

Paul R. Gregory, *The Political Economy of Stalinism: Evidence from the Soviet Secret Archives*. New York: Cambridge University Press, 2003. xi + 308 pp. \$90.00 (cloth), ISBN: 0-521-82628-4. \$32.00 (paper), ISBN: 0-521-53367-8.

Paul R. Gregory and Valery Lazarev (eds), *The Economics of Forced Labor: the Soviet Gulag*. With a Foreword by Robert Conquest. Stanford, CA: Hoover Institution Press, 2003. xvii + 212 pp. \$15.00 (cloth), ISBN: 0-8179-3942-3.

Reviewed for EH.NET by Mark Harrison, Department of Economics, University of Warwick.

In 1945 Allied victory in Europe opened up the archives of Hitler's Germany to investigation. Sponsored by the U.S. and British strategic bombing survey groups, a number of talented young economists including John Kenneth Galbraith and Nicholas Kaldor spent years combing through twelve years of records. The results of their work included path-breaking studies of the political economy of the Third Reich.

The Soviet state collapsed in 1991. Its economic administration was more complex than that of Nazi Germany by an order of magnitude, and it lasted for many decades. It presented a far greater puzzle to western social, political, and economic thought. The records that it left are much more comprehensive. But economists are barely involved in their exploitation, most of which is being left to social and political historians.

Paul Gregory is one of a small band who have promoted economic research in the Russian archives; the other major figure, on my side of the Atlantic, is Robert W. Davies. For much of the last decade Gregory has been carrying on this work in collaboration with Russians and other westerners. Both the books under review use this research to investigate the Soviet economy and its institutions under Stalin. Gregory's monograph, *The Political Economy of Stalinism*, generalizes from it to make a textbook for economists and economically minded historians. The volume that he has co-edited with Valery Lazarev, *The Economics of Forced Labor*, brings together a series of new archive-based investigations on a specific theme, the role of labor coercion in the Soviet economy.

From a methodological point of view the most important shared aspiration of the two books is to extend the domain of economic analysis. Traditionally, western Sovietological economists thought of the Soviet economy as comprised of two spheres. One was the sphere of "mission oriented" activities that aimed at maximising technological objectives regardless of cost, e.g. building sputniks. The other was the sphere of economic activities that aimed to maximize an economic benefit, e.g. building refrigerators (e.g. Berliner 1976, p. 506-9). It seemed obvious that economic analysis could throw more light on the latter than the former. One of the main contributions of new research has been to extend economic analysis to Soviet centralized decision making with regard to the adoption and pursuit of major technological and institutional missions including collectivization, forced industrialization, the foundations of centralized planning, and the development of the Gulag archipelago. What emerges is that these were also "economic activity" in the sense that the players were all looking for a payoff of one kind or another, and the costs they were willing to incur or impose on others depended on the private stakes.

First, *The Political Economy of Stalinism*. The argument of the book runs as follows. In Chapter 1 Gregory asks whether we should view the rise and fall of the Soviet economy in terms of "The Jockey or the Horse?" What was more important: the qualities and decisions of individual leaders (the jockey) or their institutional context

and constraints (the horse)? He concludes that this is a largely false distinction: the Soviet command economy fostered dictatorship and those who are self-selected for dictatorship tend to conform to a type. Thus "the jockey and horse are not selected independently" (p. 21). No one could have beaten Stalin to the leadership who was not even more controlled, crafty, and brutal than Stalin himself. In chapter 2 Gregory goes on to argue that the emergence of a command system with Stalin in charge was a largely inevitable consequence of the Bolshevik revolution. The defining event was the decision to collectivize peasant agriculture in 1929, which was intended to fix a growing crisis of grain marketings. Gregory argues that this crisis was largely a result of government policy, but the policy did not result from any misunderstanding of economics. Rather, government policy pursued more accumulation than the peasantry and market forces were prepared to allow, and Stalin's response was then to abolish the market and subordinate the peasantry directly to the state.

Chapter 3 outlines the five "Principles of Governance" of the new Stalinist state, which Gregory identifies as a command system based on collective farming and forced industrialization; the suppression of views that diverged from the party's general line; the merging of the ruling party with the state; the prohibition of factions and the subordination of interest groups to the encompassing interests of the party-state; and Stalin as a personal dictator empowered to settle disputes among the top leaders. The result was to place an astonishing workload on Stalin personally; since he had the right to arbitrate on all important decisions, and to select what was important, the result was that agents at lower levels passed a vast array of unselected trivia up to him. Gregory calls this "The Dictator's Curse." Although he chafed against it, Stalin preferred it to the alternative which could have left him out of the loop on decisions that might afterwards have turned out to be significant.

Given a dictatorship, what kind of dictator was Stalin? In chapter 1 Gregory outlines various types of dictator: benevolent, proprietary (i.e. Olson's "stationary bandit"), selfish, or one that holds the ring. The Stalin that emerges from the chapters that follow is not benevolent, mainly proprietary, sometimes selfish and sometimes ring-holding when it suited him. The stationary bandit emerges most clearly in Chapter 4, which deals with the core of Stalinist economic policy. Here Gregory outlines a model of investment maximization subject to an inherited capital stock and a workforce that supplies effort subject to a "fair" wage. He substantiates this model with reference to two things: Stalin's well-known obsession with accumulation, and his watchful concern for worker discontent that the archives have revealed. The secret police monitored worker morale and kept Stalin well informed. Stalin controlled this dissatisfaction in two ways: locally by redeploying consumer goods when signs of discontent appeared to grow critical and, when discontent became general, by cutting investment back. Although Stalin could maximize the volume of investment in this way, however, he could not make it efficient and the history of the period abounds in what look like disastrous decisions when it came to detailed allocation.

Chapters 5 to 9 deal, respectively, with long term planning at the centre, the tensions between central planners and industrial ministries, opportunistic behaviour within the ministries, the process of planning within the ministries, and the implementation of financial controls. Gregory suggests that long term plans were primarily political and motivational instruments that aimed to shift the focus and balance of power in Soviet institutions by flushing out opponents and enabling others to signal loyalty. When long term plans were broken down into operational targets for each sector responsibility for implementation had to be delegated, and this created scope for the pursuit of departmental and personal self-interest. This formed the basis of perennial plan bargaining. Because the producers themselves controlled the vital information about requirements and achievements the result was that Stalin's planning agency,

Gosplan, clashed repeatedly with the industrial ministries not only over real demands and supplies but also over information. Stalin kept Gosplan loyal and relatively truthful only by keeping it small and disinterested in the fulfillment of plans. Even so, Gosplan had to compromise with industry, for example, by leaving central plans highly aggregated; this gave industry control over fulfillment in detail.

Detailed allocation was then governed largely by intra-ministerial decisions. This was the point at which centralized guidance and the requirements of efficiency lost most of their impact. Ministerial planning was largely retrospective and plans usually remained preliminary; they were rarely taken to the final stage of official confirmation, which made them easier to revise. A detailed study of decision making in the chief administration for metallurgy shows that, while orders and information shuttled up and down the ministerial hierarchy, everyone engaged in characteristic forms of opportunism. To their inferiors, each official demanded rigorous implementation of orders, while bargaining with and concealing resources from those above them. Real allocation took place at a level far below that of the plans; more effort went into ensuring supplies than organizing production. Loyalty and personal promotion went hand in hand; the promotion of individuals required a growing number of high level positions, met by continually promoting sub-ministerial organizations to ministerial status. Regardless of their personal profile, all ministerial officials behaved in much the same way in relation to their own fiefs. Finally, in forming the motives for opportunism money was more important than has been thought, not necessarily for personal enrichment but for easing the path to plan fulfillment, and financial controls were chaotic.

Gregory concludes with a retrospective on the whole Soviet era, including the collapse of 1991. The inner logic of the system boiled down to coercion. "The extreme concentration of historical power was not a historical accident" (p. 252). "The system's founders ... clearly understood ... that enterprises must be coerced if resources are allocated administratively. The system had to wait more than fifty five years for a dictator to come along who did not understand this basic principle" (p. 256). This would make it seem as if the fault for the Soviet collapse lay with Gorbachev. Gregory also argues, however, that the coercive system did not only concentrate power; it also deprived the dictator of criteria with which to make efficient decisions, and it deprived those below him of any motivation towards efficiency. Poor information and bad motivation was combined with complexity that increased through time and returns that diminished to the point of no return.

More detailed light is shed on coercion in the Soviet economy by the second book under review, *The Economics of Forced Labor*. This book results from collaboration between the editors, Gregory and Valery Lazarev, and several Russian scholars; there are also contributions by another American, a Britisher, and a German, so the cast of characters is genuinely multinational. Robert Conquest provides a short foreword after which Gregory's introduction sets out the main lines of historical development of the Gulag (chief administration of labour camps of the Soviet interior ministry, NKVD, later MVD). This information, mostly already known, provides the context for the subsequent chapters. In the 1920s there was just one Soviet forced labour complex on the northern Solovetskii islands. The first big expansion came with the collectivization of peasant agriculture which threw hundreds of thousands of well-to-do peasant families into captivity; the Gulag was created in 1930 to handle the sudden inflow. After that, recruitment became big business and by the early 1950s there were about 2.5 million penal labourers, mostly engaged in forestry, mining, and construction; they formed significant shares of the workforce in these sectors, but never more than about 3 per cent of the total workforce including farm workers, and less than this in terms of the value of national output. By the end the Gulag had

evolved a complex functional and production branch structure; it employed "freely-hired" civilians in large numbers, and rented many of its own inmates out to civilian employers; it employed guards in a ratio that rose as high as one to ten inmates, but many of the guards were themselves inmates.

The introduction is followed by three overview chapters, five case studies, and concluding remarks by Valery Lazarev. Chapter 2 by Andrei Sokolov, "Forced Labor in Soviet Industry," provides often neglected context in terms of the mechanisms of the wider Soviet labour market. The important thing here is that the growth of the Gulag was part of a wider process that had largely substituted coercion for other incentives by the end of the 1930s. State employees now faced draconian penalties of imprisonment and forced labour for lateness, minor absenteeism, and unauthorized departures; these remained in force until Stalin's death. Wartime decrees imposed still harsher penalties on violations by workers in defence industry and transport. These laws were widely flouted yet still netted 15 million convictions in 12 years, including a million Gulag terms of between 3 and 10 years. They were thus a major recruiting sergeant for the labour camps. This also illustrates a fact that is not widely appreciated: although the Gulag population was smaller than western observers had sometimes guessed, it also had high turnover with many entering the system for relatively short periods before returning to society.

In chapter 3, Oleg Khlevniuk gives a short account of the political turning points in the history of the Gulag, and goes on to tackle two questions about the efficacy of forced labour. He shows that the Gulag authorities gradually lost faith in the utility of marshalling human masses into unskilled employment at gunpoint; forced labour became increasingly mechanized and skilled and even began to attract wage payments. There was a process of "conversion of slaves to serfs" (p. 57). Khlevniuk also questions the developmental role of forced labour in the sense that the projects on which it was employed were valued at cost, but the cost was much greater than their true worth to society. "Many prisoner-built projects were difficult, or almost impossible, to build with free workers, but was it necessary to build them at all?" (p. 64). The White Sea-Baltic Canal and the Baikal-Amur Mainline would not have been undertaken in a market economy, not because a market economy lacked the "advantages" of socialism but because they would never yield a profit under any system.

Aleksei Tikhonov analyzes "The End of the Gulag" in chapter 4. In 1953, within three months of Stalin's death, MVD chief Lavrentii Beria had released one and a half million prisoners, 60 per cent of the gulag's inmates. Tikhonov points out that this could not have been prepared overnight. In fact, elements within the MVD wanted to put an end to the growing financial losses of the Gulag, and were also alarmed by its high rates of recidivism. Seeing that the Gulag was not working in terms of either exploitation or rehabilitation, they had been trying to scale it down since 1949 with proposals to convert a large part of the camp workforce to exiled labourers, "freely-hired" although not free to go home. Ironically the original reformers were themselves victimized after Stalin died.

The next five chapters cover more specific aspects arising from forced labour in Noril'sk (Leonid Borodkin and Simon Ertz), the Far East (David Nordlander), Noril'sk again (Ertz), the White Sea-Baltic Canal project (Mikhail Morukov), and Karelia (Christopher Joyce). Some highlights: the experience of the Far Eastern camps illustrates the perennial tension between the possibilities for exploiting the forced labourers and the requirements of maintaining them. The Karelian camps show the experimental process by which the authorities learnt the scope and limits of the exploitation of forced labour. The White Sea-Baltic Canal project was initially seen

as a story of "successful" completion, and this stimulated illusory expectations for the future. The Gulag leaders willingly undertook the building of Noril'sk as a result because they underestimated the risks and difficulties that would arise. The operation of Noril'sk helped to expose illusions about the ease with which the inmates could be manipulated and coerced into supplying effort. The "profitable" exploitation of forced labour proved an elusive goal. As time went on the authorities lost faith in unbridled coercion and heavy punishments, and turned more and more to positive inducements including higher wages and early release in return for extra effort.

Both the volumes that I have reviewed here adopt the methodology of social science. Narrative provides background but is not the central focus. Alternative hypotheses are formulated and tested informally. The standards of evidence and proof are not those that are usually available in conventional applied economics. There are figures and tables but no large quantitative datasets and hardly any regressions. The great bulk of the evidence is qualitative: decrees, memoranda, judgements, letters, reports of conversations, and anecdotes. The argument proceeds mainly by illustration. This is characteristic of the new institutional economic history associated with the writing of figures such as Douglass C. North and Avner Greif. At the present it is not clear that anyone can do better.

One possible criticism of both books is that while it is obvious that the source materials are new it is not so clear that the conclusions are always novel. To give an example from each book: Gregory finds that the main purpose of long term plans was motivational, but Eugène Zaleski (1971, p. 291) also concluded that the main role of these plans was to act as a "vision of growth." Several contributors to *The Economics of Forced Labor* note the surprising importance of positive incentives in securing effort from prisoners who were apparently completely powerless and whose reservation wage was apparently close to zero; but the same point was made before by Rasma Karklins (1989). Indeed, in the early chapters of his *Gulag Archipelago* Alexander Solzhenitsyn (1974) provided an extended analysis of the labour economics of the camps, based on anecdote and memoir; the incentives that he described are quite different from those emphasised by the work presently under review, and it would be of interest to see discussion of the possible reasons for this divergence. Having said this, there can be no doubt that the general level of evidential detail and economic analysis in the present works is greatly superior to anything that has been available hitherto.

These books share still other features. There is something in them to challenge everyone. Both assume some background knowledge of Russian and Soviet history and will be read with great interest by specialists and Honours students. Historians may find that they need to rethink historical problems in terms of the economic choices that were available. Economists will find themselves challenged by unfamiliar institutions and unusual problems to solve; in the past year I have used *The Political Economy of Stalinism* as a textbook for economics undergraduates who have been excited by the opportunity to think outside the boxes of Micro 101. As a teacher of economics and economic history I believe that these books signal new directions in the study of the Soviet economy that have interesting parallels with the new thinking in economic history and political economy associated with scholars like Greif and Daron Acemoglu. They will greatly influence the ways that we teach and do research in the future.

In summary, if you want to know more about where Soviet economic history is going I strongly recommend that you read these exciting new books. The Hoover Institution has generously made the full text of *The Economics of Forced Labor* available free of charge; the URL is:

<http://www-hoover.stanford.edu/publications/books/gulag.html>.

Mark Harrison is professor of economics at the University of Warwick and honorary senior research fellow of the Centre for Russian and East European Studies, University of Birmingham. He is the author of a number of books and articles on Soviet economic history including "The Political Economy of a Soviet Military R&D Failure: Steam Power for Aviation, 1932 to 1939," *Journal of Economic History*, 63:1, 2003, pp. 178-212.

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