

Elimination of the world crisis¹

B. D. Brutskus

Alexander M. Nikulin (publisher), PhD (Economics), Head of the Chayanov Research Center, Moscow School of Social and Economic Sciences. *Gazetny per.*, 3-5, bl. 1, Moscow, 125009, Russia. E-mail: harmina@yandex.ru

Vladislav O. Afanasev (publisher), Junior Researcher, Moscow School of Social and Economic Sciences; *Gazetny per.*, 3-5, bl. 1, Moscow, 125009, Russia. E-mail: erpaisov@gmail.com

Irina V. Trotsuk (translator), DSc (Sociology), Professor, Sociology Chair, RUDN University; Senior Researcher, Center for Agrarian Studies, Russian Presidential Academy of National Economy and Public Administration. 119571, Moscow, Vernadskogo Prosp, 82. E-mail: irina.trotsuk@yandex.ru

Abstract. Boris Davidovich Brutskus (1874–1938) was a remarkable economist whose agrarian studies are usually attributed to A. V. Chayanov's organization-production school. However, agrarian issues were only one aspect of Brutskus's multifaceted intellectual heritage as a major specialist in Jewish migration and colonization in the late 19th — early 20th centuries, in the political-economic criticism of the Russian Revolution, Soviet economic system and socialism in general. He was an insightful expert not only in issues of the Russian and Soviet economic policy but also in international economic-political relations.

In his theoretical and ideological views Brutskus was a consistent supporter of liberalism but not an orthodox supporter of the homo economicus model. He spoke with deep respect and understanding about worldview values of socialism of both populist and Marxist directions, which were associated with the ideas of cooperative family economies and a socially oriented state, and emphasized that the market, free enterprise and economic freedom were fundamental conditions for any freedom in principle.

With the Bolsheviks coming to power, during the civil war, Brutskus consistently and convincingly criticized the Soviet economic policy, for which the United State Political Administration (OGPU) expelled him on the so-called philosophical steamship to Germany. In Europe, until the early 1930s, Brutskus lectured on agrarian issues and political economy at the Russian Scientific Institute in Berlin and taught at the Yiddish University in Vilnius. After the Nazis came to power, he moved to Paris, and in 1935 emigrated to Palestine, where he headed the Department of Agricultural Economics and Policy at the University of Jerusalem, which was established with funds from the Jewish National Fund and at which he conducted research and taught until his death in 1938. Brutskus “was very enthusiastic about not only teaching but also practical activities to

1. The study was conducted as part of the project “Boris Brutskus among Jewish colonization projects in the age of catastrophes (to the 150th anniversary of the scientist)”, supported by the Russian Jewish Congress as part of the Grant Competition for Museum and Exhibition Initiatives 2024.

promote Jewish agriculture”². Brutskus’s great contribution to the developing Jewish agricultural and economic science was recognized and highly praised: his course of lectures was published posthumously, and the national journalism called him a Jewish genius of our time³.

Brutskus was an incredibly gifted and prolific economist and publicist, his analytical articles on the most current social-economic events of the 1920s and 1930s were published in newspapers and magazines not only in the Russian émigré press but also in national languages in periodicals of some European and North American countries. Thereby, it is not surprising that the article “Elimination of the world crisis”, which was discovered in B. D. Brutskus’s collection in the Central Archive for History of the Jewish People⁴ and which the author had prepared for publication but had not managed to publish, provides an overview of fundamental contradictions and probable alternatives for political-economic development of the world economy recovering with difficulty and in contradictory ways from the Great Depression in the second half of the 1930s.

In this article, Brutskus identifies those groups of countries and key sectors of the economy that overcame consequences of the world crisis in different ways. This multipolarity of political-economic development caused Brutskus concern mainly due to the strengthening tendencies of bureaucratic autarkization of economies in some countries preparing for war. At the end of the article, Brutskus prophetically warns that the implementation of the German slogan “guns instead of butter” under declining international movement of migrants, capital, goods and increasing political-economic polarization of countries leads to an escalation of international tension and future military-political conflicts.

Key words: crisis, market, capitalism, unemployment, agriculture, industry, League of Nations, economic policy

EDN AAOQLZ

Today the world economy is in a significant period of development. Since its very emergence, the world economy has never faced such a severe crisis as the one that broke out in the autumn of 1929. For almost three years until the summer of 1932, industrial production had rapidly declined, leaving millions of unemployed, and prices had ominously fell to an unprecedentedly low level. It seemed that the world economy in its true capitalist organization entered apocalyptic times of its final destruction predicted by Karl Marx.

Since the summer of 1932, the degradation of the world economy seemed to have stopped. At the same time, governments that had long hoped for recovery provided by internal forces of the capitalist economy finally found it necessary to actively intervene in economic processes. Due to the specific political conditions of Central Europe (with the least overcome psychological moods generated by the world war), governments in many of its countries have become dictatorial

2. Markov A. (1939) B. D. Bruckus [obituary]. *Novoe Russkoe Slovo*, no 9477, January 16, p. 3.

3. Lask I. M. (1943) Hebrew genius of our times. *Sentinel*, no 11, September 16, p. 7.

4. Central Archive for History of the Jewish People. P320-12. P. 1–19.

and used struggle against the crisis to take over economic life completely.

Certainly, the central question is to what extent the emerging but still very weak, spontaneous economic recovery will prove reliable, and whether the economy is capable of being restored once again in individualistic forms.

At such times one must be deeply grateful to the League of Nations, which, in addition to rich data on individual issues published from time to time, has begun to present regularly annual surveys of the state of the world economy (World Economic Survey). I have the fifth survey for the period from July 1935 to July 1936. Its compiler, J. B. Condliffe managed to present a huge material, which is carefully critically analyzed and superbly systematized, on the comparatively small space of some 300 pages, and to draw a clear picture of the world economy development in the past year. Let us try to interpret the current economic processes based on this work.

The presented data allows to assert with complete confidence that even after such an extraordinary upheaval the capitalist economy reveals its inherent cyclical nature; thus, there are forces capable of ensuring a new economic growth. The leading role is played by two great Anglo-Saxon countries — England and the United States, in which the foundations of individualistic economic organization have remained in general intact. A very large positive role was played by the depreciation of their currencies kept within certain limits, which created the basis for a broader credit expansion. In addition to the economic recovery of England, there is a similar trend in all countries of the so-called sterling bloc, i.e., in English dominions and colonies and in Scandinavian countries. The rapid economic growth of the United States has drawn all other countries of the New World into its orbit. Likewise, the leading state of the Far East — Japan — began its expansion. Since the depreciation of sterling and dollar has already stopped and their more or less stable relationship was established, about 85% of the world trade turnover is based on regulated currencies. Economic recovery in England and overseas countries has accelerated, so in both the United States and England a new “boom” is expected.

The economic situation on the European continent (and its colonies) is not as clear. In the countries of the gold bloc (France, Switzerland, the Netherlands, Belgium), the need to protect currency with deflationary measures greatly delayed their economic recovery. One after another, these countries are finally abandoning gold circulation.

As for the countries of Central Europe, primarily Germany, Italy and their neighbors Austria, Czechoslovakia, Hungary and Poland, one cannot deny that their economies also got out of stagnation. However, profound structural changes have taken place in the organization of their economy: bureaucratization of economic life has taken place, and the role of private initiative has declined. The

immensely strengthened dictatorial power considers it possible to push into the background the satisfaction of the masses' current needs in the name of certain national tasks. In the course of overcoming the crisis, a new type of economy is emerging here, somewhat similar to the type of economy in Soviet Russia.

As for this type of economy, due to the completion of its socialist reorganization under the five-year plan, it has reached almost complete autarky; thus, fluctuations in the world economy have almost no effect on it: this economy is entirely a tool for achieving political goals of the totalitarian regime and meets the masses' economic needs to a very insufficient degree. To fulfill the latter task, it does not even have an institution — there is no market that would register such demands⁵.

Let us now consider individual elements of the process under study. As is known, the starting point of capitalist cycles is fluctuations in the production of heavy industries. These cycles are transmitted to light industries and usually hardly affect agriculture. Barter agriculture experienced a long general crisis in the last quarter of the past century and is experiencing one now; the causes of such crises are not directly connected with the cyclical nature of industrial development. Today we witness a combination of an industrial crisis with an agrarian one, each contributed to the deepening of the other, but their courses are different. The peculiarity of agriculture is expressed in the fact that its degradation during the crisis is out of question since agriculture very rarely reacts to falling prices by reducing production. However, world agriculture had gone through restructuring that is very unfavorable for the future of world trade.

Countries of the European continent (except the USSR, where the socialization of agriculture led primarily to its severe degradation) managed to significantly increase the production of nutritious products, especially plant-based ones, through protectionism intensified to unprecedented levels, and in this way to reduce their import to a minimum. These products are now produced at great expense at intensive farms in Europe instead of being imported from overseas countries, where they can be produced cheaply at mechanized extensive farms. The same trends have emerged in the production of agricultural feed and raw materials, namely the stable world production with some weaker trend (in relation to these products) in industrial European countries towards autarky.

Nevertheless, the fact that world agricultural stocks have greatly decreased and their prices have risen significantly can be explained by the Roosevelt government measures aimed at reducing crops and two severe droughts in North America.

5. The observer of the League of Nations says comparatively little about the economy of Soviet Russia, although its comparison with economies of other types is very instructive in some cases.

However, we consider it premature to assert on this basis the final elimination of the agrarian crisis rooted in the rapid mechanization of overseas agriculture and now further complicated by the autarkic tendencies in European industrial countries. Agrarian crises are not overcome quickly.

The development of the production of industrial, non-agricultural raw materials (primarily metals) is subject to completely different laws which are cyclical fluctuations of the industrial crisis. World production of non-agricultural raw materials fell in 1932 by 25% compared to the average for five years (1925–1929) but now has completely recovered, although stocks have decreased sharply. Fluctuations in the world industrial production can be seen in the following figures (they do not represent the USSR with the rapid industrial growth precisely during the world crisis):

Industrial production indices in 1932–1935 (1929 = 100)

Group of industries	1932	1935
Textile	88	104
Steel	39	75
Industry in general	63	84

We see that fluctuations in the production of production means such as steel are incomparably greater than fluctuations in the production of items of direct consumption such as textiles. The characteristic feature of our time is the rapid industrialization of countries whose prosperity was previously based on the mass export of agricultural products — both overseas and European; this feature should be considered a natural reaction to the autarkic tendencies of industrial countries of the European continent in agriculture. Thus, growing difficulties in exporting first-class agricultural products forced Denmark to reduce its butter production by 6% from 1931 to 1934 and the number of pigs slaughtered — by 40% from 1931 to 1935, while its industrial production increased by 21%. Today the growth of industrial production is universal, but in countries of the gold bloc it was rather small. In industrial countries of Central Europe, the production growth is artificially directed in favor of durable goods (buildings, roads, automobiles), since such production is more easily stimulated by the state in its fight against unemployment, and in favor of arms. In Germany, the very energetic economic activity of the state does not promote private initiative and does not lead to the expansion of industrial production in the interests of individual consumption.

If prices are measured in gold, then only since 1935 there has been a small increase. However, today, when few countries retain gold circulation, the importance of gold prices in the world economy is very small. If prices are expressed in the most important world

currency — pound sterling, it turns out that the fall in prices stopped at the moment of its depreciation and that since 1933 wholesale prices have risen continuously and at an accelerating pace.

With rising prices, the abnormalities in their ratios (“scissors”), which disorganized the world economy, are eliminated. Of particular importance was the eliminated discrepancy between prices of agricultural and industrial products. While during the pre-war crises the reduced production of production means was accompanied by a rapid fall in their prices, during the current crisis the success of cartelization has led to a great disadvantage for agriculture: prices were almost unregulated at the beginning of the crisis, and the prices of the most important production means remained quite stable. Today, due to the significant increase in prices of agricultural products the situation of exporting countries has significantly improved. However, as we have already pointed out, this improvement can hardly be considered completely reliable.

The general rise in prices has increased entrepreneurial profits and the pace of economic life. National income has increased, but has it affected consumption?

It should be said that the crisis in general did not noticeably reduce the consumption of nutritious products, since the decline in national income during the developing crisis was initially more than compensated for by the rapid fall in prices of agricultural products. Moreover, the severe crisis did not prevent a rapid rise in international trade in some nutritious products popular in the present era, such as oranges and grapefruits. If we compare these facts with the facts from Soviet Russia, where the not particularly large crop failures of 1931 and 1932 led to severe hunger disasters, the advantages of the market economy, even in times of deep crisis, compared with the market-free planned economy will become quite clear. However, the rise in prices of agricultural products on the international market and especially the extreme aggravation of agrarian protectionism in European industrial countries had led to the fact that elimination of the crisis did not increase the consumption of nutritious products but was reflected much more in the growing consumption of industrial products, especially by agricultural population. In the fight against unemployment, the state especially encourages the expanded consumption of durable goods.

In terms of the created unemployment scale, the current crisis is quite exceptional. By August 1932, the unemployed in England constituted almost a quarter (28%) of all registered workers, whereas during the pre-war crises the share of the unemployed had not reached 10%. The dark side of the present recovery is that although the reduction in unemployment is not universal it lags far behind production growth. By 1932 unemployment had roughly tripled compared to 1929, but in 1935 it was still almost twice as high as in 1929. The slow reduction in unemployment is explained partly by the fact

that many workers switched from shortened to full working hours and partly by rapid technical progress which certainly did not stop even under the crisis and led to a further increase in labor productivity. It must be acknowledged that the state has never played such an active role in the fight against negative consequences of unemployment as during the current crisis. Since in most countries the supply of loans is abundant, it would hardly be possible to reproach the state for having reduced the private enterprise funds for organizing public works. However, in many cases the state unilaterally used the labor force of the unemployed to prepare for war, especially in Germany.

Wages in their monetary terms are growing, but since the cost of living is also rising largely due to the development of autarky, it is impossible to speak of a rise in real wages as a general phenomenon. The discrepancy between the rapid growth of profits and the slow growth of wages leads to an aggravation of labor conflicts during the boom. Since the crisis, governments have paid increased attention to the situation of wage workers. Unemployment insurance was introduced almost everywhere; in many countries the working day was further shortened, and a minimum wage was established.

In addition to the insufficiently rapid reduction of unemployment, the weak point of the current boom is the lagging development of international trade. What is typical for boom periods is that the growth of international trade outpaces the growth of industrial production; in this case, we have the opposite situation: the growth of international trade lags far behind the growth of industrial production. If the quantitative dimensions (not value expression) of international trade in 1929 are equated to 100, then its size in 1932 is 74.5 units and in 1935 — 82. However, since 1936 the growth rate of international trade has increased. There are two main reasons for the lag of international trade: the policy of autarky, weakening the division of labor on an international scale, and the cessation of capital movement on the international market. The following figures for the movement of three main commodity groups in international trade in its quantitative (not value) expression are characteristic:

International trade indices in 1932–1935 (1929 = 100)

Product group	1932	1935
Food	90.5	86
Raw materials	82	93.5
Finished products	58	68.5

The movement of food products in international trade has decreased comparatively little during the crisis. But the economic recovery is accompanied not by an increase in trade in these products but by its further reduction due to the triumph of autarchic tendencies in the economic policy of industrial countries. The reduction in trade in raw

materials during the crisis was greater than in trade in food but the former is quickly restored. Finally, to the detriment of the interests of industrial countries, the greatest reduction during the crisis was in trade in finished industrial goods. This trade has recovered but not at the rate of reduction; thus, in 1935 it was almost one-third less than before the crisis. For the current era, the exchange of industrial raw materials for industrial production means in international trade is a characteristic feature. To the great detriment of the masses' interests, the division of labor between nations has diminished. The autarkic tendencies of industrial countries, which are determined to no small extent by political interests, ultimately harm these countries the most. The role of the European continent in international exchange has clearly declined.

Organization of foreign trade in many countries, especially on the European continent, has taken forms similar to the monopoly in Soviet Russia. Customs tariffs were pushed into the background by quotas. The most favored nation principle can be considered as practically abolished. In many countries the delicate mechanism of private international trade was forced out by heavy bureaucratic organization, the crowning glory of which is bilateral compensation agreements replacing the former circular trade. The payment of international debts in goods becomes impossible in such conditions, which makes the international circulation of capital completely impossible. And the trouble is that just as, according to Gresham's law, bad money drives out good, the contemporary lower bureaucratic forms of international trade tend to drive out the higher individualistic forms that previously prevailed.

Just as we see in its completed form in Soviet Russia, the expansion of state functions has led to swelling budgets which now absorb a considerably larger share of national income than before the crisis. To cover such large budgets, income from property is no longer sufficient, so they are covered to an absolutely extraordinary extent in Soviet Russia by heavy taxation of the masses' consumer goods. Certainly, a considerable part of these budgets is spent on the good cause of fighting unemployment; however, there are different ways to fight it, and one cannot help but see that many states use their increased economic power for specific political interests, for instance, to prepare for war. Thus, satisfaction of the masses' cultural needs is pushed into the background.

There is no doubt that the world is recovering from an unprecedentedly severe crisis. However, as we have seen, this recovery has dark sides, and such shadows are the densest precisely on the European continent. In many countries of Central Europe, the economy has undergone profound structural changes making its organization similar to that of the Soviet economy. Undoubtedly, during the last crisis the state power had great merit in the fight against unemployment and severe consequences of the temporary

disorganization of capitalism. But in many countries this government intervention was paid for dearly by politicization of the national economy which ceases to sufficiently serve the masses' current needs and becomes to a greater extent a means of achieving certain political goals; in the words of the German Minister of Propaganda "guns instead of butter!" these tendencies found their classic expression.

The movement of emigrants stopped, the movement of capital stopped, and the movement of goods decreased. The economic situation of some countries is now much less equal than before. This creates great tensions in international relations, which may lead to new military conflicts.

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Процесс ликвидации мирового кризиса⁶

Бруцкус Борис Давидович

Публикаторы:

Александр Михайлович Никулин, кандидат экономических наук, директор Чаяновского исследовательского центра Московской высшей школы социальных и экономических наук. 125009, Москва, Газетный пер., д. 3-5, стр. 1. E-mail: harmina@yandex.ru

Владислав Олегович Афанасенков, младший научный сотрудник Московской высшей школы социальных и экономических наук, Газетный пер., д. 3-5, стр. 1. E-mail: erpaison@gmail.com

Переводчик — *Ирина Владимировна Троцук*, доктор социологических наук, профессор кафедры социологии Российского университета дружбы народов; ведущий научный сотрудник Центра аграрных исследований Российской академии народного хозяйства и государственной службы при Президенте Российской Федерации. 119571 Москва, просп. Вернадского, 82. E-mail: irina.trotsuk@yandex.ru

Аннотация. Борис Давидович Бруцкус (1874–1938) — замечательный экономист, чьи аграрные исследования принято относить к организационно-производственной школе А. В. Чаянова. Однако аграрная проблематика была лишь одной из сторон многогранного интеллектуального наследия Бруцкуса. Он проявил себя как крупный специалист в исследовании вопросов еврейской миграции и колонизации конца XIX — начала XX века, в политико-экономической критике русской революции, советского экономического строя и социализма в целом. Впрочем, он был проницательным экспертом не только в вопросах российской и советской экономической политики, но и в сфере международных экономических и политических отношений.

По своим теоретическим и идеологическим убеждениям Бруцкус являлся последовательным сторонником либерализма, но никогда не был ортодоксальным сторонником модели homo economicus. Он с глубоким уважением и пониманием

6. Исследование выполнено по проекту «Борис Бруцкус среди проектов еврейской колонизации в век катастроф (к юбилею 150-летия ученого)», поддержанному Российским еврейским конгрессом в рамках Грантового конкурса музейных и выставочных инициатив 2024 г.

отзывался о мировоззренческих ценностях социализма как народнического, так и марксистского направления, связанных с идеями кооперативизма семейных экономик и социально ориентированного государства, подчеркивая вместе с тем, что рынок, свободное предпринимательство и экономическая свобода — фундаментальные условия любой свободы в принципе.

С приходом большевиков к власти, во время гражданской войны Бруцкус последовательно и убедительно критиковал советскую экономическую политику, за что ОГПУ выслало его на так называемом философском пароходе в Германию. В Европе Бруцкус до начала 1930-х годов читал лекции по аграрным проблемам и политической экономии в Русском научном институте в Берлине, преподавал в Идишском университете в Вильнюсе. После прихода к власти нацистов он переехал в Париж, а в 1935 году эмигрировал в Палестину, где возглавил учрежденную на средства Еврейского национального фонда кафедру аграрной экономики и политики в Иерусалимском университете, на которой вел научную и преподавательскую работу вплоть до смерти в 1938 году. Бруцкус «с большим увлечением занимался не только преподаванием, но и практической деятельностью в области содействия еврейскому земледелию»⁷. Большой вклад Бруцкуса в только зарождавшуюся в тот момент еврейскую аграрно-экономическую науку был признан и высоко оценен: посмертно был издан его курс лекций, за который национальная публицистика возвела его в ранг еврейских гениев современности⁸.

Бруцкус был невероятно одаренным и плодовитым экономистом-публицистом, чьи аналитические статьи об актуальных социально-экономических событиях 1920-х–1930-х годов печатались в газетах и журналах не только российской эмигрантской прессы, но и на национальных языках периодических изданий ряда стран Европы и Северной Америки.

Неудивительно, что представленная статья «Процесс ликвидации мирового кризиса», обнаруженная в фонде Б. Д. Бруцкуса в Центральном архиве истории еврейского народа⁹, которую сам автор подготовил к печати, но опубликовать не успел, посвящена обозрению фундаментальных противоречий и вероятных альтернатив политического и экономического развития мировой экономики, с трудом и противоречиво оправлявшейся после Великой депрессии во второй половине 1930-х гг. В своем анализе Бруцкус выделяет несколько групп стран и ключевых отраслей экономики, по-разному преодолевавших последствия мирового кризиса. Эта своеобразная, как сейчас бы сказали, многополярность политического и экономического развития вызывала у Бруцкуса тревогу, в первую очередь в связи с усилением тенденций бюрократической автаркизации экономик ряда стран для подготовки войны. В конце статьи Бруцкус пророчески предупреждает, что реализация германского лозунга «пушки вместо масла» в условиях, когда международное передвижение мигрантов, капиталов и товаров сокращается, а политическая и экономическая поляризация стран возрастает, ведет к нагнетанию международной напряженности с ее грядущими военно-политическими конфликтами.

Ключевые слова: кризис, рынок, капитализм, безработица, сельское хозяйство, промышленность, Лига наций, экономическая политика

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9. Central Archive for History of the Jewish People. P320-12. P. 1–19.