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on Material Incentive
and Enthusiasm
of the Masses**





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A source of prosperity and wellbeing, of many joys and in the first place the joy of free creative work—that is labour in socialist society. The new social system brought about a new attitude towards labour. Does this imply that there is no need to stimulate labour in socialist society? On the contrary, the practice of the Soviet State as well as of other socialist countries proves that the worker must have a material incentive to achieve the best results in production and that this will be true for a long time to come. The principle of material incentive is one of the foremost principles of the economic activity of a socialist state.

The aim of socialism is to provide more and more fully for the satisfaction of the growing material and cultural needs of the people by means of the steady development and improvement of industrial production on the basis of advanced technology.

The founder of the Soviet state Lenin wrote: "Socialism alone will make possible the wide expansion of social production and distribution on scientific lines and their actual subordination to the aim of easing the lives of the working people and of improving their welfare as much as possible." (Speech at the First Congress of Economic Councils, *Sel. Works*, Vol. 2, p. 782).

Socialism introduces fundamental changes in the character and organisation of social labour. Labour under socialism is not labour for the exploiters but for oneself and for one's own society. That is why new, moral stimuli to work are born in socialist society and kindle unprecedented enthusiasm among the workers.

The level attained by the productive forces in socialist society is, however, insufficient to provide abundance of consumer goods and their distribution according to needs. Labour has not as yet become the prime necessity of life for all members of socialist society, it has not turned into labour irrespective of rates, labour performed without expectation of reward. Enthusiasm alone has not yet prompted everyone to engage his powers and abilities to the full on the job.

Lenin points out, that it would be naive to think that having overthrown capitalism people will at once learn to work for society, without any standard of right; and in fact the abolition of capitalism does not create economic premises for such a change. To make such work possible, until the higher phase of Communism arrives products must be carefully apportioned according to work done and the strictest control by society and by the state of the measure of labour and the measure of consumption is required. ("State and Revolution", *Coll. Works*, Vol. 25, p. 441, Russ. Ed.)

Only a correct combination of the workers' material interest in the results of production and of the enthusiasm of the masses can enable society to create an abundance of material wealth and start distributing goods according to needs. A skilful blend of material incentive with the enthusiasm of

the masses, of material and moral stimuli is an important principle of socialist economy, of instilling in people a communist attitude to labour and of ensuring the steady growth of the people's wellbeing.

The development of moral incentives does not oppose the material ones, but goes hand in hand with them. The goal in using moral and material incentives is the same: to raise the wellbeing of all the workers in town and country "now that each wants to improve his existence, to have access to the good things of life." (Report to the 5th All-Russian Congress of Soviets, *Coll. Works*, Vol. 27, p. 476, Russ. Ed.)

Lenin paid great attention to the elaboration and application in practice of the principle of personal material incentives for the town and country workers. He wrote in 1921:

"The difficulties are immense. But we are accustomed to grappling with immense difficulties... But we have also learned, at least to some extent, another art that is essential in revolution, namely, flexibility, the ability to effect swift and sudden changes of tactics if changes in objective conditions demand them, and to choose another path for the achievement of our goal if the former path proves to be inexpedient or impossible at the given moment.

Borne along on the crest of the wave of enthusiasm, rousing first the political enthusiasm and then the military enthusiasm of the people, we expected to accomplish economic tasks just as great as the political and military tasks we had accomplished by relying directly on this enthusiasm. We expected—or perhaps it would be truer to say that we presumed without having given it adequate consideration—to be able to organise the state production and the state distribution of products on communist lines in a small-peasant country directly as ordered by the proletarian state. Experience has proved that we were wrong. It appears that a number of transitional stages are necessary: state capitalism and socialism, in order to *prepare*—to prepare by many of effort—for the transition to communism. Not directly relying on enthusiasm, but aided by the enthusiasm engendered by the great revolution, and on the basis of personal interest, personal incentive and business principles, we must first set to work in this small—peasant country to build solid gang ways to socialism by way of state capitalism. Otherwise we shall never get to communism; we shall never bring scores of millions of people to communism. That is what experience, the objective course of the development of the revolution has taught us." ("The Fourth Anniversary of the October Revolution", *Sel. Works*, Vol. 3, p. 696.)

Thus Lenin not only substantiated the principle of a material interest in social production but demonstrated the necessity of combining it with the revolutionary enthusiasm of the masses. He repeated many times that it is only in this case that personal material incentive becomes a real force in socialist society, that it is only in this case that the application and development of man's abilities for the welfare of society is ensured and the possibility of the masses losing sight of the lofty revolutionary prospect is excluded. That is why Lenin decisively opposed the opinions of some theorists arguing that the declaration of the principle of material incentive in socialist society will undermine the moral principles of the people and injure the cause of socialist construction itself.

Wage-levelling or Material Incentive?

Lenin protested decisively against attempts at introducing equal distribution of products. He stressed the point that levelling, i. e. distribution irrespective of the quality and quantity of the work done, has nothing to do with the Marxist concept of equality and can only hamper the growth of socialist production.

Equality under socialism does not mean levelling in the sphere of personal requirements: its real import is equal freedom from exploitation of all the working people, equality in relation to the means of production, equal obligation to work and right to get equal pay for equal work, irrespective of sex, age or nationality. In 1921, Lenin resolutely opposed Trotsky's proposal to adopt priority in production and equality in consumption as principles of economic policy.

In the first years of the Soviet power the petty-bourgeois tendency of levelling found its most salient expression in the attempts of Trotskyite-left elements at organising "production and living communes": both the skilled and unskilled, as well as office workers were to contribute their wages to a so-called "common pot" to procure equal quantities of essential consumer goods for each member of the commune which meant equalitarianism in consumption. However, the method did not receive the support of the overwhelming majority of the working people who associated labour with specific remuneration.

In explaining the part played by material incentive as an important factor stimulating productive activity and working people's initiative, Lenin said: "Priority in production implies preference, and the latter is nothing without preference in consumption. If I am given preference that will give me only an eighth of a pound of bread a day I will say: Thank you very much for nothing. Priority in production calls for priority in consumption. Otherwise priority is a dream, a nebulous cloud, and we are materialists after all. And the workers are materialists, too. If you are talking about priority, then give us bread, and clothes and meat." ("On the Trade Unions, the Present Situation and the Mistakes of Trotsky", *Coll. Works*, Vol. 32, p. 10, Russ. Ed.)

Equalitarianism in consumption undermines the personal material interest in increasing labour productivity, in the development and improvement of social production. Wage-levelling hampers the people's initiative, produces passive attitudes, has an adverse influence on production.

Lenin's remark in connection with this problem is of greatest importance: "The food distribution we arranged on levelling principles has led to a levelling that has hampered increased production."

A little further he points out that "to think that food must only be distributed justly is wrong; you must think of distribution as a method, a tool, and a means to improve production". (Report to the Third All-Russian Conference on Food Supplies, *Coll. Works*, Vol. 32, p. 425, Russ. Ed.)

Improving the Wage System

Lenin's analysis of the problem of material incentive profoundly influenced the solution of practical questions of production organisa-

tion, allocating public funds, elaborating wage systems and various incentives, the rating of work and many other problems of socialist economy.

The realisation of the principle of material incentive in the Soviet Union required a vast amount of work on readjusting the forms and systems of wages. Readjustment as a whole was dominated by the task of achieving quick growth of the productive forces at all cost.

Collective food supply for the workers was introduced on Lenin's initiative. Under the difficult conditions of food scarcity it offered the possibility to distribute food according to labour productivity of each worker.

The decree "On the Regulation of Workers' Wages" signed by V. I. Lenin was adopted in April 1921. It introduced the direct piece-rate system in industry without setting any limit on the workers' earnings.

A change-over to the monetary form of wages was made simultaneously with the abolition of wage-levelling. As Soviet currency became more stable cash remuneration began to occupy a larger place in the total sum of wages. It reached 80 per cent of the industrial wages fund by the beginning of 1923.

Owing to the realisation of the Leninist principle of material incentive and the general improvement of the economic situation in the country, real wages of the working people steadily increased and their living standards improved. The absolute income of a worker's family increased by 62 per cent from the end of 1922 to the end of 1926 (it should be remembered that in 1926 about one third of the worker's individual earnings was made up of student allowances, benefits, pensions and free services received by the workers from the state, beside individual wages). The new labour laws drafted under Lenin's guidance consolidated the new forms of organisation and payment for labour, the forms founded on the principle of material incentive.

Differentiation of Wages

Wage differentiation with an eye to the worker's skill and working conditions is a material incentive to improve skill and achieve better results.

This proposition was the basis of the organisation of wages and the construction of a system of wage rates. The 1918 Labour Code, drafted with the participation of Lenin, declares: "State institutions that draft wage-rate scales divide all the workers of each trade into groups and categories and determine the rate of remuneration for each group and category. When determining this rate due consideration should be given to the difficulty of the work, the degree of danger of the conditions under which it is done, to its complexity and required accuracy, as well as to the degree of independence, responsibility, skill, and experience needed to complete it."

Lenin held that pay should be graduated according to the skill the work required, according to its difficulty, and the responsibility it involved. This may be deduced from his directions: "The determination of wage-rates

should follow the rule: minimal pay for minimal work.

Only such a system of wage-rates corresponds to the task of developing social production and can provide a material incentive for the workers and peasants to achieve better results.

Wages that are not differentiated, that do not take into account the worker's skill tend to lower labour productivity and the creative activity of the masses. Many workers lose interest in acquiring higher skill, in undertaking a complex job, and sometimes do not want to engage in heavy manual work.

Only the correct classification of grades of work and differential payment for different jobs with due consideration of the worker's skill and the difficulty of his work can make him take an interest in achieving better results in production and consequently in increasing the rate of development of industrial production. That is why Lenin advanced the highly important proposal that "in determining wage-rates for workers of various skills, employees, technicians and higher administrative personnel all thoughts of wage-levelling should be set aside".

Lenin thought, however, that the differentiation of wages should not lead to excessive gaps between the earnings of various categories of workers. Such gaps were abnormally large in pre-revolutionary Russia especially between the wages of workers and the salaries of office employees. The gap was the result of the bourgeois attitude to the distribution of income. The Soviet state put an end to this practice forever. Lenin stressed that differentiation of wages essential for the realisation of the principle of material incentive should be practised within certain limits, i. e., not transgressing the boundaries of differences in wages determined on scientific lines.

Two trends were thus apparent in wage-rate policy. The young workers' and peasants' state wanted to differentiate the wages of different categories of workers correlating them to productivity; on the other hand, measures were taken to narrow excessive gaps between the wages of the higher and lower categories. Both trends had a common aim—the establishment of an adequate system of wage-rates taking into account the then existing level of economic and social progress.

"Capitalism," wrote Lenin, "inevitably leaves socialism the legacy... of old trade and craft distinctions among the workers, distinction evolved in the course of centuries." ("Left-wing Communism, an Infantile Disorder", *Sel. Works*, Vol. 3, p. 400.) The characteristic distinction is that between skilled and unskilled labour.

As socialist construction goes on, technological progress and the rise in cultural and technical standards of the workers will gradually create conditions for overcoming these distinctions. The principle of distribution according to work is a strong material incentive to the working people to raise their technical qualifications, improve their technical knowledge and cultural standards: it helps to lessen the differences in qualifications. A tendency towards smoothing differences in wages is thus active in socialist production. Lenin wrote that "a gradual levelling of all wages and salaries for all trades and all categories of workers" would obtain during the transition to communism.

The gradual equalisation of pay can be brought about on the basis of technological progress, general increase of production and the improvement of the cultural and technical level and real income of the workers and not by wage-levelling.

It should be remembered, moreover, that complete economic equality implying equal relations to the means of production as well as fully equal distribution will be achieved in communist society where the great principle "From each according to his ability, to each according to his needs" will be realised.

Rate Fixing

The problem of the differentiation of wages is closely linked to that of rating the work. The principle of paying wages depending on the quality and amount of work implies the necessity of fixing rates strictly and of keeping records of the work done by every worker. The existence of technically justified output standards stimulates improvement of labour discipline and productivity and contributes to the better organisation of production processes; it pulls the lagging workers up and puts them on a level with the foremost, besides helping to develop a new attitude to labour.

Rate fixing is a means of increasing labour productivity in socialist production; it aims primarily at using the most efficient methods of labour making it lighter. Technically justified output standards are within the powers of every worker.

Society engaged in building socialism, however, cannot renounce anything of value that has been worked out by bourgeois economic science in the sphere of rate setting:

"The possibility of building socialism," wrote Lenin, "depends exactly upon our success in combining the Soviet power and the Soviet organisation of administration with the up-to-date achievements of capitalism." ("The Immediate Tasks of the Soviet Government", *Sel. Works*, Vol. 2, p. 716.)

Lenin wrote of the necessity of studying the wealth of scientific achievements in analysing the mechanical motions of the working man, of eliminating superfluous and awkward movements, of working out the most adequate ways of doing the work and of introducing the best system of control and recording of results.

The problem of fixing output rates was put forward by progressive trade unions in the first months of Soviet power. Lenin supported the initiative in every way. In 1919 he insisted on "fixing labour quotas and seeing that they are carried out at all costs". ("Fuel Crisis and How to End It", *Coll. Works*, Vol. 30, p. 120, Russ. Ed.)

Lenin's idea of rating the work on a scientific basis taking into account all the real circumstances of production, its organisation and the best experience of foreign countries opened broad prospects for the people's initiative, contributed to the increase of social production.

Bonuses for the Best

Lenin repeatedly explained that material incentive could not be produced merely by establishing a correct system of wage-rates and establishing a scientific method of fixing output rates. A system of wages that stimulated productivity was also necessary.

He pointed out that bonuses for the workers played an important part in the development of the principle of material incentive.

The system of issuing bonuses for the best workers played an important educational role at a time when the working people were toiling with unprecedented heroism despite famine and hardships. This system boosted the revolutionary enthusiasm of the masses, and helped to popularise advanced methods and examples.

Lenin stressed that bonuses were of great importance in the development of accelerated production and the fight for increased output. "The distribution should be so organised," Lenin said, "as to reward those who showed heroism, industriousness or the talent and devotion of an industrial executive... We do not repudiate such priority. Such priority is necessary." ("On the Trade Unions, the Present Situation and the Mistakes of Trotsky", *Coll. Works*, Vol. 32, p. 13, Russ. Ed.)

The decisions promoting bonus systems adopted by trade unions and the managements of many enterprises coincided with Lenin's ideas on this score.

On Lenin's initiative the best industrial and office workers in vital sectors of economic construction were frequently rewarded with various bonuses, including cash premiums. An enactment of the Soviet of Workers' and Peasants' Defence, signed by Lenin, may be cited as an example. It contained directions "to pay all industrial and office workers as well as technical personnel who had participated directly in the construction of a bridge across Kama and displayed particular energy and labour discipline the sum of two months wages or salaries fixed by the wage-rate scheme if they had been on the job not less than three months, and equal to one month's wages if they had been on the job more than a month but less than three months." In December 1919, Lenin proposed to establish bonuses in the form of bread for higher labour productivity in the reconstruction of transport. V. I. Lenin wrote: "The transport situation is so difficult that heroic efforts are necessary to bring coal here and even greater efforts to speed up the overhauling of locomotives. Put your best manpower to work, establish bread bonuses for every reconditioned locomotive, refit the best shops, and set up two or even three shifts."

On Lenin's initiative the Soviet Government established bread bonuses for railway workers overhauling locomotives. This boosted material incentive, contributing to labour productivity.

The decree on labour premiums adopted in 1920 was also suggested by Lenin; it established the principles of labour rewarding according to which bonuses were to be paid when the production plan was fulfilled 100 per cent.

Lenin at the same time expressly warned that bonuses should not be turned into a kind of disguised supplementary wages. He pointed out many times

that bonuses had to be connected not simply with productivity but "with an increase of productivity". It is only when the bonus is linked with achievement of higher productivity figures, above the fixed quotas, that it can become a really effective stimulus, providing the material incentive for the workers to improve productivity both in quality and quantity.

The workers, insisted Lenin, had to be personally interested in fulfilling and overfulfilling the adopted state plans for the development of the national economy. In 1920 at the 8th All-Russian Congress of Soviets he said: "Economic plans must be carried out in accordance with a definite programme, and the increasing fulfilment of this programme must be noted and encouraged. The masses must not only know, but also feel, that the shortening of the period of hunger, cold and poverty depend entirely upon how quickly they fulfil our economic plans. The plans of the various branches of production must be soundly coordinated, combined and together made to constitute that single economic plan of which we stand in such great need." (Eighth All-Russian Congress of Soviets, *Sel. Works*, Vol. 3, pp. 551-552.)

The Peasantry and Material Incentive

Lenin paid great attention to the problem of material incentive of peasantry.

It is impossible to build socialism if the peasant is not interested in it. The peasant is a materialist, a man of practice and he wants real material wealth, said Lenin. We must "patiently, persistently and repeatedly point out to him that socialism is infinitely more beneficial to the middle peasant than a government of tsars, landlords and capitalists". ("Comrade Workers, Onward to the Last Decisive Fight!", *Coll. Works*, Vol. 28, p. 40, Russ. Ed.)

Socialism abolishes extortionate rates of exchange between town and country. Their mutual relations are based in socialist society on improving the well-being of the peasants and not on profit-making.

"The peasant wants town products and town culture," Lenin explained, "and we must give him all this. Only when the peasant receives this aid from the workers will he see that worker's aid differs widely from exploiter's aid." ("The Extraordinary Session of the Moscow Soviet", *Coll. Works*, Vol. 29, p. 241, Russ. Ed.)

Proof of the fundamentally new relations with the country was given by raising the price of cereals 3 times in 1918 because of the discrepancy between the earnings of the middle peasants and the then existing prices of industrial goods.

Lenin was especially concerned with the question of satisfying the material needs of the rural poor. In 1918 he wrote: "We shall give all possible premiums to the poor peasants, for they are entitled to them. The poor peasant has for the first time obtained access to the good things of life, and yet we see that he is living more meagrely than the workers." ("On Combating Famine", *Coll. Works*, Vol. 27, p. 402, Russ. Ed.)

Lenin pointed out that the construction of socialism in an agrarian country makes it necessary to satisfy the personal material wants of the farm workers, to make use of the individual practical interest of the peasant in

the improvement of rural economy, in the reconstruction of the ruined industry, in the revival of the economic connections of the town and the village and in the adoption of the socialist way of development.

"The crux of the matter," said Lenin, "lies in providing the peasants with a stimulus, an economic incentive. The small proprietor must be told: It is your job as a proprietor to produce, and the state will take a minimum tax." (Report delivered at the Tenth Congress of the RPC(b), *Coll. Works*, Vol. 32, p. 204, Russ. Ed.)

Make the peasant's private practical interest serve the common interest first by means of cooperation in trade, then by cooperating their productive work itself—that was how Lenin identified the task of building the socialist rural economy. Wholesale trade, for example, unites the economic interests of millions of small farms, inducing them to take the next step to various forms of cooperation in production itself.

The formation of peasants' cooperative societies first to sell their produce and then to unite them in production brought the blend of private with common interests that led to the victory of socialism in the rural districts.

Summarising the experience of four years of the new life Lenin wrote: "We must not bank on a direct transition to communism. We must build on the basis of the peasant's personal incentive... The difficulty lies in creating personal incentive. We must give every specialist the incentive to grow personally interested in the development of production. Have we been able to do this? No, we have not. We thought that production and distribution in a country with a declassed proletariat would proceed at communist bidding. We must change this for otherwise we shall not be able to familiarise the proletariat with this transition." Further on Lenin devoted a special section to the principle of personal incentive. He writes: "Every important branch of the national economy must be built on the principle of personal incentive." ("The New Economic Policy and the Tasks of the Political Education Departments", *Coll. Works*, Vol. 33, pp. 46-47, Russ. Ed.)

Explaining the necessity of the measure to the opponents of bonuses for the peasants, Lenin wrote in 1920: "But if we conclude that we do not need any bonuses for individual farmers, let us examine the following fact: We give bonuses to individual workers at factories and mills where the collective work, its social character have reached an incommensurably higher level than in agriculture. What about the peasant's husbandry? In this predominantly peasant country where lone, individual labour prevails in nine tenths of cases if not in 99 per cent, there are 20 million peasant farms we are endeavouring to and must raise to a new level and at all costs. We know that improvement of their productivity will become possible only after many years of fundamental technical reforms. Three years of practical work have taught us something. We know how to lay the foundations of communism in agriculture—it can be done at the price of a great technical revolution... But now we have 20 million individual farmers, working separately for they cannot work otherwise, and if we do not reward them in order to improve their productivity we shall be making a mistake; this would mean overdoing things, trying to ignore the obvious situation which must be taken into account and serve as a starting point. Of course, it is

desirable that the farms rise to a new level collectively, by volosts, communities, etc. What we must consider is how far such a thing is possible now. If you who are active in the rural regions support progress along this path and achieve the improvement of the economy of an entire community or volost—so much the better; then let them have the best there is in bonuses. But are you sure we will succeed? Are you sure this is no illusion that will lead to the greatest blunders in practice?

That is why we propose that rewards and bonuses for individual farmers be allowed...

Lenin's principles of stimulating labour consolidated the union between Soviet power and the peasant masses; the latter took their places side by side with the workers in socialist construction.

Labour Discipline

The readjustment of the economy and the creation of a perfect system of material incentives requires conscientious discipline from the working people.

"In economy," said Lenin, "where socialism is only just being constructed, and the new discipline must be instilled we have as yet no experience, but we are acquiring it through alterations and reconstructions. This is our main task. We say that every new social system requires new relations between men and a new kind of discipline. There was a time when it was impossible to manage an agricultural enterprise without enforcing the discipline of serfdom solely with a stick; there was a time when the capitalist was master and discipline was enforced by hunger. But now, from the day of the victory of Soviets, from the beginning of the socialist revolution, discipline must be built on entirely new principles, it must be based on faith in the self-discipline of workers and poor peasants, it must be a discipline born of comradeship, of mutual respect, of independence and initiative in the struggle." (The Fifth All-Russian Congress of Soviets, *Coll. Works*, Vol. 27, p. 475, Russ. Ed.)

Outlining the immediate tasks of Soviet power V. I. Lenin wrote: "...a condition for economic revival is the raising of the working people's discipline, their skill, their dexterity, increasing the intensity of labour and improving its organisation ... because the victory of socialism is inconceivable without the victory of proletarian conscious discipline over spontaneous petty-bourgeois anarchy." ("The Immediate Tasks of the Soviet Government", *Sel. Works*, Vol. 2, pp. 715-716.)

Lenin regarded this as one of the most important tasks in the construction of new society: "This is the most difficult but the most gratifying task because only its fulfilment will give us socialist conditions," he said. "We must learn to combine the 'public meeting' democracy of the working people—turbulent, surging, overflowing its banks like a spring flood—with iron discipline while at work, with *unquestioning obedience* to the will of a single person, the Soviet leader, while at work." ("The Immediate Tasks of the Soviet Government", *Sel. Works*, Vol. 2, p. 727.)

The problems of instilling conscientious labour discipline were always present in Lenin's mind. In March 1918 he wrote: "The Congress most insistent-

ly, presents to all workers, soldiers and peasants, to all the working and oppressed masses, the main, immediate and most urgent tasks of the moment—the improvement of discipline and self-discipline of the working people, the creation throughout the country of strong, well-founded organisations that cover, as far as possible, all production and distribution; a ruthless struggle against chaos, disorganisation and economic ruin...” (“Resolution on the Ratification of the Brest Treaty”, *Sel. Works*, Vol. 2, p. 693.)

Socialism and Labour Incentives

In conditions of a new social system the material incentive to achieve better labour results unites the common and individual interests. The greater the public wealth, the higher the standard of living of every individual member of society. On the other hand the worker's individual material incentive to improve his own wellbeing contributes to the growth of productivity and consequently to an increase of public wealth. The principle of material incentive is an important stimulus to achieve technological progress and develop the main productive force—man.

The material incentive to labour is combined with moral incentives. The fact that the workers are masters of their country heightens their responsibility and makes them strive for a rapid increase in industrial production which in turn improves the wellbeing of the whole people. The forms of moral influence are manifold: public appreciation and approbation of labour results, encouragement of labour achievements, decoration of the deserving with orders and medals, the manifested confidence of co-workers, contempt for parasites, engaging the workers in creative work, in innovations, the organisation of rest and recreation, etc. One of the most important forms is socialist emulation for the best showing of labour.

It is impossible to draw a sharp line between material and moral incentives. Moral incentives are always closely connected to material ones, the moral itself depending on economic relations.

Receiving a memorandum on the problem in 1921, Lenin underlined the following sentence: “Men cannot remain in a condition of ecstatic enthusiasm for years and can be compelled to work only by economic necessity. This is the only prosaic foundation we can build on.” Lenin wrote on the margin: “Right”.

Lenin never posed the moral against the material incentive; he always stressed the necessity of using both simultaneously, always emphasising that the material and moral incentives to work should be combined: “...aided by the enthusiasm engendered by the great revolution, and on the basis of personal interest, personal incentive.” (“The Fourth Anniversary of the October Revolution”, *Coll. Works*, Vol. 33, pp. 35-36, Russ. Ed.)

That is how Lenin clarified the objective necessity of combining moral and material incentives to work for the construction of communism.

The development of moral stimuli does not at all imply self-denial. These evolve on the basis of more and more complete satisfaction of human needs.

Lenin fought for the elimination of famine and poverty from the first months of Soviet power; he called upon the people to strive for conditions in which

our country will cease to be wretched and weak and become rich and powerful." ("The Task of the Day", *Coll. Works*, Vol. 36, p. 82. Russ. Ed.)

This became the main goal of the CPSU activities to improve the people's wellbeing. The rapid growth of social production increased the national income 2.3 times in a decade, and the real income per worker by 61 per cent. One of the most effective social and economic measures taken after the 20th Congress of the CPSU was the regulation of wages of the industrial, building, transport and communication workers and of rural workers at the state agricultural enterprises.

The new wage adjustment affected about 50 million workers. Wages were raised by 10 per cent on the average while the low paid categories received increases of 30—50 per cent. Industrial and office workers now had shorter hours. The six-and seven-hour working day which came to be country-wide. Though working shorter hours, moreover, their wages were not reduced, but on the contrary, increased in many cases.

The state plan for 1964—1965 envisages an increase of minimum wages to 40—50 roubles per month for all engaged in education, health services, cultural work and other branches of public service. When this goes into effect the wage and salary readjustment shall have been completed in all branches of our national economy.

Public consumption funds play an increasing role in satisfying the workers' needs beside the individual pay depending on the amount and quality of labour. The sum total of payments and services to the population out of the public funds has increased by 17 thousand millions in ten years, or 2.3 times.

The beneficial influence of the public funds on the living standards has been brought home to everyone. A gigantic housing scheme is being realised in the country. The number of new lodgings built yearly in the Soviet Union is far above that of the most developed capitalist countries.

108 million people—nearly half of the Soviet Union population—moved to new flats and improved their housing conditions during the past decade. Citizens of the USSR receive medical treatment free of charge, they are given facilities for recreation, get pensions and other grants out of public funds.

From January 1, 1965 a unified system of pensions for collective farmers will be put into effect. The collective farmers will be guaranteed old-age pensions, disability pensions, pensions in case of the loss of the bread-winner, and the right to receive various grants. Old-age pensions for collective farmers were hitherto paid only on the foremost collective farms. From now on the payment of pensions will be put on a more solid foundation: an all-union social insurance fund will be formed with allocations from the collective farms and the state budget. According to the estimate of the Central Statistical Board of the USSR the number of collective farmers who are entitled by this law to receive pensions is about 6.5 million. Expenditures in this field are estimated to reach 1,300—1,400 million roubles a year.

Society undertakes the training and education of the masses. Over 65 million people are studying in the USSR at present; this amounts to one third of the population not including children of pre-school age. Over 44 million

attend the primary and secondary schools. All this, moreover, is free of charge.

The Programme of the CPSU pursues the practical aim—of achieving abundance and prosperity for all sections of the population within the current decade. This will put a final end to need for the first time in history. The decisive advantage of socialism in economic growth is becoming more and more evident not only in the sphere of material production but also in consumption. The purpose of the present measures taken by the Party is the achievement of a further steady advance of social production and labour productivity and on this basis of a continuous rise of the people's wellbeing.

The world socialist system never before possessed such material prerequisites for increasing the rate of advance of public production and labour productivity and of completely satisfying the material and spiritual needs all the members of society.

Communism is being built by the people for the people. The new incentives to labour born of the socialist system—the moral and material incentives to improve the results of production—are powerful means to surpass by far the most highly developed capitalist countries in labour productivity.

The experience of the Soviet Union and of other socialist countries proves that it is necessary to make full use of the personal material interest of all the members of society in the development of the productive forces.

The level of wages under the conditions of socialism is not an immutable, constant thing; it is very mobile and elastic. It must satisfy both the historically formed needs of the toiling masses and their new requirements.

F. Engels wrote: "Marx demonstrated in his 'Capital' that the laws governing wages are very complex; this or that law may overbalance the other, it depends on the circumstances. They are by no means 'iron' laws; on the contrary, they are very elastic, and the problem in general cannot be solved so lightly." (K. Marx, F. Engels, *Sel. Correspondence*, pp. 294-295.)

It should be remembered that in socialist society the inequality of distribution is still practically inevitable. The practical level of consumption depends not only on the amount and quality of the work contributed by the worker but also on the number of able-bodied members of his family, i. e. on a factor that has no relation to production.

These contradictions in distribution are being gradually overcome as production increases. The experience of socialist construction confirms that wage-levelling is incompatible with the interests of socialist construction and the building of a communist economy. The differentiation of wages and other forms of income of various groups of working people arises in correlation with many concrete historical circumstances.

The realisation of the principle of material incentive contributes to the growth of communist consciousness, it helps to control constantly the measure of an individual's labour, the measure of his consumption, and to accustom him to work; it "makes" labour general and obligatory. If the pay depends strictly on the amount of work done it becomes impossible for anyone to live at somebody else's expense. Material incentive is the belief in the material profits of labour, it implies that "wages correspond to total amount of goods turned out." ("The Immediate Tasks of the Soviet Government", *Coll.*

Works, Vol. 27, p. 229, Russ. Ed.)

The improvement of the system of material incentive should not be identified with an improvement of the system of individual pay for workers. Material incentive can be most effective only when unity of economic stimulation of production and of material stimulation of the workers has been assured.

What does this imply in practice? A system of incentive must be worked out that makes the enterprise profit by what is profitable to the national economy; and what is profitable to the enterprise must be profitable to those who work there.

The socialist economy permits economic stimulation of enterprises jointly with stimulation of the personal interest of the workers in the progress of socialist production.

What is the link between economic stimulation of enterprises and the workers' material incentive? It is firstly profit and bonuses. The economic gains of the rise of production at an enterprise may in the end be expressed as greater profit. How large the profit is, determines in the end what premium the individual worker shall receive.

The material and moral stimuli arising as socialist production is improved are the active, driving force of social development. Lenin taught the working people how to combine revolutionary enthusiasm with excellent practical organisation of popular control of the measure of work and the measure of consumption; he called upon them to organise socialist emulation on a national scale to create "a new social ties, a new labour discipline, a new organisation of labour". The solution of the problem cannot be obtained "by single acts of heroic fervour; it requires the most prolonged, most persistent and most difficult mass heroism in plain, everyday work". ("A Great Beginning", *Sel. Works*, Vol. 3, p. 250.)

Material and moral stimulation cannot spring from a spontaneous process. In socialist society it becomes a part of state policy and is founded on a scientific basis. The improvement of forms and methods of drawing people into work, the development of a communist attitude towards work is a conscious and systematic process based on the new labour conditions, with the masses taking active part in it in their own interest.

The correctness of the Leninist principles of the material and moral stimulation of labour has been substantiated by the experience of socialist construction in the USSR and other socialist countries.

Summarising this experience the Meeting of the Representatives of Communist and Workers' Parties (1960) documented one of the first rules of economic activity common to all socialist countries as being "strict observance of the Leninist principles of material incentive and all possible development of moral stimuli to work for the benefit of society by raising political consciousness and controlling the measure of work and the measure of consumption". (The Documents of the Meeting of the Representatives of Communist and Workers' Parties.)



