

## PROBLEMS OF RUSSIAN AND SOVIET ECONOMY IN B.D. BRUTZKUS'S WORKS

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### Abstract

One of the leading representatives of the liberal current in economics of the 1920s and 1930s, B.D. Brutzkus gained wide recognition as a penetrating researcher into the Soviet economy. This article examines his assessment of the agrarian policies of the Bolsheviks in the first years of the Soviet state and his criticism of “War Communism” policies, and analyzes his articles published in the most popular Russian émigré journal *Sovremennye Zapiski* (Contemporary Papers), criticizing Soviet planning and Stalinist industrialization and collectivization. It also notes the milestones of Brutzkus’ life, with a detailed description of how his arrest and deportation was arranged. In addition, the article covers his rejection of not only socialism, but extreme forms of economic liberalism, and details the fate of B.D. Brutzkus’ creative legacy in the USSR and post-Soviet Russia.

**Keywords:** “War Communism” policy, New Economic Policy, Journal “Annales Contemporaines”, Five-Year Plan

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### A short biographical sketch

Boris Davidovitch Brutzkus was born in 1874 in Palanga (Lithuania) into the family of an amber graver. In 1898 he graduates *cum laude* from the Institute of Agriculture and Forestry in Novaya Alexandria (Pulawy, Poland). Having received the degree of the “learned agronomist of the first class” upon the graduation Brutzkus moved to St Petersburg. In 1902 –1908 he headed the farming services of the Russian Jewish Colonization Association (JSA). In 1909 – 1918 he worked for various insurance companies. At the end of 1907 he became a lecturer at the Higher Agricultural Courses (later Petrograd Agricultural Institute). After the February Revolution of 1917 he received professorship. In 1921-1922 he was the dean of the Agricultural Economy Department at Petrograd Agricultural Institute. In 1922 he chaired the Agricultural Planning Commission for Petrograd Province at the People’s Commissariat of Agriculture. In 1922 he was expelled from Russia to Germany. Prior to the fascist coup he was a professor at the Russian Scientific Institute in Berlin and also taught at the Yiddish University in Vilnius. In 1935 he emigrated to Palestine where he headed the Department of Agricultural Economy and Policy at the Jewish University in Jerusalem. Brutzkus died in 1938 in Jerusalem.

The main areas of Brutzkus’ scholarly activity include:

- critique of the theoretical basis and fundamental principles of the economic policy pursued by the Soviet power;
- agricultural economy;
- problems of Jewish economy and demography, Jewish colonization.

### Problems of Jewish colonization and demography (pre-revolutionary period)

As early as at the end of the 19<sup>th</sup> century Brutzkus begins to cooperate with the Jewish Colonization Association (JCA). These years JCA subjected the Jewish economic situation in Russia to inquiry. The findings were published in the voluminous “Sbornik materialov ob ekonomicheskom polozenii yevreyev v Rossii” (“Selected Materials about the Economic Situation of Jews in Russia”). The section dedicated in this fundamental paper to agriculture was prepared by Brutzkus.

In 1897 the first ever census was conducted in Russia. It provided valuable information including the data about the Jewish population of Russia so the JCA performed a number of detailed studies using the findings of the census. Two of such studies – “Professionalny sostav yevreyskogo naseleniya Rossii” (“The Professional Composition of the Jewish Population of Russia”) (1908) and “Statistika yevreiskogo naseleniya” (“The Jewish Population Statistic”) (1909) were carried out by Brutzkus.

Working for the JCA Brutzkus visited virtually all the Jewish settlements in Russia. And wherever he went he would render practical agricultural and zootechnical assistance to the people, so it was not only from books that he learnt about the actual life of the Jewish rural population. Thus, his numerous works on the Jewish settlements – “O metodakh yevreyskoi kolonizatsii” (“On the Methods of the Jewish Colonization”), (1899), “Yevreyskiye zemledelcheskiye kolonii” (“The Jewish Agricultural Colonies”) (1909), “Yevreyskiye zemledelcheskiye poseleniya Yekaterinoslavskoi gubernii” (“The Jewish Agricultural Settlements of the Yekaterinoslavskaya Province) (1913), and others – which were based not only on a skilful analysis of the exhaustive statistical data but also on the results of his own massive observations, were of great scholarly value.

### **Agrarian problems**

Having received agricultural education Brutzkus always paid special attention to the problems of agricultural economy and by 1917 he was a well-known specialist in this field. So when in April 1917 following the February Revolution a group of Moscow agricultural scholars initiated the establishment of the League of Agrarian Reforms aimed at bringing together all Russian specialists in agriculture irrespective of their party membership and concentrating their efforts on the practical development of the agricultural reform, Brutzkus immediately joined this public association and started active work. At that time both the content and the main focus of the agricultural reform was the subject of an acute political and, hence, theoretical debate. In numerous discussions as well as in his articles and brochures written during his time with the League in 1917, including, in particular, “Obobschestvleniye zemli i agrarnaya reforma” (Socialization of Land and Agrarian Reform), “Ocherk agrarnoi politiki inostrannykh gosudrstv i Rossii” (An Overview of the Agrarian Policy of the Foreign States and Russia), “Ocherk zemelnoi politiki inostrannykh gosudrstv” (An Overview of the Land Policy of the Foreign States), etc., Brutzkus advocated a moderate model of the agrarian reform relying on a comprehensive development of labour peasant farms.

After the Bolsheviks came to power the League of Agrarian Reforms was dissolved and it became dangerous to openly express anti-Bolshevik views. At that time Brutzkus, among other things, concentrates on systematizing his theoretical views on the agrarian reform and agrarian policy. His principle stance on those issues - his resolute rejection of the communal form of land ownership, in particular, was most fully and comprehensively discussed in his “Agrarny vopros i agrarnaya politika” (The Agrarian Issue and Agrarian Policy) (1922) and “Ekonomiya sel'skogo khozyastva. Narodnokhozyastvenniye osnovi” (The Economy of Agriculture. Foundations of the National Economy). The latter work was first published in German emigration in 1923 and in 1924 it was translated in the Soviet Russia and for some years was used as a textbook by agricultural educational institutions. But in 1928 this book was withdrawn from the Soviet libraries. The agrarian problems are also discussed in many of his articles published in such magazines as “Vestnik sel'skogo khozyastva” (“The Agricultural Bulletin”), “Agronomicheskii zhurnal” (The Agronomical Magazine) and others as well as in “The Brockhaus and Efron Encyclopedic Dictionary”. His course of lectures “The Agricultural Economy” was published in Hebrew already after his death.

### **Critique of “War Communism” policy**

After 1917 Brutzkus concentrates on the study of the Bolshevik economic experiment. In August 1920, he made a report on “The issues of the national economy under the Socialist System”. It drew a wide response, and he addressed the audiences with the same lecture six times in Petrograd and once in Moscow, though it was extremely dangerous.

A forced transition from the “War Communism” policy to the New Economic Policy in 1921 resulted in a considerable liberalization of the political and ideological spheres. In particular, it stimulated the establishment of a number of opposition-minded magazines the most serious of which was the “*Ekonomist*” (“The Economist”) that was issued in the first half of 1922 in Petrograd and published articles by leading Russian economists who criticized the Soviet power and its economic policy. Brutzkus was a member of the editorial board of this magazine and published in it his program paper “*Problemi narodnogo khozyastva pri sotsialisticheskoy stroye*” (The Problems of the National Economy under the Socialist System) based on his 1920 report. Later he wrote that “unter diesem Titel verbarg ich meine prinzipielle Kritik des wissenschaftlichen Sozialismus” (1928: 3). This paper made him famous. Later it was republished in Germany and Great Britain.

In the aforementioned work Brutzkus argued that since Marx and, therefore, the Bolsheviks, did not have any clear understanding of how economic life should be organized under the socialist system the latter, having seized the power, proved unable to ensure effective production. Therefore, the crisis of the “War Communism” economy, in his view, was inevitable. He demonstrated how pernicious and dangerous the policy of rejecting private ownership, freedom of trade and competition was. The collapse of a monetary system, money accounting in general makes it impossible to commensurate the inputs with the outputs, results in the “atrophy of economic accounting”. “Socialism overcomes the “anarchy of capitalist production” by substituting a condition of super anarchy; and in comparison with this “super anarchy” capitalism presents a picture of the utmost harmony” (1935: 49). The main lesson that can be learnt from the failure of the “War Communism” economy is that the market represents a natural and crucial regulator of economy and that the state is unable to substitute it in this role. F. A. Hayek called this work by Brutzkus “the remarkable survey of the economic problems raised by socialism...one is still struck by the extraordinary clarity with which at that early date its author had grasped the really central problems” (1935: IX–X).

### **Arrest and deportation**

In March 1922 Brutzkus took an active part in the All-Russia Congress of Agronomists which was described by the State Political Department (“GPU”) of the People’s Commissariat of the Home Affairs of RSFSR as a “parade of the so-called public agronomy and is, no doubt, one of the major events for the whole of the Russian «public»” (2005: 153). The GPU document read: “Citizens Litoshenko, Pokrovsky, Brutzkus and Manuilov have put forward their own agricultural policy program that ultimately implies restoration of the private ownership of land (purchase and sale of land), support of the solid kulak peasants and demands of establishing absolute freedom and independence of peasant cooperation” (2005: 154). It was not just theoretical criticism of Marxism and Socialism but a vigorous attack of the anti-Socialist opposition. Neither the former nor the latter was left unpunished by the state.

However, the “bright spell of tolerance” during which Brutzkus managed to publish his famous work in Russia proved quite short. Soon enough the Bolsheviks realized that winning a victory in a free and fair competition of ideas was no easy thing. As early as in the spring of 1922 the 11-th Congress of the Russian Communist Party of the Bolsheviks discussed the need to oppose the “ideological attack of the bourgeoisie” by dramatically enhancing the party propaganda activities. Yet, already in the summer of the same year it became clear that it was impossible to solve this problem using political methods only. So the 12-th All-Russia

Conference of the Russian Communist Party of the Bolsheviks held in early August of 1922 already considered using repressions against the “bourgeois ideologists”. “The Economist” magazine was among the first targets. Already on May 19<sup>th</sup> 1922, a week before he was hit by an acute attack of the lethal disease, V. I. Lenin wrote to F. E. Dzerzhinsky: “(omrade) Dzerzhinsky! With regard to expulsion of the counterrevolutionary-minded writers and professors abroad. It should be organized more carefully. Without proper preparation we will make fools of ourselves... the Petrograd magazine “The Economist”, in my view, is an obvious center of the White Guard. The cover of Issue N3 ... has a staff list printed on it. I think almost all those people are legitimate candidates for expulsion abroad.” (Lenin V. I. S. 265-266). Expulsion of the leading representatives of Russia’s intellectual elite was the issue considered during the whole summer of 1922. Soon after the 12<sup>th</sup> Party Conference 161 scholar and writer including Brutzkus and other staff members of “The Economist” were arrested and expelled to Germany.

### **Journal “Annales contemporaines”**

In February 1923, several months after B. D. Brutzkus had arrived in Berlin, a Russian Research Institute was established, and he started to work there. He contributed his articles to many journals, but the most interesting were those published in the “Annales contemporaines” (Contemporary Annals), the Russian émigré edition. The editors positioned it as a “social and political” journal to encompass a wide range of topics. It also featured articles on economic matters. In all, about thirty authors had published over seventy articles in this subject-matter. In fact, considering the total number of publications, this figure is not very big. Yet, their scientific importance is extremely great. At that time, only Russian economists who had been forced to emigrate were the best experts in the problems of Russian economy, with all its subtleties and peculiarities, nobody else could know better the meaning and the import of the changes in the economic structure of the Soviet society. Away from home were not only Russian poets, writers, and philosophers but also economists, who had spent most of their lives in Russia, and knew it well.

Between 1928 and 1935, B.D. Brutzkus had contributed six articles to the “Annales Contemporaines”.

His article “Narodnoye khozyastvo Sovetskoy Rossii, yego priroda i yego sud’by” (“The National Economy of Soviet Russia, Its Nature and Its Destinies”) published in this magazine in 1929 appeared the most valuable from the theoretical perspective. Here Brutzkus provides an overall analysis of the new economic policy and also looks at its different specific aspects. In his view, this policy was unable to rectify the economy because it allowed only for the temporary existence of the market and solely under the rigid state control. It was nothing but a trick undertaken by the ruling party that had found itself in a very difficult situation. This move could not lead to a long-term positive change because market economy is incompatible with a tough state regulation, with any hints of voluntarism in the economic policy. A rule-of-law state that is prerequisite to capitalism “has no ground under the dictatorship of the Communist Party as well as it had no ground under the rule of Turkish sultans” (1929: 421). However, in August 1937, less than 18 months before his death, impressed by a “new attempt to restore the market” undertaken by the Soviets Brutzkus unexpectedly comes to the conclusion that the “issue of compatibility of the integral socialist economy and the market remains unresolved” (1995: 217).

Letters exchanged between Brutzkus and the editors of the “Annales contemporaines” show that the editorial board had tried, by introducing editorial changes never sanctioned by the author, to narrow Brutzkus’s critical views of socialism down to “Bolshevist Socialism”, while the author proceeded from the premise that “Bolshevist Socialism” was none other than the adequate embodiment of the model of socialism elaborated by Marx and Engels, that is,

revolutionary socialism; therefore, to criticize Bolshevik socialism meant to criticize socialism itself. The editor Vishnyak, who revised Brutskus's manuscripts, could not accept this, for he was not against socialism in general, only its certain varieties, first and foremost Bolshevik Socialism. At that time he was a proponent of the European socialism. "We are European, and we want to live like Europeans. No more and no less!" he wrote in the same 1928. "And we want to draw inspiration from the European socialism, and not from some Eurasian crude version! Europeanization of socialist movement that excludes, in particular, a mechanical imitation of European patterns without due regard to the actual situation of time and place, is another task set for Russian socialists of our generation and the next to come"(Vishnyak 468).

Of particular interest is the assertion made by Brutskus in his letter to Vishnyak of 23<sup>rd</sup> October 1929 that though he regards as a mistake the Bolshevik policy aimed at the building of socialism in Russia, he cannot ignore the fact that this policy had been supported by "the Russian working class and partly even by the peasantry". Therefore, "much must be taken into consideration, for much has happened in accordance with the people's will, and much that has already happened will stay" (Brutskus – Vishnyaku. Berlin. 23 oktyabrya 1929 g. S. 667). Such an assessment shows how politically responsible Brutskus was, for he was well aware of how important it was in political life to break from scientific facts and conclusions and consider political realities.

The forty fourth issue of the "Annales Contemporaines" (October 1930) features B.D. Brutskus's article entitled "'The Five-Year Plan" and its Implementation". It was written at the time when the second year of the First Five-Year Plan was drawing in, that is, long before its completion. Thus, Brutskus could analyze only the outcome of the first stage of implementation of this Plan. Noting how ambitious, large-scale and laborious the target figures were, how staggering the economic growth rates were supposed to be, he makes a conjecture that many indices, especially qualitative ones, are not realistic (crops and industrial crops yields, reduction in production value, etc.). He believes that it stems from the fact that under the conditions of "communist economy", the fundamental economic tenet that best results are to be achieved at the lowest costs "cannot possibly work as efficiently as it does in capitalist economies" (Brutzkus 1930: 510).

Then he shows why, already at the outset of the First Five-Year Plan, this principle was compromised. Since planned economy presupposes the establishment of fixed prices, this undermines the basic clause of the New Economic Policy (NEP) – peasants' right to free use of surplus produce. In turn, this undermines the material interest of peasants in expanding production and creates difficulties in supplying grain to urban population, and raw materials to the industrial sector, which, again, jeopardizes the rates set for the industrialization of the country. The State in these conditions has to resort (as was the case during the War Communism) to the system of forced expropriation of agricultural products from the peasants, and this is bound to deteriorate agriculture.

While noting numerous facts of technical and economic irrationality in the industrial development, of "flinging huge capitals in such a mendicant country as today's Russia", Brutskus cannot help but admit that "the Russian industry is developing", "that a major part of the contemporary industrial development seems valuable under any economic circumstances" (Brutzkus1930: 513). These "progressive beginnings", however, by no means make up for "the colossal destructive process" of forced collectivization, which he labels as "one of the most atrocious enterprises of the Communist Party". "The war of destruction that the Soviet power declared against the peasant economy last winter was the most significant and fatal outgrowth of the execution of the Five-Year Plan. During the 'dispossession of the kulaks', the elite of the Russian peasantry was not only busted but also largely physically eliminated (Brutzkus 1930: 513-514).

B.Brutskus brands total collectivization a movement without healthy roots, for “productive partnerships can hardly be viable economic organizations”. The establishment of the kolkhoz, however, is only an intermediate goal of the Soviet power, “its genuine aim is to establish the new sovkhos on the former peasants’ lands and to turn peasants into agricultural workers; this is the only way to radically change their petty-bourgeois nature” (Brutzkus 1930: 515).

One of the most dramatic outcomes of the forced collectivization, emphasizes Brutskus, is a sharp decline in animal produce. The growing deficit of this produce, as well as other agricultural produce, brought forth the system of “rationed distribution” of economic goods (Brutzkus 1930: 516). Brutskus explains this seemingly amazing phenomenon of exacerbating commodity starvation by the bulk of mineral resources being put into the development of heavy industry while the need for keeping the balance between the production of means of production and commodities was utterly ignored. To a great extent, this phenomenon is also conditioned by the fact that under the circumstances of utter strain of financial resources, the government, in an attempt to ensure the pace of industrialization, was compelled to emit a large mass of paper currency, which led to soaring inflation and flight from money. Both the population and nationalized enterprises store up goods, good or bad, whether they need them or not, as the cheap money is of less use than goods of poor quality. “Thus, some consumers accumulate unnecessary goods, while others do not have the bare essentials” (Brutzkus 1930: 518). Substitution of communist distribution for trade in the conditions of planned economy and the concomitant inflation “destroy the very monetary system and eliminate the very foundations of self-financing” (Brutzkus 1930: 519).

As to the social consequences of the replacement of market mechanism by planned regulators during the first two years of the Five-Year Plan, Brutskus points out sharp deterioration of the status of workers, which aggravated the problem of personnel turnover. The State responded by attaching workers to their production plants, which fitted into the system of planned economy that had superseded the New Economic Policy.

Summing up his analysis, Brutskus arrives at the following conclusion, “... we are facing not the implementation of the Five-Year Plan, it is a collapse, for the serf-labour of hungry and cold peasants can neither catch up nor outdo Europe, nor do anything worthwhile; though it is highly possible for the Soviet power to break its neck in the process” (Brutzkus 1930: 520) . The course of events that followed showed that the Soviet power had not broken it neck in that historical space-time, for, realizing the imminent danger, it had learned the lesson from the mistakes made during the elaboration and implementation of the First Five-Year Plan. This showed up, in particular, in the condemnation of various “leftish excesses” in an attempt to abrogate money and trade, and to pass to communist distribution, etc. What was ultimately branded “excesses” recently used to be regarded as the most important elements of the general policies conducted by the All-Union Communist Party (Bolsheviks) in the building of communism, but this was routinely hushed up. The most important thing, as it was during the transition from the War Communism to the New Economic Policy, was that “the leash” (Lenin’s graphic phrase) which the State used to steer clear of the market economy was slackened off, though much less than that of the early 1920s. On the whole, socialism as an alternative for commodity production remained the ultimate goal.

It was only during the perestroika that genuinely scientific, free from restraints, politically disengaged analysis of the outcomes of the First Five-Year Plan in the Soviet Union became possible. Many works written at that period largely reiterated the conclusions Brutskus had arrived at half a century earlier. One cannot help but admit that he had to draw from much scantier sources – the Soviet literature of 1928-1930, which, according to Brutskus, after the adoption of the First Five-Year Plan became even more biased and full of propaganda.

### **Brutzkus, Hayek and Mises**

In 1935 Brutzkus' "Economic Planning in Soviet Russia" was published in the UK. It had two parts: the first one was the English translation of the German edition (1928) of his "Economist" articles. The second part analysed the evolution of planning in Soviet Russia and the USSR. According to F.A. Hayek, in this second part "he has succeeded in throwing more light on the history of this experiment than any other work known to me" (1935: XI).

Brutzkus is often compared with L. von Mises and indeed these are two outstanding scholars who developed the foundations of the theory of logical and practical unfeasibility of socialism independently of one another. And yet Brutzkus was not as consistent an exponent of economic liberalism as Mises. Rejecting socialism he, at the same time, cautioned against the danger of concentrating economic power in the countries with market economy. "We are far from preaching now – following Mises – "laissez faire, laissez passer", he wrote in 1937. "Modern democracy should not be socialist, it should be social. It should ensure the interests of the people especially today when the development of monopolistic forms of capital can easily lead to the abuse of economic power" (1995: 222).

### **Brutzkus's works in the Soviet Union and in the post-Soviet Russia**

The fate of Brutzkus's works in post-Soviet Russia and in the Soviet Union is very interesting. In the revolutionary year of 1917 and the first post-revolutionary years, he became one of the few agrarian economists of authority in Russia, and his works were well-known in the academic circles. After his exile, Brutzkus and his works became the target of politically led castigation, and from the late 1920s publication and dissemination of his works were banned. In the end, his name and his works had been consigned to oblivion for several decades.

In the West, no impressions of his works appeared after his death in 1938. Only half a century later, Dora Shturman and Viktor Sorokin published his book "The Socialist Economy. Theoretical Ideas of the Russian Experiment" in Paris. In their foreword, they say, "Now Brutzkus and his works are clean forgotten, whereas many of them have become more topical over the years" (Shturman 1988: 9).

In the era of liberal reforms in Russia in the 1990s, Brutzkus's ideas sounded exceptionally to the point. It is not fortuitous that one of his major works – "The Socialist Economy. Theoretical Ideas of the Russian Experiment" – was reprinted three times in Russian in one single year 1991.

Another fundamental work - "National Economy of the Soviet Russia, its Nature and its Fate" - came in two impressions in the 1990s.

The third major work – "Economic Planning in the Soviet Russia" – was first published in the Russian language in 1995.

Several of his other articles were published in the 1990s.

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