 203) with 2,319.7 million rubles (combined retail trade of state and cooperative enterprises in Ukraine in 1928/29), I believe it represents 1928/29. This belief is also confirmed by similar treatment in TsSU: Sovyetskaya Torgovlya, 1956, p. 31.

<sup>3</sup>Includes 280 million rubles by Workers' Supply Departments.

<sup>4</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1939, p. 149 indicates 15,414 million rubles, in which case Ukraine's share is 19.16%.

<sup>5</sup>Arrived at by adding components.

<sup>6</sup>I was unable to secure the value for public catering sales in Ukrainian SSR in 1931. I believe it to be reasonable to assume that Ukraine's share in 1931 was somewhere between that of 1930 (17.08 per cent) and 1932 (16.32 per cent). Since these ratios are rather close for reasons of convenience I shall use their average, 16.7 per cent. Thus, we obtain the following values for 1931:

	Millions of Rubles	Percentage of USSR
Public catering	457.6	16.70
Total	5,121.0	18.65

The above assumption may be substantiated by the fact that Ukraine's share in public catering sales reveals a tendency to decline at least until 1932. It levels off in 1933. In 1934 it indicates possibility of reversing the trend:

Public catering:	1933	1934
Ukrainian SSR		
(millions of rubles)*	939.1	1,222.2
Union of SSR		
(millions of rubles)**	5,701.0	6,341.0
Ukrainian SSR as a percentage of the USSR	16.47	19.27

\*Upravlinnya Narodno-Hospodars'koho Obliku USRR, Radyans'ka torhivlya USRR, (1936), p. 203.

\*\*Central Administration of Economic and Social Statistics, The U.S.S.R. in Figures (1935), p. 295.

<sup>7</sup>S. N. Prokopovich (Narodnoye Khozyaystvo SSSR, II, p. 179) shows the following values for retail trade turnover in the USSR (in millions of rubles):

	Including Turnover Tax	Net of Turnover Tax
1928	15,507	13,156
1930	19,920	13,185
1931	27,465	15,822
1932	40,357	20,843

TABLE IV-B. RETAIL TRADE TURNOVER OF STATE, CO-OPERATIVE, AND PRIVATE  
TRADING ENTERPRISES

(in millions of rubles; in prices of corresponding years)

	1928/29	1928	1929	1930	1931	1932
<u>Ukrainian SSR</u>						
State and Cooperative	2,319.7	2,414.0	3,082.8	3,556.2	4,985.6	7,003.1
Public Catering	<u>127.9</u>	<u>86.9</u>	<u>233.0</u>	<u>456.6</u>	<u>456.6</u>	<u>814.0</u>
Private	2,447.6	2,500.0	3,205.6	3,789.2	5,442.2	7,817.1
Total	<u>505.4</u>		<u>120.7</u>		<u>22.6</u>	--
	2,953.0		3,909.9		5,464.8	7,817.1
<u>Union of SSR</u>						
State and Cooperative	11,750.0	11,750.0	14,593.7	17,583.0	24,725.2	35,504.3
Public Catering	<u>350.0</u>	<u>350.0</u>	<u>550.0</u>	<u>1,290.0</u>	<u>2,740.0</u>	<u>4,852.0</u>
Private	12,100.0	12,100.0	15,143.7	18,873.0	27,465.2	40,356.3
Total	<u>3,406.6</u>	<u>3,406.6</u>	<u>2,273.4</u>	<u>1,043.0</u>	--	--
	15,506.6	15,506.6	17,417.1	19,916.0	27,465.2	40,356.3
<u>Ukrainian SSR as percentage of the Union of SSR</u>						
State and Cooperative	19.74	20.54	21.12	20.23	20.16	19.72
Public Catering	<u>36.54</u>	<u>24.57</u>	<u>22.33</u>	<u>18.06</u>	<u>16.66</u>	<u>16.78</u>
Private	20.23	20.66	21.17	20.08	19.81	19.37
Total	<u>14.84</u>		<u>11.57</u>		--	--
	19.04		19.63		19.90	19.37

SOURCES:

Ukrainian SSR: 1928/29 and private trade for all years taken from Table IV. RETAIL TRADE. State and cooperative trade and public catering for 1928-1932 from Statystychnye Upravlinnya Ukrayins'koyi RSR, Narodne Hospodarstvo Ukrayins'koyi RSR, p. 393.

Union of SSR: 1928/29, 1930, 1931, 1932 from Table IV. RETAIL TRADE. 1928 and 1929 from: Sotsialisticheskoye Stroitel'stvo, 1936, p. 607 and The U.S.S.R. in Figures, 1935, p. 294.

TABLE V  
OUTPUT OF GRAINS  
(in millions of quintals)

Years	Ukrainian SSR	Union of SSR	Ukrainian SSR as percentage of the USSR
1927 <sup>1</sup>	170.2 <sup>2, a</sup>	743.2 <sup>2, a</sup>	22.9 <sup>j</sup>
1928 <sup>1</sup>	138.9 <sup>2, b</sup>	733.2 <sup>2, c, d</sup>	18.94
1929 <sup>1</sup>	187.0 <sup>k, 5</sup>	717.4 <sup>c, d, f</sup>	26.03 <sup>5</sup>
1930 <sup>1</sup>	230.8 <sup>e</sup>	835.4 <sup>c, d, f</sup>	27.63
1931	183.0 <sup>g, i</sup> - 147.7 <sup>4</sup>	694.8 <sup>d, f</sup>	26.34 - 21.26
1932	146.0 <sup>3, h</sup> - 132.0 <sup>g</sup>	698.7 <sup>d, f</sup>	20.90 - 18.8
1928-1932	885.7 - 836.4	3679.5	24.07 - 22.73

SOURCES:

<sup>a</sup>Gosplan SSSR, Pyatiletniy plan narodno-khozyaystvyennogo stroitel'stva, Third edition, 1930, III, p. 590.

<sup>b</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USRR v Tsyfrakh, p. 215.

<sup>c</sup>Kulikov, P., "Itogi i perspektivy proizvodstva zhyernovykh kul'tur," Planovoye Khozyaystvo, 5, 1932, p. 46.

<sup>d</sup>TsUNKhU Gosplana SSSR, Sotsialisticheskoye stroitel'stvo SSSR, 1936, pp. 342-344; S. N. Prokopovich, Narodnoye khozyaystvo SSSR, I, p. 210.

<sup>e</sup>Berezikov, V. S., "Plyan dal'shoho sotsialistychnoho nastupu v sil's'komu hospodarstvi," Hospodarstvo Ukrayiny, 11-12, 1930, pp. 24-25.

<sup>f</sup>Stalin, J., Report to the Seventeenth Congress of the C.P.S.U. (B). on the work of the Central Committee, p. 54; J. V. Stalin, Works, XIII, p. 326.

<sup>g</sup>Entsyklopediya Ukrayinoznaystva, II, p. 710.

<sup>h</sup>Vsevolod, Holub, "Prychyny holodu 1932-33 roku," Vpered, 10 (94), February, 1958.



<sup>i</sup> Akademiya Nauk Ukrainiskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainiskoy SSR, p. 352.

<sup>j</sup> Gosplan SSSR, op. cit., p. 594.

<sup>k</sup> Akademiya Nauk URSR, Narysy rozvytku narodnoho hospodarstva Ukrayins'koyi RSR, p. 282.

#### NOTES:

<sup>1</sup> These years are sometimes referred to as 1927/28, 1928/29, 1929/30, 1930/31.

<sup>2</sup> Gosplan SSSR, Kontrol'nye tsifry narodnogo khozyaystva SSSR na 1928/29 god, p. 550, quotes as follows (in millions of quintals):

	1927/28	1928/29
Ukrainian SSR	184.05	131.02
Union of SSR	731.29	742.89
Ukrainian SSR/Union SSR	25.1%	17.6%

<sup>3</sup> Akademiya Nauk Ukrainiskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainiskoy SSR, p. 352, shows 147.0 million quintals.

<sup>4</sup> See general note below.

<sup>5</sup> Berezhikov ("Plyan dal'shoho sotsialistychnoho nastupu v sil's'komu hospodarstvi," Hospodarstvo Ukrayiny, 11-12, 1930, pp. 24-25) lists 176.96 million quintals. On the basis of this figure, Ukraine produced in 1929 some 24.67 per cent of grains in the USSR. Five-year averages become as follows: high 23.8 per cent, low 22.46%.

#### GENERAL NOTE:

Information on total area under grain cultures and on the yield per hectare suggests the possibility of verifying the values set forth above. This is attempted below:

	Area under Grain Cultures (000's of Hectares)	Yield per Hectare (in Quin- tals)	Estimated Output of Grains (000's of Quintals)	Differences from Values in the Table Above + or - ( )
Ukrainian SSR	(a)	(b)		(mil. of Ql.'s)
1928***	19658.3	7.1	139574	.7
1929***	20186.7	9.3	187736	.7
1930***	22311.9	10.6	236506	5.7
1931	21097.6	8.7 <sup>c, *</sup>	183549	.5
1932	18124.2	8.1 <sup>c, *</sup>	146806	.8
1928-1932	-	-	894171	8.4
Union of SSR	(a)	(d)		(000's of Ql.'s)
1928	92,172.3	7.9	728,161	(5,037)
1929	96,011.8	7.5	720,089	2,674
1930	101,761.2	8.5	864,970	29,521
1931	104,405.8	6.7	699,519	4,679
1932	99,699.7	7.0**	697,898	(834)
1928-1932			3,710,637	31,003

## SOURCES:

<sup>a</sup>TsUNKhU Gosplana SSSR, Sotsialisticheskoye Stroitel'stvo SSSR, 1934, pp. 4-5.

<sup>b</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USSR y tsyfrakh, pp. 209-210, also Sots. Str., 1934, p. 204. S. V. Syol'ts points out that these yields per hectare represent biological yields and not actually harvested yields (S. V. Shol'ts, Kurs sel'skokhoz-yaystvyennoy statistiki, 1945, p. 56). Although his reference is with respect to yields in the USSR, it is believed that this is also true of the figures reported for Ukrainian Soviet Republic.

<sup>c</sup>Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, p. 352.

<sup>d</sup>TsUNKhU Gosplana SSSR, Sotsialisticheskoye stroitel'stvo SSSR, 1936, pp. 336-337.

## NOTES:

\*S. Kosior ("Pidsumky zahotivel' i zavdannya KP(b)U v borot'bi za pidnesennya sil's'koho hospidarstva Ukrayiny," Bil'shovyk Ukrayiny, 3, 1933, p. 23) reports 7.0 for 1931 and 7.3 for 1932. In this case total output of grains is estimated as 147,683,000 and 132,307,000 quintals respectively. The difference in 1931 is then equal to 35.3 million quintals; the 1932 estimate approximates the lower reported figure of 132 million quintals.

Kosior also stated in the same article that some 30-40 per cent of grain was lost during harvesting in 1931 and 1932. On another occasion (his article, "Pro pidsumky vesnyanoyi zasivnoyi kampaniyi . . . ," Bil'shovyk Ukrayiny, 11-12, 1932, p. 14) he estimated that in 1931 alone some 20-25 million quintals of grains were lost in the harvest. In view of this, it appears that the yields per hectare in Ukraine in 1931 and 1932 which he quotes are actual yields. This probably explains in part substantial differences between our higher and lower values for output of grains in these years.

\*\*P. Kulikov ("Itogi i perspektivy proizvodstva zhyernovykh kul'tur," Planovoye Khozyaystvo, 5, 1932, p. 45) shows 7.7, in which case estimated output is 767,688,000 quintals and the difference becomes 68,956,000 quintals.

\*\*\*May also be referred to by some writers as 1928/29, 1929/30, 1930/31.

It is interesting to note that the differences are minor, accumulating over the entire period to .84 per cent for the USSR and .94 per cent for the Ukraine.

TABLE VI  
GRAIN PROCUREMENTS BY STATE  
(in millions of quintals)

Years	Ukrainian SSR	Union of SSR	Ukrainian SSR as Percentage of the USSR
1927/28	43.5 <sup>1</sup>	110.0	39.55 <sup>4</sup>
1928/29	17.9 <sup>2</sup>	108.0 <sup>5</sup>	16.57 <sup>2</sup>
1929/30	50.0	160.0	31.25
1930/31	77.3 <sup>3</sup>	221.3	34.93
1931	70.0	228.4	30.65
1932	66.0 <sup>6</sup>	185.2	35.64
1928-1932	281.2	902.9	31.14

SOURCES:

<sup>a</sup>UKRAINIAN SSR: 1927/28, 1929/30 and 1930/31 from "Za bil'shovyts'ku orhanizatsiyu ta udarni tempy khlibozahotivel'," Bil'shovyk Ukrayiny, 15, 1932, p. 3; 1928/29 from Ekonomicheskoye Obozreniye, 1, 1930, p. 202; 1931 and 1932 from Entsyklopediya Ukrayinoznnavstva, II, p. 710.

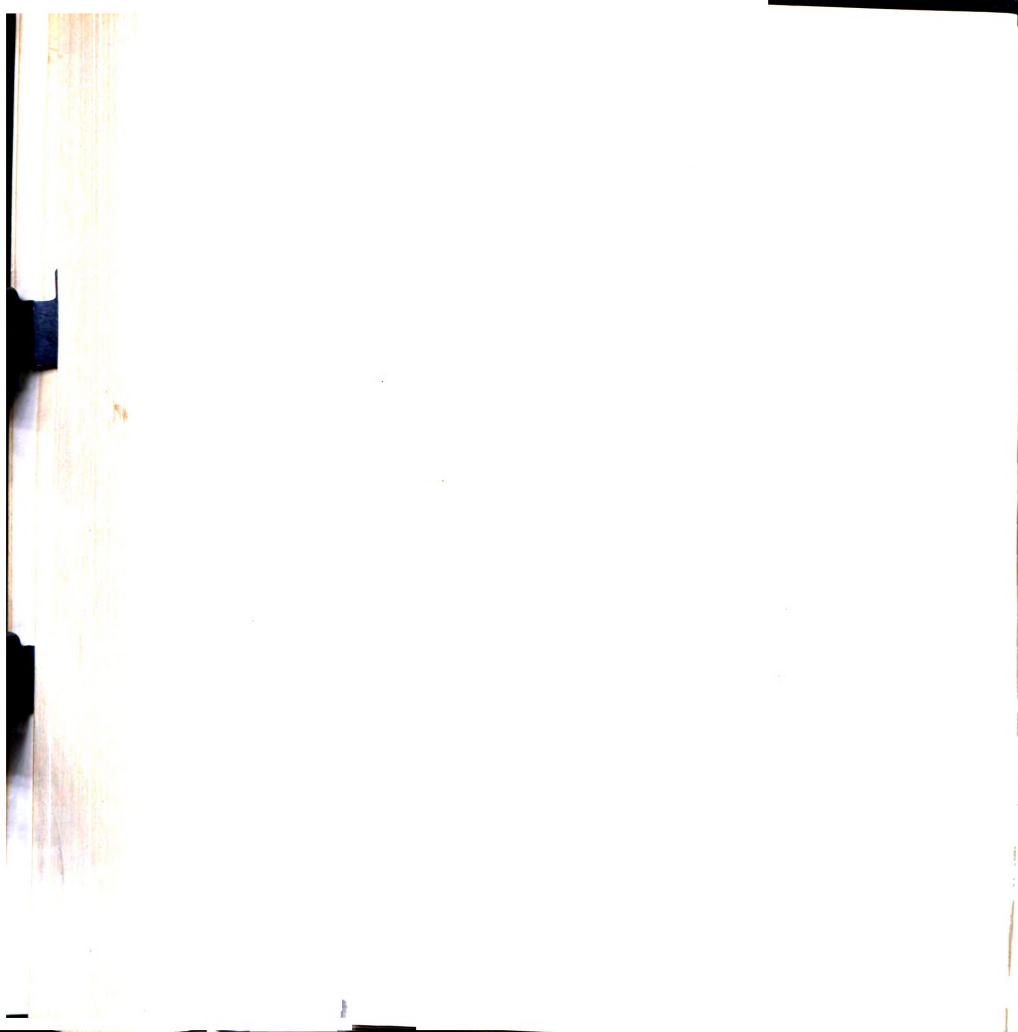
<sup>b</sup>UNION OF SSR: 1927/28 - 1930/31 from A. Sarkis "K khlebozagotovitel'noy kampanii," Planovoye Khozyaystvo, 4, 1932, p. 77; 1931 and 1932 from S. N. Prokopovich, Narodnoye Khozyaystvo SSSR, I, p. 213.

NOTES:

General note: years 1927/28, 1928/29, 1929/30, and 1930/31 are also designated by various authors as: 1927, 1928, 1929, 1930.

<sup>1</sup>Akademia Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, p. 332 indicates only 245 million poods (about 40.8 millions of quintals).

<sup>2</sup>This yields a ratio of 16.57 per cent. It is close to ratios provided by other sources: 16.4 per cent in 1928/29,



30 per cent in 1929/30, and 34.5 per cent in 1930/31 (I. Sapov, "Pidsumky mynuloyi i zavdannya novoyi khlibozahotivel'noyi kampaniyi," Radyans'ka Ukrayina, 6, 1931, p. 26); 16.6 per cent (A. Bryukhanov, "Itogi khlebnoy kampanii 1928/29 goda," Ekonomicheskoye Obozreniye, 1, 1929, p. 133).

<sup>3</sup>V. Holub, in his article "Prychyny holodu 1932/33 roku," (Vpered, 10 (94), 1958), mentions 7.7 million tons. On the other hand, S. V. Kosior values actual fulfillment at 395 million poods (65.8 million quintals) in the "farmers" (selyans'kyi) sector (see his article "Pro pidsumky vesnyanoi zasivnoyi kampaniyi . . .," Bil'shovyk Ukrayiny, 11-12, 1932, p. 13).

<sup>4</sup>This agrees with the ratio of 40 per cent given by Bryukhanov, op. cit., p. 133.

<sup>5</sup>Ekonomicheskoye Obozreniye, 1, 1930, p. 202 reports 97.35 million quintals for the USSR. In this case Ukrainian SSR's share is equal to 18.36 per cent instead of 16.57 per cent as shown in the table.

<sup>6</sup>V. Holub (op. cit.) states that this represents 91 per cent of the plan.



TABLE VII

## WAGE FUND

(in millions of rubles)

	1928	1929	1930	1931	1932
<u>Ukrainian SSR</u>					
All national economy <sup>8</sup>	1,522.0 <sup>a</sup>	1,819.1 <sup>b,4</sup>	2,530.4 <sup>6</sup>	3,964.5 <sup>6</sup>	6,042.5 <sup>c,1</sup>
Including:	624.6 <sup>a</sup>				2,127.5 <sup>c,1</sup>
1. Large-scale industry					418.2 <sup>c,1</sup>
2. Agriculture and timber industry	53.3 <sup>a,9</sup>				
In this: MTS and state farms	45.0 <sup>a</sup>				370.0 <sup>a</sup>
3. Construction	125.0 <sup>a</sup>				812.4 <sup>c</sup>
4. Railroad transportation	143.1 <sup>a</sup>				427.4 <sup>a</sup>
5. Trade					347.8 <sup>a</sup>
6. Education	98.3 <sup>a</sup>				390.1 <sup>b</sup>
<u>Union of SSR<sup>d</sup></u>					
All national economy <sup>8</sup>	8,158.8	9,735.2 <sup>e</sup>	13,597.2	21,394.8	32,737.7
Including:					
1. Large-scale industry	2,695.0	3,222.4	4,413.0	6,494.3	9,547.9
2. Agriculture and timber industry <sup>3</sup>	614.0	776.3	1,168.7	2,319.0	3,721.8
In this: MTS and state farms	113.0	166.3	483.1	1,258.8	2,000.5
3. Construction	720.0	940.0	1,756.1	3,168.7	4,715.9
4. Railroad transportation	834.0	891.0	1,116.6	1,530.1	2,282.9



(Table VII Continued)

5. Trade	416.5	499.9	727.2	1,154.2	1,905.9
6. Education	535.0	645.4	900.9	1,445.2	2,200.0 <sup>2</sup>
<u>Ukrainian SSR as per</u>					
<u>centage of the USSR</u>					
All national economy	18.65	18.69	18.61 <sup>5</sup>	18.53 <sup>5</sup>	18.46
Including:					
1. Large-scale industry	23.18				22.28
2. Agriculture and timber industry	8.68				11.24
In this: MTS and state farms	39.82				18.50
3. Construction	17.36				17.23
4. Railroad	17.16				18.72
5. Trade					18.25
6. Education	18.37				17.73 <sup>7</sup>

## SOURCES:

<sup>a</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh, 1936, p. 397.

<sup>b</sup>Upravlinnya Narodno-Hospodars'koho Obliku, Radyans'ka torhivlya USRR, 1936, p. 138.

<sup>c</sup>Filyapov, M., "Pytannya pratsi ta robitnychoho pobutu v pershiy pyatyrychsi i v 1933 rotsi," Sotsialistychna Ukrayina, 4, 1934, p. 40.

<sup>d</sup>TsUNKhU Gosplana SSSR, Sotsialisticheskoye Stroitel'stvo, 1934, pp. 318-319; Ibid., 1935, pp. 482-483; Central Administration of Economic and Social Statistics, The U.S.S.R. in Figures, 1934, pp. 167-168 (1929); Ibid., 1935, pp. 231-232 (1928, 1930).

<sup>e</sup>K. N. Plotnikov, Byudzhët sovyetskogo gosudarstva, 1945, p. 61.

#### NOTES:

<sup>1</sup>According to Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh, 1936, p. 397, wage fund for the entire economy was 5,999.1 million rubles; agriculture and timber --419.8 million rubles; large-scale industry--2,126.5 million rubles; and construction--849.4 million rubles.

<sup>2</sup>Our source shows 2,800 million rubles. However, for reasons of comparability, I have deducted 600 million rubles paid to persons "engaged in 'education' in other branches." Such payments were not accounted for in prior years (Sotsialisticheskoye stroitel'stvo SSSR, 1935, pp. 482-483).

<sup>3</sup>Values for 1928-1930 exclude wage payments to employees with own horses in the timber industry. Such payments are included in subsequent years.

<sup>4</sup>Ukrainian Academy of Sciences (Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, 1954, p. 359) reports 1.8 billion rubles.

<sup>5</sup>Information on average wages in Ukraine and in the USSR reveals that the average wage was growing in Ukraine at a slower rate than in the USSR. Since the average wage for the whole economy of Ukraine in 1932 was below the corresponding amount for the Soviet Union, whereas in 1929 it was still reported about 2 per cent above that of the USSR, the average wage in Ukraine must have decreased relative to the average wage in the USSR for the first time during 1930 or 1931. Inasmuch as there were no significant changes reported in total employment in Ukraine relative to the USSR in this period, it may be reasonable to assume that Ukraine's share in the total wage fund of the USSR in 1930 and 1931, in accordance with the established downward trend, was somewhere between the 1929 (18.69 per cent) and 1932 (18.46 per cent). Inasmuch as these ratios are quite close, for reasons of convenience the wage fund in Ukraine for 1930 and 1931 is

determined by interpolation from 1929 and 1932 figures. Thus, according to arithmetic regression, the following ratios are applicable: 1929 - 18.69 per cent; 1930 - 18.61 per cent; 1931 - 18.53 per cent; and 1932 - 18.46 per cent.

<sup>6</sup>Computed by applying appropriate ratios (see note, (5) above) to the Wage Fund of the USSR, e.g., 13,597.2 million rubles in 1930 and 21,394.8 million rubles in 1931. It is interesting to note that the State Planning Commission places total wage fund in Ukraine in one of its diagrams, at 2.5 billion rubles in 1930 and 3.75 billion rubles in 1931 (Derzhavna Plyanova Komisiya, Sotsiyalistychnye budivnytstvo na Ukrayini, 1932, diagram 73).

<sup>7</sup>13.93 per cent, based on total of 2.8 billion rubles.

<sup>8</sup>It may be desirable to verify the wage fund for the entire economy on the basis of other information available:

	Workers and Employees  (000's of persons)*	Average Wage  (rubles)*	Total Wage Fund  (millions of rubles)	Difference from Figures in Table Above (millions of rubles)
<u>Ukrainian SSR</u>				
1928	2,020.3	753	1,521.3	(.7)
1929 a)	2,228.1	815	1,815.9	(3.2)
b)	2,424.0	815	1,975.6	156.5
1932 a)	4,361.1	1,384	6,035.8	(6.7)
b)	4,435.5	1,384	6,138.7	96.2
<u>Union of SSR</u>				
1928	11,599.0	703	8,154.1	(4.7)
1929	12,167.9	800	9,743.3	8.1
1930	14,530.9	936	13,600.9	3.7
1931	18,989.5	1,127	21,401.2	6.4
1932	22,942.8	1,427	32,739.4	1.7

\*Sources: Table VIII. EMPLOYMENT STATISTICS.  
Table IX. AVERAGE EARNINGS OF WORKERS AND  
EMPLOYEES.



<sup>9</sup>Does not include earnings of laborers employed on privately owned farms (M. Filyapov, "Pytannya pratsi ta robitnychoho pobutu v pershiy pyatyrichtsi i v 1933 rotsi," Sotsialistychna Ukrayina, 4, 1934, p. 40).

TABLE VIII

## EMPLOYMENT STATISTICS

(wage earners in thousands of persons)

	1928	1929	1930	1931	1932
<u>Ukrainian SSR</u>					
All branches of national economy	2,020.3	2,424.0 <sup>3</sup>	2,835.0	3,663.1	4,435.5 <sup>2</sup>
In this: a) Agriculture	167.1 <sup>1</sup>	367.4	316.1	433.2	603.8
incl.: MTS and state farms	147.4	172.2	202.2	363.2	536.8
b) Large-scale industry	687.5	750.5	976.1	1,240.0	1,385.4
c) Construction	122.5	166.5	264.0	448.5	615.7
d) Railroad transportation	190.6	179.6	210.9	275.1	306.2
e) Trade	123.3 <sup>a</sup>	125.0	162.6	219.3	302.7
f) Communication		18.5	28.8	33.4	35.9
g) Education	148.3	157.9	172.5	207.8	237.9
<u>Union of SSR</u>					
All branches of national economy	11,599.0	12,167.9	14,530.9	18,989.5	22,942.8
In this: a) Agriculture	1,676.0	1,575.6	1,552.7	2,059.7	2,857.5
incl.: MTS and state farms	345.4	416.4	795.0	1,601.1	2,370.7
b) Large-scale industry	3,096.0	3,365.9	4,263.8	5,483.3	6,481.3
c) Construction	723.0	917.8	1,623.4	2,548.9	3,125.8
d) Railroad transportation	971.0	984.0	1,084.0	1,320.2	1,526.5
e) Trade	532.0	626.5	814.7	1,077.9	1,410.8
f) Communication	95.0	119.9	153.4	197.2	224.3
g) Education	789.0	819.0	920.8	1,153.3	1,347.2
<u>Ukrainian SSR as percentage of USSR</u>					
All branches of national economy	17.42	19.92 <sup>3</sup>	19.51	19.29	19.33 <sup>4</sup>
In this: a) Agriculture	9.97	23.32	20.37	21.03	21.13
incl.: MTS and state farms	42.68	41.35	25.43	22.68	22.64
b) Large-scale industry	22.21	22.30	22.89	22.61	21.38

(Table VIII Continued)

b) Large-scale industry	22.21	22.30	22.89	22.61	21.38
c) Construction	16.94	18.14	16.26	17.60	19.70
d) Railroad transportation	19.63	18.25	19.46	20.84	20.06
e) Trade		19.95	19.96	20.35	21.46
f) Communication		15.57	18.77	16.94	16.01
g) Education	18.80	19.28	18.73	18.02	17.66

## SOURCES:

Ukrainian SSR: 1928: Upravlinnya Narodno-Hospodars'koho Obliku, USSR v tsyfrakh, 1936, p. 392; 1929-1932: Sotsialisticheskoye Stroitel'stvo, 1934, pp. 311, 313, 315; 1929 and 1932 only: Central Administration of Economic and Social Statistics, The U.S.S.R. in Figures, 1934, pp. 149, 151, 158, 160.

Union of SSR: Sotsialisticheskoye Stroitel'stvo, 1934, pp. 306-307; Sotsialisticheskoye Stroitel'stvo, 1936, p. xxxiv; The U.S.S.R. in Figures, 1935, pp. 226-229.

<sup>a</sup> Upravlinnya Narodno-Hospodars'koho Obliku URSS, Sotsialistychna Ukrayina, 1937, p. 111.

## NOTES:

<sup>1</sup> Includes timber industry.

<sup>2</sup> It should be indicated that Upravlinnya Narodno-Hospodars'koho Obliku, USSR v tsyfrakh, 1936, p. 392 shows the following variations for 1932 from those quoted above: all national economy--4,361.1; construction--573.9; agriculture and timber--607.6; state farms and MTS--551.6.

<sup>3</sup> Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, 1954, p. 275 quotes a total of 2,228.1. This gives us for Ukraine 18.31 per cent of the all-Union total. However, The U.S.S.R. in Figures (1934, p. 149) confirms the following figures: 2,424.0 in 1929 and 4,435.0 in 1932.

<sup>4</sup> 19.01 per cent based on 4,361,100 workers and employees in Ukraine. See note 2, above.

TABLE IX  
AVERAGE ANNUAL EARNINGS OF WORKERS AND EMPLOYEES  
(in rubles)

	1928	1929	1930	1931	1932
<u>Ukrainian SSR</u>					
All branches of national economy	753 <sup>a</sup>	815 <sup>b,2</sup>	892.6 <sup>1</sup>	1,082.3 <sup>1</sup>	1,384 <sup>a,2</sup>
Incl.: Large-scale industry	908 <sup>a</sup>	983 <sup>b,5</sup>			1,536 <sup>a</sup>
Construction	1,020 <sup>a</sup>	1,050 <sup>e</sup>			1,498 <sup>a,3</sup>
Railroad transportation	756 <sup>c</sup>				1,392 <sup>c</sup>
Water transportation	984 <sup>c</sup>				1,608 <sup>c</sup>
Trade	-				1,152 <sup>c</sup>
Education	663 <sup>a</sup>				1,640 <sup>a</sup>
Agriculture and forestry	319 <sup>a</sup>				686 <sup>a</sup>
incl.: State farms	300 <sup>c</sup>	} 302 <sup>f</sup>			648 <sup>c,4</sup>
MTS	-				984 <sup>c,4</sup>
<u>Union of SSR<sup>d</sup></u>					
All branches of national economy	703	800	936	1,127	1,427 <sup>6</sup>
Incl.: Large-scale industry	870	957	1,035	1,184	1,473
Construction	996	1,025	1,082	1,243	1,509
Railroad transportation	859	906	1,030	1,159	1,496
Water transportation	899	1,031	1,162	1,273	1,509
Trade	783	798	893	1,071	1,351
Education	678	788	978	1,253	1,633
Agriculture	290	363	557	786	866
incl.: State farms and MTS	327	399	608	786	844
Forestry	395	493	497	817	1,094



## SOURCES:

<sup>a</sup>M. Filyapov, "Pytannya pratsi ta robitnychoho pobutu v pershiy pyatyrichtsi i v 1933 rotsi," Sotsialistycyna Ukrayina, 4, 1934, p. 40.

<sup>b</sup>Akademiya Nauk Ukrainskoy SSR, Ocherki razvitiya narodnogo khozyaystva Ukrainskoy SSR, 1954, p. 279.

<sup>c</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh, 1936, p. 398.

<sup>d</sup>Sotsialisticheskoye Stroitel'stvo, 1936, pp. 512, 513; years 1928 and 1930 only: Central Administration of Economic and Social Statistics, The U.S.S.R. in Figures, 1935, pp. 233, 234; 1929 only: The U.S.S.R. in Figures, 1934, pp. 169-170, 171, 173, 175, 177.

<sup>e</sup>The U.S.S.R. in Figures, 1934, p. 174.

<sup>f</sup>Ibid., p. 176.

## NOTES:

<sup>1</sup>Estimated in the following manner:

	1930	1931
<u>Wage Fund (in millions of rubles)</u>	<u>2,530.4*</u>	<u>3,964.5*</u>
<u>Employees (in thousands of persons)</u>	<u>2,835.0**</u>	<u>3.663.1**</u>

\* See Table VII, WAGE FUND.

\*\* See Table VIII, EMPLOYMENT STATISTICS

<sup>2</sup>The U.S.S.R. in Figures, 1934, p. 172 cites 769 rubles for Ukrainian SSR in 1929 and 1,420 rubles in 1932. The wages in 1929, according to this source, were computed for the entire national economy "exclusive of lumber workers using own horses, and exclusive of remuneration in kind to domestic help."

<sup>3</sup>The U.S.S.R. in Figures, 1934, p. 174 shows 1,484 rubles.

<sup>4</sup>Average earnings on MTS and state farms was 661 rubles (The U.S.S.R. in Figures, 1934, p. 174).

<sup>5</sup>The U.S.S.R. in Figures, 1934, p. 178 shows 988 rubles in 1929 and 1,535 rubles in 1932.

<sup>6</sup>1,466 rubles according to The U.S.S.R. in Figures, 1934, p. 177.

TABLE X  
POPULATION  
(in thousands of persons)

Years	Urban	Rural	Total
<u>Ukrainian SSR</u>			
Jan. 1, 1914	5,607.2 <sup>a</sup>	21,140.8 <sup>a</sup>	26,748.0
Dec. 17, 1926	4,931.0 <sup>a, 1</sup>	24,112.4 <sup>a</sup>	29,043.3
April 1, 1928	5,714 <sup>b</sup>	24,142 <sup>b</sup>	29,856 <sup>b</sup>
Jan. 1, 1928	n.a.	n.a.	n.a.
Jan. 1, 1929	5,349.7 <sup>a, d</sup>	24,905.0 <sup>a, d</sup>	30,254.7 <sup>d</sup>
Jan. 1, 1930	n.a.	n.a.	n.a.
Jan. 1, 1931	6,490 <sup>e, 1</sup>	24,910 <sup>e</sup>	31,400 <sup>e, f</sup>
Jan. 1, 1932	n.a.	n.a.	31,800 <sup>f</sup>
Jan. 1, 1933	7,158.7 <sup>a, d, 3</sup>	24,472.7 <sup>d, 4</sup>	31,900 <sup>d, f, 1, 4</sup>
<u>USSR</u>			
Jan. 1, 1914	24,686.6 <sup>a</sup>	114,626 <sup>a</sup>	139,312.6
Jan. 1, 1926	25,321.5 <sup>a, 1</sup>	121,706.4 <sup>a</sup>	147,027.4
April 1, 1928	27,871 <sup>b</sup>	123,456 <sup>b</sup>	151,327 <sup>b</sup>
Jan. 1, 1929	27,630.2 <sup>a, 2</sup>	126,657.5 <sup>a, 2</sup>	154,287.7 <sup>2</sup>
Jan. 1, 1930	29,420.6 <sup>c</sup>	128,023.3 <sup>c</sup>	157,444 <sup>c</sup>
Jan. 1, 1931	31,855.8 <sup>c, 1</sup>	128,574.5 <sup>c</sup>	160,430 <sup>c</sup>
Jan. 1, 1932	35,623.1 <sup>c</sup>	127,543 <sup>c</sup>	163,166 <sup>c</sup>
Jan. 1, 1933	39,739.2 <sup>a, 2, 3</sup>	126,009.2 <sup>a, 2</sup>	165,748.4 <sup>1, 5</sup>
<u>Ukrainian SSR as percentage of the USSR</u>			
Jan. 1, 1914	22.71	18.44	19.20
Dec. 17, 1926	19.47	19.81	19.75
April 1, 1928	20.50	19.56	19.73
Jan. 1, 1928	n.a.	n.a.	n.a.
Jan. 1, 1929	19.36	19.66	19.61
Jan. 1, 1930	n.a.	n.a.	n.a.

(Table X Continued)

Jan. 1, 1931	20.37	19.37	19.58
Jan. 1, 1932	n.a.	n.a.	19.49
Jan. 1, 1933	18.01	19.63	19.25

n.a. = not available

#### SOURCES:

<sup>a</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1934, p. 354.

<sup>b</sup>Gosplan SSSR, Pyatiletniy plan narodno-khozyaystvyyenogo stroitel'stva SSSR, III, pp. 552-553.

<sup>c</sup>S. N. Prokopovich, Narodnoye Khozyaystvo SSSR, I, p. 68.

<sup>d</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh, p. 388; for 1929 also Naukove Tovarystvo im. Shevchenka, Entsyklopediya Ukrayinoznavstva, I, p. 152.

<sup>e</sup>Naukove Tovarystvo im. Shevchenka, Entsyklopediya Ukrayinoznavstva, I, p. 152.

<sup>f</sup>Vsevolod Holub, "Prychyny holodu 1932-33 roku," Vpered, 10 (94), February, 1958, pp. 6-7.

<sup>g</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1935, pp. XLVIII-L

#### NOTES:

<sup>1</sup>M. Avdiyenko shows the following town population (in thousands of persons):

	Ukrainian SSR	USSR	Ukrainian SSR/USSR
1926	4,660.9	20,798.0	22.41%
1931	6,098.9	27,636.9	22.08%

His article "Sdvigi v strukture proletariata v pyervoy pyatiletke," Planovoye Khozyaystvo, 6-7, 1932, p. 164.

<sup>2</sup>S. N. Prokopovich (op. cit., p. 68) quotes for the USSR as follows (in thousands of persons):

	Urban	Rural	Total
January 1, 1929	27,718.6	126,477.2	154,196.0
January 1, 1933	38,351.7	127,329.5	165,681.0

<sup>3</sup>Upravlinnya Narodno-Hospodars'koho Obliku, USRR v tsyfrakh, p. 169 indicates that this is equal to 17.8 per cent of the USSR. Accordingly, the USSR urban population would be 40,219.1 million persons.

<sup>4</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1934, p. 354 shows for Ukraine: 24,527.6 for urban population and 31,683.3 for total population. These values yield 19.46 per cent and 19.11 per cent of the USSR respectively.

<sup>5</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1935, pp. XLVIII-L, quotes for Ukraine 31,901.4 million persons.



TABLE XI

## CAPITAL INVESTMENTS

(in millions of rubles; in current prices)

	1928/29	1929/30 Including IV.Q.1930	1930	1931	1932	1928/29 to 1932
<u>Ukrainian SSR</u>						
1. Whole economy <sup>a</sup>	1,051.2 <sup>1</sup>	2,073.3 <sup>2,3</sup>	1,989.4 <sup>b</sup>	2,599.1 <sup>4</sup>	3,665.4	9,389.0
2. Industry <sup>a</sup>	591.5 <sup>5</sup>	1,136.1 <sup>2,5</sup>		1,512.8	2,161.0	5,401.4
Planned industry			885.0 <sup>b,c</sup>	1,465.6 <sup>c,6</sup>		
Group A			787.3 <sup>b,c</sup>	1,315.7 <sup>c,6</sup>		
Group B			97.7 <sup>b,c</sup>	149.9 <sup>c,6</sup>		
3. Agriculture <sup>a</sup>	150.7 <sup>1</sup>	328.5 <sup>2</sup>	241.6 <sup>7,8</sup>	443.1	480.0	1,402.3
State farms:						
Republican authority			59.2 <sup>7</sup>	69.1 <sup>d,10</sup>	77.9 <sup>d,10</sup>	
Union authority			33.1 <sup>9</sup>	100.0 <sup>d,10</sup>	152.0 <sup>d,10</sup>	
4. Transportation <sup>a</sup>	153.9 <sup>11</sup>	326.1 <sup>2,11</sup>		372.9	571.8	1,424.7
5. Communications			20.0 <sup>b,e</sup>	30.0 <sup>e,6</sup>		
<u>USSR</u>						
1. Whole economy	5,230 <sup>f</sup>	11,503 <sup>12</sup>		15,681 <sup>h</sup>	20,086 <sup>h</sup>	52,500 <sup>i</sup>
2. Industry				7,407 <sup>j</sup>	10,431 <sup>j</sup>	24,800 <sup>i</sup>
Planned industry			3,800 <sup>c</sup>	6,600 <sup>c,6</sup>		
3. Agriculture						10,800 <sup>i</sup>
4. Transportation	1,205 <sup>9</sup>	2,029 <sup>12</sup>	1,800 <sup>e</sup>	2,874 <sup>h</sup>	3,692 <sup>h</sup>	9,800 <sup>i</sup>
5. Communications			132 <sup>e</sup>	260 <sup>e,6</sup>		255

(Table XI Continued)

Ukraine as percentage of the USSR

1. Whole economy	20.00	18.02	16.57	18.24	17.90
2. Industry			20.42	20.72	21.77
Planned industry		23.29	22.21		
3. Agriculture					12.96
4. Transportation	12.77	16.02	12.98	15.49	14.29
5. Communications		15.15	11.54		

## SOURCES:

<sup>a</sup>Upravlinnya Narodno-Hospodars'koho Obliku URSS, Sotsialistychna Ukrayina, p. 9; these values represent investments in socialist economy, excluding capital investments in the railroad line Moscow-Donbas, collective farmers' labor on construction in the collective farms, and labor of population in the construction of roads.

<sup>b</sup>V. P. Akulenko, "Kapital'ne budivnytstvo Ukrayiny na 1931 rik," Hospodarstvo Ukrayiny, 11-22, 1930, p. 31.

<sup>c</sup>Semen Hutsulyak, "Narodn'yo-hospodarchyi plan na tretiy vyrishal'nyi rik pyaty-richky," Bil'shovyk Ukrayiny, 1, 1931, p. 27.

<sup>d</sup>A. Slipans'kyi, "Sil's'ke gospodarstvo Ukrayiny XV rokovyn zhovtnya," Hospodarstvo Ukrayiny, 12, 1932, p. 101.

<sup>e</sup>Semen Hutsulyak, op. cit., p. 28.

<sup>f</sup>G. M. Krzhizhanovskiy, "Khrebtovyi god pyatiletki," Planovoye Khozyaystvo, 11, 1929, p. 12.

<sup>g</sup>G. M. Krzhizhanovskiy, ibid., p. 13.

<sup>h</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1935, p. 464; ibid., 1936, p. 384.

<sup>i</sup>Gosudarstvyennaya Planovaya Komissiya pri Sovyete Narodnykh Komissarov Soyuza SSR, Itogi vypolneniya pyervogo pyatiletnyego plana razvitiya narodnogo khozyaystva Soyuza SSR, p. 253.

<sup>j</sup>Sotsialisticheskoye Stroitel'stvo SSSR, 1936, p. 384.

# NOTES:

<sup>1</sup>S. Hutsulyak ("Perspektyvy sotsiyalistychnoho budivnytstva na Ukrayini v 1929/30 r." Hospodarstvo Ukrayiny, 7-8, 1929, p. 11) reports 194 million rubles for agriculture and 904 for the rest of the economy. Investments in agriculture are composed of 71.3 million rubles in socialized sector and 112.7 million rubles in the private sector.

<sup>2</sup>Includes the 4th quarter of 1930, a total of 15 months.

<sup>3</sup>Actual capital investments in Ukraine's economy in 1929/30 are valued at 1,598 million rubles, or some 41.4 per cent increase over 1928/29 ("Tretiy vyrishal'nyi rik sotsiyalistychnoho nastupu," Bil'shovyk Ukrayiny, 1, 1931, p. 5). A. Rekis ("Kvartal bol'shevitskogo shturma," Hospodarstvo Ukrayiny, 8-9, 1930, p. 33) confirms this by mentioning about 1.6 billion rubles. It is also very close to 1,564 million rubles, or 75 per cent fulfillment of the investment plan of 2,085 million rubles. (See S. Hutsulyak, "Pidsumky druhoho roku pyatyrychky i plan na osinniy kvartal 1930 roku," Hospodarstvo Ukrayiny, 8-9, 1930, p. 12.

<sup>4</sup>Ya. M. Dudnyk ("Zavdannya plyanu narodnogo hospodarstva Ukrayiny na 1932 rik," Hospodarstvo Ukrayiny, 1-2, 1932, p. 15) reports 2,695 million rubles actual investments during the year.

<sup>5</sup>Semen Hutsulyak ("Narodn'yo-hospodarchyi plan na tretiy vyrishal'nyi rik pyatyrychky," Bil'shovyk Ukrayiny, 1, 1931, p. 27), points out that capital investments in Ukraine's industry during the first two years of the five-year plan (1928/29 - 1929/30) reached 1,556 million rubles (in 1928 prices). Thus, according to this source, actual investments during the last quarter of 1930 were probably in the vicinity of 170 million rubles.

<sup>6</sup>Plan figures.



<sup>7</sup>Computed from percentages supplied by A. Slipans'kyi in his article, "Sil's'ke hospodarstvo Ukrayiny XV rokovyn zhovtnya," Hospodarstvo Ukrayiny, 12, 1932, p. 101.

<sup>8</sup>V. P. Akulenko ("Kapital'ne budivnytstvo Ukrayiny na 1931 rik," Hospodarstvo Ukrayiny, 11-12, 1930, p. 31), lists 360 million rubles. However, per Hutsulyak ("Narodn'yo-hospodarchyi plan na tretiy vyrishal'nyi rik pyatyrichky," Bil'shovyk Ukrayiny, 1, 1931, p. 28), the 360 million rubles include livestock breeding and building the necessary shelters; his figures yield the following ratios for Ukraine: 18.0 per cent in 1930 and 15.1 for 1931.

<sup>9</sup>It should be noted that A. Rekis ("Kvartal bol'shevitskogo shturma," Hospodarstvo Ukrayiny, 8-9, 1930, p. 34), indicates a round figure of 700 million rubles. Both Hutsulyak and Rekis quote from the investment plan.

<sup>10</sup>Capital investments in state farms are computed from percentages given by A. Slipans'kyi (op. cit., p. 101). They are as follows:

	-----1931-----		-----1932-----	
	Percentages of Total Investment in Agriculture	Millions of Rubles	Percentages of Total Investment in Agriculture	Millions of Rubles
State farms of republican importance	15.9	70.453	18.4	88.320
State farms of Union importance	21.4	94.823	35.7	171.360
		<hr/> 165.276		<hr/> 259.680

It is evident that the discrepancy between these figures and the values quoted in the body of this table for 1931 is a minor one--3.8 million rubles. The date of publication of Slipans'kyi's article (1932) suggests that his 1932 figures probably represented preliminary estimates and, therefore, should be viewed with caution.

<sup>11</sup>This includes 30.6 million rubles of investment in transportation other than railroads in 1928/29. A comparable figure in the plan for 1929/30 is 53.7 million rubles (M. Vasylenko, "Pidsumky druhoyi sesiyi VUTsVK-u ta TsVK-u Soyuzu," Bil'shovyk Ukrayiny, 24, 1929, p. 21). On the other hand, S. Hutsulyak ("Osnovni problemy kontrol'nykh tsyfr narodn'yoho hospodarstva USRR na 1929/30 r.," Bil'shovyk Ukrayiny, 23, 1929, p. 17), lists investments in transportation in 1928/29 as 165.2 million rubles; this includes investments in railroads to the extent of 127.8 million rubles.

<sup>12</sup>Obtained by deducting the 1928/29, 1931 and 1932 investments from their total for the entire first five-year plan period.



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