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Foreword

Industry is essentially the domain of the factory, but its always vague boundaries extend beyond in varying degrees, depending on time and country. These boundaries are, of course, particularly uncertain in the early stages of industrialization, when workshops are being transformed into factories and many other attendant structural changes are being diffused throughout an economy. To assess a country's industrial growth correctly, one needs to know the course of developments in workshops as well as factories.

This is seldom easy, for the statistical record of small-scale industry is typically poor, all the more so for the times when it is most important. Indeed, much of what appears to be growth in the early stages of industrialization is often a statistical mirage: as productive activity is transferred from many scattered shops to a single large establishment, accounts become easier to keep as well as more essential, and formerly unrecorded output suddenly enters statistical annals. In the Soviet case this illusion of growth has been magnified by the official policy, only recently modified, of publishing only large-scale output for those years in which the small-scale sector was rapidly being absorbed. Trends in small-scale production were kept largely out of sight, even though much was known about them through periodic censuses.

It became apparent early in the course of our studies that the picture of Soviet industrial growth had been seriously distorted by this policy. As we searched for the concealed information, we also became aware of the larger need for a systematic historical account of developments in Russian small-scale industry. None was to be found in either Russian or Western literature.

Adam Kaufman has now admirably filled this gap in knowledge with the report given here, which falls in the series setting forth results of the National Bureau's study of Soviet economic growth begun in 1954 under a grant from the Rockefeller Foundation. To be sure, some important details, such as the physical output of some individual

Foreword

small-scale industries, have had to be estimated indirectly, since they remain buried in Soviet archives. But Kaufman's account conveys as much reliable and useful information, in a systematically ordered form, as one would normally demand of a history of such times. Being based ultimately on Soviet statistics compiled in the early Soviet period, his account suffers of course from the shortcomings in data already described in Grossman's and my own earlier reports in this series.

The trend of developments emerges clearly. The share of full-time employment accounted for by small-scale industry within interwar Soviet boundaries fell from about a half in the years immediately before the revolution to about a fourteenth at the end of the First Five Year Plan; the share of gross value of output, from about a third to a twelfth. Small-scale production of industrial materials declined by around 70 per cent between 1913 and 1933, while large-scale production rose by around 80 per cent. The displacement of small-scale production was in part illusory, resulting from changes in the definition of large-scale production that led to incorporation in that sphere of what was formerly treated as small-scale production. But it was largely real. In any case, more than two-fifths of the percentage growth attributable to large-scale production over this period can be traced to the release of resources from the shrinking small-scale sector. The increase in production of industrial materials was less than 40 per cent for all industry, compared with more than 80 per cent for large-scale industry. We hardly need comment further on how misleading it can be to assess Soviet industrial growth on the basis of trends in large-scale production alone.

Kaufman's report is, of course, of much broader interest than this narrow application of his findings suggests. It is in effect a case study of major structural changes undergone by an economy in the process of rapid industrialization. As such, it helps us to understand and anticipate the problems that may be encountered by so-called underdeveloped economies in the course of industrialization, particularly by those choosing the Soviet path.

The mark of a definitive study is that the ground covered need not be gone over again, except to glean overlooked bits. This work by Adam Kaufman bears, we believe, that mark.

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