The Russian and Soviet Economy*


Before World War II there were few serious studies of the Soviet economy. However, the Soviet Union’s great contribution to Allied victory in the war, based in part on Stalin’s prewar industrialization policies, aroused major interest in the postwar period. Beyond the need to evaluate the new Soviet superpower’s economic system and likely future performance, western economists became additionally preoccupied with how to avoid mass unemployment in industrialized market economies, and how to reduce poverty and promote economic development in the Third World. The power of the Soviet state to mobilize resources and effort towards national objectives appeared to provide experience relevant to all of these concerns.

In the 1950s and 1960s Dobb and Gerschenkron offered competing interpretations with a shared focus on the role of the state. An orthodox Marxist, if not uncritical of Soviet communism, Dobb believed that state ownership and planning offered generally superior outcomes to private ownership and the market. He judged this from the rapidity of Soviet industrialization in the 1930s (when the capitalist world was sunk in depression) and the speed with which the Soviet Union appeared to be catching up with the west. This was an easy conclusion to reach in the 1950s and 1960s when the growth of Soviet productivity and living standards was buoyant; at that time many expected that the Soviet economy would have overtaken the United States by the end of the century, and Khrushchev himself spoke of achieving full communism, i.e. an economy of abundance, by 1980. Despite immense knowledge and erudition Dobb limited his portrayal of the Soviet experience to official sources and statistics, and he largely avoided such “negative” aspects as famine or forced labour. On the other hand the final edition of his work made it clear that he regarded some convergence between planning and the market as ultimately desirable.

Writing in the same period Gerschenkron presented a similarly dynamic picture of the Soviet social and economic transformation under Stalin; however, he argued for much greater continuity with the past. In his view Russian economic history had long been characterized by spurts of nationalistic, state-dominated modernization beginning with Peter the Great who, he argued, would have felt at home in Stalin’s Russia. He argued that latecomers to industrialization necessarily shared development patterns distinct from those of the leaders. Where relative backwardness had grown over the 19th century, and market solutions had failed to materialize, so the state had resorted to forced saving through taxation of agriculture, investment in capital and technology imported from abroad and paid for by the peasants, and enterprise organized on a large scale through government ventures and mercantile credit. These solutions would have eventually secured Russia’s industrialization regardless of whether the ownership system was feudal, capitalist, or socialist. The fact that Russia’s
industrialization was completed under socialist state ownership was an accidental by-product of World War I, in the absence of which Russia would have pursued a successful capitalist modernization.

Dobb and Gerschenkron were outstanding representatives of individual scholarship. At the same time in the United States a big collective project of research on the Soviet economy under the leadership of Bergson was bearing fruit. Bergson and his colleagues carried out a root-and-branch reconstruction of the Soviet statistical record on the basis of western national accounting concepts and a critical analysis of the relative reliability of different categories of official data. They showed that Soviet real GNP had grown at 4.7 per cent per year over the period 1928-55 using constant 1937 factor costs, compared with more than 10 per cent annually using official figures for the net material product at plan prices. Having stagnated on average between 1928 and 1948, Soviet productivity and living standards were also rising substantially and these growth rate, although substantially lower than officially claimed, were still fast enough to suggest that the Soviet economy might slowly overhaul that of the United States. Subsequently, however, as the continuation of Bergson’s work under the auspices of the Central Intelligence Agency revealed, Soviet growth subsequently decelerated.

Gregory applied Bergson’s methodology retrospectively to the economy of Imperial Russia from the 1880s to 1913. In the process he debunked the pessimistic evaluation of prerevolutionary economic growth shared by Dobb, Gerschenkron, and many other previous scholars. He showed that the Russian economy was growing more rapidly than had been thought hitherto, and that its growth owed little to state intervention. NNP shares of investment and government spending were high for a low-income country, but the state budget was not an important source of capital accumulation. Side by side with industrialization, agriculture was expanding and rural living standards were improving. Except that Russia was indeed much poorer to start with, with relatively high government outlays on defence and administration, Gregory suggested that Gerschenkron’s image of the Russian economy following a path of state-supported industrialization different from that of western Europe was largely misconceived.

Gatrell has provided a more pessimistic revision of our view of the Russian economy before 1914. Like Gregory’s his research encourages scepticism about the developmental role of the Tsarist state: preoccupied with military spending, seeing modernization as little more than rearmament, but also bureaucratically fragmented and with little organised capacity to pursue a coherent policy towards any single objective. This paved the way to Russia’s disastrous involvement in World War I: not an accident, but the “last argument” of the old regime. The argument failed on the battlefield, the only place where it really counted.

How did the Soviet economy work? Research on the microeconomics of Soviet institutions for many years relied on press reports and émigré testimony. The focus of these investigation lay on the routine and unexceptional phenomena of everyday economic life; consequently the evidence was impossible to censor. The study of the
state-owned firm and its human behaviours under the institutional and technological constraints of the Stalin era by GRANICK provides an excellent example of what was possible even in the 1950s. A further wave of Soviet emigration in the 1970s enabled another round of survey-based investigation of life in the Soviet economy and bureaucracy under Brezhnev. Among many economic and social studies carried out under the Soviet Interview Project, that of the Soviet economic bureaucracy by GREGORY is particularly significant for its application of the modern microeconomics of information and agency to understanding Soviet bureaucratic behaviour.

Today Soviet economic history no longer has to rely on the evidence of refugees and a censored press. The first western economic historian to gain significant access to official Soviet economic archives was DAVIES, author of a multi-volume history of Soviet interwar industrialization which is still in progress. Davies’s unique contribution has been to show in remarkable detail how the Stalinist economic system was formed experimentally by trial and error, with hardly any forethought or design, as a result of a head-on collision between Bolshevik ambitions and economic realities at the end of the 1920s.

Since the collapse of the Soviet Union in 1991, other economic historians have also been able to cite uncensored statistics, reports, and decisions from the archives in their published work, although some important restrictions remains. Examples include the nine essays on central economic decision-making under Stalin collected by REES, and thirteen more on the social and economic history of the defence industry collected by BARBER & HARRISON. In addition to their completely new information base in hitherto secret government documents, two further features distinguish these latest instalments in the history of the Soviet economy. First, they are based on serious collaboration between Russian and western scholars. Secondly, they show in full detail the complexity of the Stalinist dictatorship: a system in which Stalin exercised huge personal power yet competition for resources and influence took the form of a “war of each against all”; a command economy in which getting people to do as they were told presented immense difficulty; an inquisitorial regime in which agents exploited information asymmetries and secrecy rules assiduously to their own benefit.

What are the most direct routes into this vast subject today? The telling of Soviet economic history has always attracted different styles. For a modern, excellently informed narrative which combines grand sweep with revealing anecdote the lay reader can hardly do better than with NOVE. On the other hand the twelve individually authored subject chapters collected by DAVIES, HARRISON, & WHEATCROFT, which range from statistics and demography to the main branches of the economy, technology, and the two world wars, lean more towards thematic coherence and formal analysis. The best economic-analysis textbook, the most recent edition of which takes the reader into post-transition Russia, is by GREGORY & STUART.

Finally, why did the Soviet economy collapse at the end of the 1980s? Did it fall under the weight of its own contradictions, or was it pushed? There is no unanimity among specialists. Some argue that the
Soviet Union was always an illegitimate, abnormal state with terror and coercion at its core, and this made its eventual collapse inevitable. Others hold that Soviet values and institutions commanded substantial popular support, and that the economy, if ponderous and slow-moving, was on a stable upward trajectory until near the end. The fascinating “insider” accounts translated and analysed by Ellman & Kontorovich do not speak with a single voice, but tend to suggest that the Soviet economic system was finally destroyed by circumstances and policy errors; it did not inevitably self-destruct.

Mark Harrison
Department of Economics
University of Warwick
Coventry CV4 7AL