

# The Soviet economy: a centenary perspective

By Mark Harrison





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In the 1980s the Soviet Union was famously described as “Upper Volta with rockets.” This epithet unjustly disparaged the history and culture of the country now known as Burkina Faso. It was also unkind to the Soviet Union, a country that was larger and richer by orders of magnitude.

HERE WAS A GRAIN of truth, however: the military capabilities of the Soviet Union were disproportionate to its relative economic strength. A global power, the Soviet Union rivalled the United States in nuclear and conventional forces. Yet its economy, based on a population of similar size, spread across a much larger territory, produced less than half of the GDP of the United States in real terms.

This was a clue. We teach our students that every country has its comparative advantage. What was the comparative advantage of the Soviet economy? It lay in the production of national military and economic power for an era of mass armies. The foundations of this advantage were laid in the first measures of the Soviet state established by the Bolshevik Revolution of 1917, the centenary of which we will mark on November 7 this year.

From the outset, the Bolsheviks admired and followed two models of modern economic organisation, one German and the other American. The German model was of a war

economy, implemented in 1915 and 1916 by Walther Rathenau and Erich Ludendorff. In the war economy, there was mobilisation for mass warfare and mass sacrifice, with commodities rationed at fixed prices. The American model, implemented by Henry Ford and celebrated by Frederick Winslow Taylor, was of standardised commodities mass-produced under centralised, hierarchical management. Together, these two models provided the key principles of the Soviet alternative to a market economy.

The emergence of the “Soviet-type economy” described in western textbooks took nearly two decades, from 1917 to around 1934. These years were marked by intense political and social conflict and several U-turns that varied the scope for market organisation and consumer choice. The U-turns give some credence to the idea that the Soviet economy could have developed along more than one alternative path. Even today, after all, “varieties of communism” persist, from China and Cuba to Venezuela and North Korea. ►

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Despite the variation, continuities can be found from the first years of the Bolshevik Revolution. Most obvious was centralised single-party dictatorship. The party leaders shared beliefs that formed their perceived self-interest and how best to promote it. They saw the world as hostile, and their country as a fortress besieged by enemies and penetrated by spies. When not at war, they prepared for war. Steadily and incrementally through the early vicissitudes, including the years of relative relaxation in the 1920s, they built the capacity of the state to select and direct personnel, to protect supply chains, and to filter and channel information. They subverted their neighbours, eventually imposing communist regimes on them. Having secured them as allies, they invaded them more than once under the banner of “defending the gains of the revolution.” Their confrontational actions continually generated evidence that would serve to validate their beliefs.

If we turn to outcomes, we find that Soviet institutions raised the level of output, but not its underlying growth rate. They profoundly changed the composition of expenditure, repressing consumption to finance industrial and military projects. One result was a vast military industry, organised for the mass production of armaments. In conventional branches, this complex was largely laid down in the 1930s; by the outbreak of World War II the Soviet Union rivalled Germany as one of the world’s two leading suppliers of weapons. Atomic bombs, space missiles, and radio-electronics were added during the war.

In contrast to Russia before and after, the Soviet distribution of personal income and wealth was relatively equal. Consumption inequality was probably greater, and may even have exceeded income inequality. Every person could count on an income, but income did not decide personal access to goods and services, which depended on political and social status. The once-familiar images of queues outside Soviet stores depict the people who had money but lacked status; status was required to spend money without waiting in line.

Under the Soviet system, millions of lives were damaged or destroyed by periodic famines, episodes of mass killing, and continual, pervasive repression. At the same time, under the same system, millions of lives were advanced. The beneficiaries are identified most easily in demographic terms. One group that gained was young women. The Bolsheviks, who aimed to promote national capabilities, saw women as a potential resource, but shackled by illiteracy and lack of education. Mass education released women from drudgery in fields and factories, opened up the world of office work, and enabled them to live respectable lives. Women continued to suffer

from job segregation, a glass ceiling, and the “double shift” of paid work and home work, but still the change in their lives was profound.

A second group of beneficiaries was children. Before the Revolution, one in six children died before the age of five years. After worsening in the troubled early years of Soviet rule, this proportion improved dramatically. The main factors were simple but forceful measures for public sanitation, infection control, and antisepsis in childbirth and surgery. By the 1950s, life expectancy at birth had risen from less than 30 years to more than 60. After that, improvement stopped.

In contrast, a third group made no gains. These were people of middle age. The Soviet Union made little use of the new science of non-infectious and degenerative diseases. From the 1890s to the 1980s, the life expectancy of men and women aged 40 barely changed.

The Soviet Union was a product of global wars and of the technologies of the twentieth century. In the same century, many other countries made similar social and economic gains with more consent and less violence. On its centenary, the Soviet economy should be remembered but not mourned. ◀

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