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CHAPTER 4

Small-Scale Industry in the Pre-Plan Period

The "Traditional" Small-Scale Industry

WORLD WAR I and the civil war that followed brought about a sharp decline in industrial activity, affecting the small-scale as well as the large-scale sector. The restrictive policy of War Communism, actually forbidding private trade, curtailed the activities of *kustari* and artisans, but the results were not as severe as in the large-scale sector. In 1920, when large-scale output had dropped to about 20 per cent of its prerevolutionary volume,¹ the number of persons engaged in small-scale industry was still 40 per cent of its prerevolutionary level, less in urban areas (26 per cent) and more in rural areas (62 per cent).²

The shift to the New Economic Policy (NEP) in 1921 caused a rapid recovery of small-scale industry. A statement issued by the Congress of Producer Cooperatives in April 1923 declares that "the *kustar*' industry supplies the market with more than half of the products supplied by large-scale industry" and that "the *kustar*' industry is overcoming the depression quicker than large-scale industry." The same statement estimates that the share of the *kustar*' industry in the total gross value of industrial output was 27 per cent in 1920, 31 per cent in 1921, and 36 per cent in 1922.³ By 1926/27 the number of *kustari* and artisans

¹ G. Warren Nutter, *Growth of Industrial Production in the Soviet Union*, Princeton for NBER, 1962, Table 47.

² V. A. Tikhomirov, "Promyslovaia kooperatsiia na sovremennom etape" [Producer Cooperatives at the Present Stage], *Vestnik promyslovoi kooperatsii* [Bulletin of Producer Cooperatives], 1931, No. 8, p. 3.

³ I. Strel'nikov, "S'ezd kustarno-promyslovoi kooperatsii" [The Congress of *Kustar* Producer Cooperatives], *Vestnik sel'skokhoziaistvennoi kooperatsii* [Bulletin of Agricultural Cooperatives], 1923, No. 11, pp. 42 ff. In view of the fact that large-scale industry declined more than small-scale industry between 1913 and 1920, these

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had returned to its prerevolutionary level and by 1928/29 it was 23 per cent higher (see Table A-1). However, the length of the work year had declined so that employment in full-time equivalents was 29 per cent below the 1913 level in 1926/27, 18 per cent in 1927/28, and 24 per cent in 1928/29. According to Tikhomirov, between 1922 and 1929 the number of persons engaged in small-scale industry increased by 9.5 per cent annually and the value of its output by 5 per cent, whereas employment in the prerevolutionary period had not increased by more than 2 per cent annually.⁴

Many factors contributed to the increasing importance of small-scale industry during the NEP. The disorganization of communications and the disintegration of national markets made the Soviet population even more dependent on local industries than in the prerevolutionary period. Moreover, the famine of 1919–21 had forced industrial workers to return to the countryside, and they brought their industrial skills with them. The disappearance of the big estates, which had been the main producers of agricultural raw materials, and the redistribution of the land induced the peasants to cultivate raw materials for use in local *kustar'* and peasant home industries. During the years of War Communism when the flow of industrial consumer goods to the countryside stopped altogether, the peasantry learned to rely on their own limited, local productive means.

An additional incentive for development of small-scale industry was created by operation of the "price scissors": the price level was rising more rapidly for commodities produced by state-operated factories than for rural products. *Kustari* were able to compete successfully with the state-owned factories in many activities, such as tanning, wool processing, and linen spinning and weaving.

The loss of the Polish and Baltic provinces, which had supplied the Russian market with a sizable quantity of consumer goods, diminished the role of large-scale industry and also increased the dependence of the Soviet consumer on small-scale industry. About 40 per cent of the old Russian woolen industry was located in the Polish provinces. Riga Province was the main supplier of rubber footwear. The economic importance of the lost Western provinces can be seen from Table 7.

The "agrarianization" of the Soviet economy at the beginning of

figures all seem low in comparison with estimates for 1913 (see Table 6), even when logging and fishing are eliminated from consideration. However, the important point is the increase shown in the fractions, not their actual level.

⁴ Tikhomirov in *Vestnik promyslovoi kooperatsii*, 1931, No. 8, p. 3.

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TABLE 7

ENTERPRISES, WORKERS, AND GROSS VALUE OF OUTPUT IN RUSSIAN LARGE-SCALE
MANUFACTURING ACCOUNTED FOR BY THE WESTERN PROVINCES, 1908

	<i>Amount</i>			<i>Percentage of Total for Russia</i>		
	Enter- prises (number)	Workers (thou- sands)	Value of Output (million rubles)	Enter- prises	Work- ers	Value of Output
Baltic Provinces	2,033	264.8	698.4	10	12	15
Polish Provinces	3,172	270.2	523.6	16	13	11
White-Russian and Lithuanian Provinces	1,967	56.4	99.0	10	3	2
Total	7,172	591.4	1,321.0	36	27	29

SOURCE: *Statisticheskie svedeniia po obrabotyvaishchei fabrichno-zavodskoi promyshlennosti Rossiiskoi Imperii za 1908 god* [Statistical Summary of the Manufacturing Industry in the Russian Empire in 1908], St. Petersburg, 1912, pp. 8 f.

Detail may not sum to total because of rounding.

the NEP, the decline in urban population and industry, the acute shortage of fuel and energy for large-scale industry, the decline of market production in general and of technical crops in particular, which had formed the basis of the state consumer goods industry—all these factors weakened large-scale industry and at the same time favored the rapid development of local, small-scale industry. The growing importance of small-scale, privately owned industry became a serious problem, both economically and politically, to Soviet economists as well as to the Party authorities.

Regional Concentration of Small-Scale Industry

One of the peculiarities of small-scale industry in the pre-Plan period was its concentration in certain geographical areas. Small-scale industry was of two types, depending on the nature of the market. One, consisting of producers who supplied a limited local market and filled orders for individual customers, was dispersed throughout the country (blacksmiths, tailors, shoemakers, millers, etc.). The other, consisting of small shops specializing in the production of specific items for a much larger market, was geographically concentrated in particular regions according to specialty, each region being known for the high

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quality of the commodities it specialized in. This geographic concentration of shops, the so-called "nests" (*gnezda*) of specific local industries, was of special interest to the organizers of the 1928/29 small-scale industry census, and it became the subject of one full volume of this census. This is not accidental. The 1928/29 census was taken with the idea of incorporating small-scale industry into the over-all, nationally planned economy. Of all the different types of small-scale industry, that concentrated in specific areas was the easiest to reorganize and incorporate into large-scale industry, because technologically and economically it was similar to factory production. Therefore it was singled out for special attention.

The census used a formal definition for small-scale industry concentrated in certain areas: if more than fifty small shops in nearby settlements produced the same commodity, these shops were considered to form a "census nest" (*tsenzovoe gnezdo*);⁵ if there were fewer than fifty shops, they were considered to form a "noncensus nest." It often happened that production of a commodity in a particular region was carried out in factories as well as in "nests" and Table 8 compares production organized in these two ways. In full-time equivalents, 1928/29 employment in all "nests" amounted to 19 per cent of the total for small-scale industry and 8 per cent of the total for all industry.⁶

The *kustar'* industry concentrated in certain areas served as a reserve of skill and equipment upon which the authorities could draw in their industrialization drive. For instance, in Tula *oblast'* and the Pavlovo region, both famous for their small-scale metal industry even before the revolution, there was a division of labor, long established and still existing in the 1920's, between the factories, which provided the *kustari* with semifabricates, and the *kustari*, who produced the finished goods. In such areas, the *kustar'* sector was closely integrated with the factories so that its technology tended to be more advanced than in small-scale industry generally, facilitating its absorption into large-scale industry. An examination of the Soviet industrial map would show that the regions where "nests" used to be concentrated are now important industrial centers. In such regions the transformation into factory production did not even go through the stage of producer cooperatives. Factories were established using not only the skill of the *kustari* but also often their equipment.

⁵ The fact that the term "census nest" was used implies that the organizers of the small-scale industry census intended to include it in "census" industry.

⁶ For totals, see Table A-2. Full-time work year is taken as 44 weeks.

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TABLE 8

RELATIVE IMPORTANCE OF SMALL-SCALE "NESTS" AND LARGE SCALE ENTERPRISES
OPERATING IN THE SAME INDUSTRIES AND REGIONS, 1928/29

	No. of "Nests"	No. of Shops	Persons Engaged		Man-Weeks Worked	
			Thou- sands	Per Cent	Thou- sands	Per Cent
All small-scale "nests"	3,445	764,651	1,196	92	18,776	81
All comparable large-scale enterprises ^a		306	111	8	4,447	19
Total		964,957	1,307	100	23,223	100
Small-scale "census nests"	3,175	753,874	1,178	92	18,558	81
Comparable large-scale enterprises ^a		297	109	8	4,376	19
Total		754,171	1,287	100	22,934	100
Small-scale "noncensus nests"	270	10,777	18	91	218	76
Comparable large-scale enterprises ^a		9	2	9	70	24
Total		10,786	20	100	288	100

SOURCE: *Melkaia promyshlennost' SSSR po dannym vsesoiuznoi perepisi 1929 goda* [Small-Scale Industry in the USSR According to Data from the All-Union Census of 1929], Moscow, 1932-33, vol. II, p. xi.

^a A comparable large-scale enterprise is one producing the same products as one or more "nests" located in the same region. For explanation of "nests," see text.

Ownership of Small-Scale Enterprises

Small-scale industry in the 1920's was, both socially and economically, a heterogeneous category. It ranged from large shops with hired labor that for various reasons did not meet census requirements down to home shops of self-employed *kustari* who were helped by members of their families and for whom manufacturing was often secondary to their main economic activity—agriculture. From the organizational point of view, small-scale enterprises were of three types: (1) those operated by the state; (2) those operated cooperatively, either in the four official cooperative systems (agricultural, producer, consumer, and invalid cooperatives)⁷ or independently as unattached coopera-

⁷ Besides these four cooperative systems, there were also some workers' collectives organized by the unemployed in the cities, the so-called *komborbez*. They were not of much importance.

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tives (*dikie kooperativy*); and (3) those operated by private owners, some using hired labor⁸ and others consisting solely of the *kustar*⁹ or artisan owner and members of his family.

The relative importance of each of these groups in 1925 and 1928/29 is shown in Table 9. Between 1925 and 1928/29, the share in total small-scale employment of state-owned enterprises rose from 1 to 4 per cent, and the share of cooperative enterprises from 5 to 21 per cent. On the other hand, the share of the private sector declined from 94 to 75 per cent. The transformation of small, private shops into state-owned and cooperative enterprises was already well under way by 1928/29, facilitating the later absorption by large-scale industry.⁹

Relative Importance of Small-Scale Industry

The share of employment, in full-time equivalents, accounted for by small-scale industry declined from 59 per cent in 1913 to 43 per cent in 1926/27, 45 per cent in 1927/28, and 40 per cent in 1928/29; the share of value of output, from 34 to 31 per cent, 29 per cent, and 27 per cent, respectively (see Tables 1, 2, 10, and 11). There are two main reasons for this decline. On the one hand, the organization of small producers into producer cooperatives brought many of them into the category of "census" or large-scale enterprises; on the other hand, the difficulty of obtaining the necessary raw materials forced *kustari* and artisans to abandon their trades. Although the influx of people trying to make a living in industry caused the number of persons engaged in small-scale industry to be 23 per cent higher in 1928/29 than in 1913, in terms of full-time equivalents the number was 24 per cent lower because of a more than offsetting decline in the average work year (see Tables A-2 and A-3). Pushed out of the "traditional" small-scale trades, the *kustari* and artisans went into "new" trades, such as wood products, building materials, mineral fertilizers, etc. Studies carried out by Soviet economists for this period confirm this general picture. Out of 102 small-scale trades, fifteen (blacksmithies, metal processing, bakeries, macaroni production, flax weaving, tanneries,

⁸ Shops that employed three or more hired workers were considered "capitalist" enterprises.

⁹ The data for small-scale industry, especially in the private and so-called capitalist sector, seem to be understated because to avoid excessive taxes the small-scale producers were inclined to underreport the volume of their business. For information on this, see Iu. Larin, "Chastnyi kapital v promyshlennosti" [Private Capital in Industry], *Ekonomicheskoe obozrenie* [Economic Survey], 1927, No. 7, and Nutter, *Industrial Production*, pp. 190 ff.

TABLE 9

PERCENTAGE DISTRIBUTION OF PERSONS ENGAGED IN SMALL-SCALE ENTERPRISES,
BY TYPE OF OWNERSHIP, INDIVIDUAL INDUSTRIES, 1925 AND 1928/29

	All Types	State	TYPE OF OWNERSHIP		
			Coop- era- tive	Private	
				With Hired Labor	Self- Em- ployed
			<i>1925</i>		
All industries (excl. logging and fishing)	100	1	5	10	84
Minerals	100	2	11	11	76
Metals	100	1	2	11	86
Machine building	100	1	3	4	92
Wood processing	100	1	2	5	92
Chemical industry	100	5	17	30	48
Food industry	100	3	12	21	64
Products of animal origin	100	7	5	12	76
Leather and fur products *	100	1	5	10	84
Cotton goods	100	—	2	9	89
Woolen goods	100	—	1	5	94
Silk goods	100	3	7	30	60
Linen goods	100	1	2	5	92
Hemp and similar fibers	100	—	1	3	96
Mixed fibers	100	4	1	1	94
Garment industry	100	—	2	7	91
Shoe industry	100	—	2	6	92
Paper products	100	3	18	14	65
Printing	100	23	12	18	47
Musical instruments and <i>objets d'art</i>	100	2	3	7	88
			<i>1928/29</i>		
All industries (excl. logging and fishing)	100	4	21	1	74
Minerals	100	11	21	1	67
Metals	100	5	15	1	79
Machine building	100	6	14	1	79
Wood processing ^b	100	4	17	1	78
Chemical industry	100	4	30	2	64
Food industry ^c	100	6	44	1	49
Products of animal origin	100	15	24	8	53
Leather and fur products ^d	100	3	18	1	78
Cotton goods	100	4	59	1	36
Woolen goods	100	2	12	—	86
Silk goods	100	1	55	2	43
Linen goods	100	n.a.	n.a.	n.a.	n.a.
Hemp and similar fibers	100	2	17	—	81
Mixed fibers	100	4	52	2	42
Garment industry	100	n.a.	n.a.	n.a.	n.a.
Paper products	100	n.a.	n.a.	n.a.	n.a.
Printing	100	n.a.	n.a.	n.a.	n.a.
Musical instruments and <i>objets d'art</i>	100	4	21	1	74

SOURCE: 1925: *Statisticheskii spravochnik SSSR za 1927 god* [USSR Statistical Handbook for 1927], Moscow, 1927, p. 239; 1928/29: *Melkaia promyshlennost'*, vol. I, pp. 2-13.

^a Excludes shoes.

^b Excludes chemical wood processing.

^c Excludes flour milling, grain cracking, and the vegetable industry.

^d Includes shoes.

TABLE 10

PERCENTAGE SHARE OF PERSONS ENGAGED AND GROSS VALUE OF OUTPUT ACCOUNTED FOR BY
SMALL-SCALE ENTERPRISES, INDUSTRIAL GROUPS, 1926/27-28/29

Industry	Persons Engaged ^a			Gross Value of Output		
	1926/27	1927/28	1928/29	1926/27	1927/28	1928/29
Ferrous and nonferrous metals ^b	—	—	—	—	—	—
Fuel	—	—	—	—	—	—
Electric power stations	—	—	—	—	—	—
Chemicals ^c	25	35	29	8	10	9
Rubber and asbestos	—	—	—	1	1	1
Machine building and metal products ^d	34	33	26	14	16	13
Logging, wood and paper industry	74	77	74	60	57	55
Logging	100	100	100	100	100	100
Wood and paper industry	51	59	51	23	25	23
Construction materials ^e	11	27	21	11	15	15
Cement	—	—	—	1	2	2
Bricks and other construction materials	22	43	34	25	32	32
Glass	—	—	—	2	3	3
Other mineral construction materials	27	51	36	12	17	17
Printing	9	34	6	19	19	16
Textiles and allied products	50	50	44	28	25	21
Cotton ginning	—	—	—	—	—	—
Cotton textiles	11	10	9	3	3	4
Primary processing of mixed fibers	—	—	—	7	12	12
Processing of flax	9	2	2	2	2	2
Wool industry	51	58	53	14	17	17
Silk industry	41	47	36	20	23	22
Hemp and jute industry	56	58	50	19	21	21
Knitted goods	73	70	54	35	28	22
Felt products	—	—	—	78	74	64
Garment industry	85	81	66	71	61	45
Natural and artificial leather	49	52	42	35	29	19
Fur industry	91	81	76	70	61	56
Boots and shoes, production and repair	92	87	76	78	68	49
Food and allied products	63	60	58	46	44	43
Food excluding fishing	49	49	42	44	42	41
Flour and groats	71	75	66	62	63	64
Beet sugar	—	—	—	—	—	—
Confectionery	45	48	40	37	31	25
Vegetable oil	59	59	53	36	30	24
Starch and syrup	20	40	33	14	26	22
Wine, vodka, cognac, and yeast	20	—	—	1	2	2
Beer and malt	—	—	—	—	1	1
Tobacco and makhorka	—	—	—	1	1	1
Salt	—	—	—	—	—	—
Grease, soap, and tallow	47	21	14	15	10	6
All others	69	69	60	60	54	47

(continued)

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TABLE 10 (concluded)

Industry	Persons Engaged ^a			Gross Value of Output		
	1926/27	1927/28	1928/29	1926/27	1927/28	1928/29
Fishing	100	87	87	100	87	87
All others ^f	26	59	39	27	30	27
Total	43	45	40	31	29	27

SOURCE: Tables A-2 and A-3. Industrial groups rearranged as indicated in footnotes.

^a Persons engaged measured in full-time equivalents.

^b Includes ore mining.

^c Excludes rubber and asbestos, which are in a separate group.

^d Excludes repair shops.

^e Excludes china and pottery, which are included in all others, and asbestos, which is covered separately above.

^f Includes china and pottery and artificial gas.

— negligible.

garment industries, etc.) showed a decline in employment of 358 thousand between 1926/27 and 1928/29; the rest showed an increase of 1,078 thousand.¹⁰

Summary

After a sharp decline in output during the civil war, small-scale industry recovered quickly in the early years of the NEP, approaching its prerevolutionary level by 1926/27. This recovery proceeded at a quicker rate in the rural *kustar'* industry than in the urban artisan industry. Basically, no great changes occurred in the technical and economic characteristics of the small-scale industry between the prerevolutionary period and 1926/27. It was concentrated in consumer goods sectors and it was the main supplier of such commodities as shoes, miscellaneous wood products, felt products, products of the garment industry, and foodstuffs (grain and bread, vegetable oil, milk products). Just as in the prerevolutionary period, a considerable part of small-scale industry was concentrated in specific regions, specializing in the production of specific items which were supplied to a larger market. These "nest" industries were gradually absorbed by large-

¹⁰ Tikhomirov in *Vestnik promyslovoi kooperatsii*, 1931, No. 8, p. 3. For the same fifteen trades, the gross value of output declined by 513 million rubles between 1926/27 and 1928/29, while the gross value of output of "new" small-scale industries (wood products, peat and phosphate extraction, and repair trades) increased by 1,103 million rubles.

TABLE 11

PERCENTAGE DISTRIBUTION OF PERSONS ENGAGED AND GROSS VALUE OF OUTPUT OF
SMALL-SCALE INDUSTRY AMONG INDUSTRIAL GROUPS, 1926/27-28/29

Industry	Persons Engaged ^a			Gross Value of Output		
	1926/27	1927/28	1928/29	1926/27	1927/28	1928/29
Ferrous and nonferrous metals ^b	—	—	—	—	—	—
Fuel	—	.1	.1	—	—	—
Electric power stations	—	.1	.1	—	—	—
Chemicals ^c	.7	1.0	.9	.4	.5	.6
Rubber and asbestos	—	—	—	—	—	—
Machine building and metal products ^d	9.9	9.0	8.2	4.2	4.7	4.9
Logging, wood and paper industry	22.8	24.4	28.0	17.8	16.6	17.6
Logging	14.3	13.7	17.8	14.3	12.7	13.5
Wood and paper industry	8.5	10.7	10.2	3.4	3.9	4.1
Construction materials ^e	.9	2.5	2.3	.8	1.1	1.3
Cement	—	—	—	—	—	—
Bricks and other construction materials	.6	1.5	1.4	.6	.8	.9
Glass	—	—	—	—	—	—
Other mineral construction materials	.3	1.0	.8	.1	.2	.3
Printing	.4	1.6	.3	.9	1.0	1.0
Textiles and allied products	42.2	39.5	37.0	31.2	28.8	25.8
Cotton ginning	—	—	—	—	—	—
Cotton textiles	3.0	2.6	2.4	1.2	1.5	1.7
Primary processing of mixed fibers	—	—	—	—	—	—
Processing of flax	.4	.1	.1	—	—	—
Wool industry	3.7	4.4	4.0	1.4	1.7	2.0
Silk industry	.3	.7	.6	.4	.5	.7
Hemp and jute industry	1.2	1.4	1.2	.3	.4	.4
Knitted goods	2.3	3.0	2.5	1.0	1.0	1.0
Felt products	—	—	—	1.8	1.7	1.6
Garment industry	13.3	13.7	9.7	10.6	9.6	8.4
Natural and artificial leather	1.9	2.0	1.6	3.9	2.9	2.0
Fur industry	1.5	.9	1.1	1.1	1.4	1.6
Boots and shoes, production and repairs	14.5	10.7	10.7	9.3	7.7	6.1
Others	.1	—	3.2	—	—	—
Food and allied products	22.1	20.0	21.4	43.5	45.9	47.2
Food excluding fishing	12.4	11.7	9.7	39.6	42.2	43.2
Flour and groats	5.6	5.2	3.5	26.8	28.8	29.6
Beet sugar	—	—	—	—	—	—
Confectionery	.7	.8	.8	1.1	1.2	1.3
Vegetable oil	.8	.8	.8	1.3	1.3	1.2
Starch and syrup	—	.1	.1	—	.1	.2
Wine, vodka, cognac, and yeast	.4	—	—	—	.1	.1
Beer and malt	—	—	—	—	—	—
Tobacco and makhorka	—	—	—	—	—	—
Salt	—	—	—	—	—	—
Grease, soap, and tallow	.4	.1	.1	.5	.4	.3
All others	4.4	4.7	4.5	9.7	10.3	10.5

(continued)

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TABLE 11 (concluded)

<i>Industry</i>	<i>Persons Engaged</i> ^a			<i>Gross Value of Output</i>		
	1926/27	1927/28	1928/29	1926/27	1927/28	1928/29
Fishing	9.7	8.3	11.6	3.9	3.7	4.0
All others ^f	.9	2.0	1.9	1.0	1.2	1.3
Total	100.0	100.0	100.0	100.0	100.0	100.0

SOURCE: Tables A-2 and A-3. Industrial groups rearranged as indicated in footnotes.

^a Persons engaged measured in full-time equivalents.

^b Includes ore mining.

^c Excludes rubber and asbestos which are in a separate group.

^d Excludes repair shops.

^e Excludes china and pottery, which are included in all others, and asbestos, which is covered separately above.

^f Includes china and pottery and artificial gas.

— negligible.

Detail may not sum to total because of rounding.

scale industry even before the Plan era. Shortage of industrial raw materials (leather, wool, textiles) brought an early decline of the "traditional" small-scale industries, which resulted in a sharp reduction of the work year compared to the prewar period. Most small-scale shops were privately owned in the pre-Plan period, although after 1925 the number of state and cooperative owned and operated small-scale shops increased.