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**Secrecy and State Capacity:  
A Look Behind the Iron Curtain**

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# Secrecy and State Capacity: A Look Behind the Iron Curtain

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## *Abstract*

The paper reviews two decades of research on the political economy of secrecy, based on the records of former Soviet state and party archives. Secrecy was an element of Soviet state capacity, particularly its capacity for decisiveness, free of the pressures and demands for accountability that might have arisen from a better informed citizenry. But secrecy was double-edged. Its uses also incurred substantial costs that weakened the capacity of the Soviet state to direct and decide. The paper details the costs of secrecy associated with “conspirative” government business processes, adverse selection of management personnel, everyday abuses of authority, and an uninformed leadership.

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# Secrecy and State Capacity: A Look Behind the Iron Curtain

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## Introduction

How does government secrecy affect state capacity? No country offers better opportunity to study this problem than the Soviet Union during the Cold War. During the Cold War, Soviet secrecy was widely acknowledged but little studied (except Maggs 1964 and Hutchings 1987). Following the opening of most of its archives, the Soviet state has become the best documented of all authoritarian regimes. The Soviet state exercised sweeping powers over the daily lives of its subjects and beyond its frontiers. It was one of the most secretive states that ever existed. Government secrecy—the capacity to make decisions in secret and to conceal the outcomes of those decisions—was fundamental to the reality of the Soviet state.

We might think of the daily life and working arrangements of the bureaucrats behind the scenes as reality, and the rest as appearance, but secrecy is among other things the control of appearance, and appearances mattered too. Churchill's (1946) evocative metaphor of the "iron curtain" had its origin in theatre. Soviet secrecy had a theatrical aspect, so that the "spectacle of secrecy" (Vatulescu 2010: 2) became a factor in the appearance of the Soviet state's formidable capacities.

The essence of theatre is illusion, and the maintenance of illusions in the Soviet theatre relied on keeping the spectators away from the back of the stage. An important question is whether the reality of Soviet state capacity lived up to what the spectators saw. Here the study of secrecy itself is helpful, because it can shed a clear light on the gap between what was presented to the public and what went on behind the scenes.

The Soviet state was brought into being by a series of discretionary acts, a process of revolutionary state-building from above. If (but perhaps only if) the alternative was a failed state, this was not the worst outcome. Writing about the food problem in the revolutionary period, for example, Lars Lih (1990: 269) concluded that the Bolshevik experiment had "many long term destructive consequences," but history should recognize the communists' achievement of building a "serviceable state apparatus out of nothing" despite their inexperience. More generally, communist states have displayed impressive capacities for the mobilization of society and war preparation. In comparison to other types of authoritarian regime, they have also achieved much greater longevity (Dimitrov 2013: 5).

Recent research in comparative economic history has highlighted the importance of state capacity for economic growth. In a wide-ranging

survey, Johnson and Koyama (2017) note that the relationship is not deterministic. Economic growth is the result when state capacity complements the market economy. Yet the experience of communist states, the most formidable states of the twentieth century, is neglected in this comparative context.

There are suggestive findings from particular studies. These point to limitations on the state capacities that can be built from the top down, by the exercise of state authority. Authoritarian state capacity building may carry hidden costs that cause the project to fall short of its stated goals. Based on European experience, for example, Dincecco and Katz (2016) show that the fiscal capacity of unrestrained autocracy could not rise above a limit. The limit was relaxed in the eighteenth century when northwestern Europe evolved a new model of state authority restrained by parliamentary sovereignty and the rule of law. Transparency, consent, and accountability achieved what authoritarian state building could not.

And a negative example: using evidence from Colombia's civil war, Acemoglu et al. (2016) show that attempts to increase state capacity from above undermined military command-and-control and the rule of law. The reason was that, by incentivizing the killing of insurgents, the government encouraged its troops to kill civilians first and label the dead as insurgents afterwards.

The Soviet experience can be of interest as an extreme case of "top down" state building that is now well-documented. When we study it, we find that secretiveness was a fundamental element of Soviet state capacity. But we will also find that the same secretiveness was costly to state capacity in many hidden ways. As a result, Soviet state capacity fell short of its appearance.

Below I describe Soviet secrecy and why it matters. I discuss the idea that secrecy brings costs and benefits, including who benefits, and I suggest that understanding the costs can help us to scale the benefits. After that, I will document some of the costs: transaction costs of various kinds, the adverse selection of personnel, abuses of office, the dangers of "flying blind" (when secrecy denied information to decision makers). There is no original research here; rather, I pull together the implications of my own published work, some of it done with the benefit of collaboration with others, over two decades.

## **Soviet secrecy**

Every state has its secrets. Every modern state has some system that aims to assure secrecy. Still, there is a spectrum. At one end are those states that have few secrets or guard them lightly, so they leak easily into the public view. At the other end are the states with many secrets and

multiple checks that prevent their release. Of all systems that we know, the Soviet system of secrecy was at the farthest extreme.

Several things made the Soviet system both highly secretive and full of secrets. First, the Soviet state kept the ordinary military, diplomatic secrets and political business confidences of any state, including its predecessor, the Russian Empire. But in the Soviet Union all business was politicized, so the political business of the Soviet state was more encompassing than that of other states, including its predecessor the Russian Empire. By comparison with other states, including the Russian Empire, Soviet officials classified as secret an unusually wide range of information that ranged from harvests and crime rates to the exact geolocation data of almost everything. State secrecy, completely identified with government security, was administered by the secret police.

If we turn from principles to outcomes, we find that Soviet secrecy was unusually effective. Throughout the history of the Soviet state there were few leaks. Great facts that were effectively concealed include the famines of 1932/33 and 1946/47, the Great Terror of 1937/38, the agency behind the Katyn forest massacre of 1941 (the event itself being uncovered only by the temporary wartime occupation of the territory on which it took place), the scale of population losses of World War II, and the size of postwar military expenditures.

Figure 1 illustrates the effectiveness with which, from Stalin to Chernenko, Glavlit, the office of the Soviet censor, suppressed all public reference to its own existence. It also shows ups and downs that are more suggestive of changing institutions and policies rather than of cultural persistence.

*Figure 1 near here.*

A technological factor made the task much easier then than now. Soviet history came to an end before digital technologies came into their own. The digital age transformed the copyability of information. As long as information was still held primarily in analogue forms, on paper, its reproduction required a photocopier, or before that a printing press, or laborious copying by a typewriter and carbon paper.

Pre-digital technology helped, including Soviet policies that monopolized the early digital technologies and kept them well away from anyone who was not completely reliable. But technology was not everything. The hermetic, suffocating character of Soviet secrecy can hardly be explained without mentioning another constituent that was not so much institutional as moral or ethical. Soviet leaders were entirely unaffected by any sense of obligation to account in public for the decisions they made or their outcomes. On the contrary, the greatest

obligation that they felt was to each other, expressed in a code of silence that they called “conspirativeness.”

The concept of conspirativeness was unknown to Hutchings (1987), and a surprise to Fitzpatrick (1990). But the code was as old as the Bolshevik Revolution. It originated in the pre-revolutionary underground. When the Bolsheviks came to power, conspirativeness became an organizing principle of the new Soviet state, being formalized in the 1920s, at the very beginning of Stalin’s tenure as party general secretary (Kurenkov 2015; also Istochnik 1993; Khlevniuk et al. 1995: 74-77; on “conspirativity” in the Romanian Securitate, see Verdery 2014: 43-50).

Under conspirativeness, no one had a right to know anything at all. There was only need-to-know, granted by higher to lower authority and only ever on a discretionary and temporary basis. Table 1 contrasts the basic code of Soviet secrecy with that of American government since World War II. As the table suggests, right-to-know versus need-to-know was a defining conflict of the Cold War (cf Hutchings 1987: 224-226).

*Table 1 near here.*

The former Soviet archives are full of the one-time secrets of a state organized as a conspiracy. From these records, we learn about how Soviet secrets were managed and the uses to which secrecy was put. There are implications for both scholars and citizens.

For scholars, primarily social scientists and historians, secrecy teaches us about state capacity: what it is, and how (not) to build it. I will return to that shortly. For now I will mention briefly the implications of secrecy for citizens. Today, the relatively transparent institutions of Western liberal democracy are not in good shape. Our leaders juggle the pressures arising from public opinion and private lobbies. Their confidential business is hacked and leaked. Expert advice struggles to be heard against the clamour of “fake news.” Political decisions are gridlocked while economic, social, and environmental imbalances accumulate. The costs of reaching decisions are often high and sometimes prohibitive, leading democracy into a “do nothing zone” where bargaining fails and the outcome is procrastination (Wintrobe 2000: 247-279). The authoritarian rulers of Russia and China watch us with pity and contempt and exploit our weaknesses. Meanwhile, among our own fellow citizens, disillusionment with free speech and the rule of law is growing within and between successive age cohorts (Foa and Mounk 2016).

A source of “dictator envy” (the term coined by Runciman 2013) is the apparent advantage of the autocrats. In an authoritarian system, the ruler rules behind closed doors, free from pressure and process. Special interests cannot divert them, and voters, journalists, and judges cannot delay them. Human rights, expert evidence, and due process become

inconsiderable obstacles. So, when something must be done, or should be done, it is done. What could be simpler?

This is the appearance of autocracy, but appearances can mislead. While the ruler rules, we see the outcomes, but the true process is hidden. At least, the true process is hidden until there is regime change and the backstage record is opened up to investigation. At this point the historian can get to work. It then transpires that doing secret business was not so simple after all. Today, as everyone knows that does business over the internet, there is a security/usability tradeoff – a more secure system is more difficult and costly to use, with the result that less business can be done. The same is true in politics. This is one of the most important lessons of Soviet secrecy.

In various ways, conspiratorial government was costly. The Soviet system of government was inherently conspiratorial, so the costs of running the state like a conspiracy were costs of adopting that system. When we look behind the Iron Curtain, we find that secrecy made authoritarian rule cumbersome and indecisive. Secretive government denied a place in society to faces that didn't fit. Secretive government could deny valuable information even to its own leaders. Its mystique was undeserved.

It does not follow that alternative political systems are costless or free of other defects. For citizens weary of democracy, however, the devil they don't know may seem more desirable than the devil they know. The defects of democracy are obvious; those of autocracy are hidden by design. The secretiveness of autocracy makes it the devil we don't know, and one task of scholars is to overcome that asymmetry.

## **Benefits and costs**

When historians look at the Soviet Union it is natural for them to describe what they see as a "culture" of secrecy (e.g. Rosenfeldt 1978, 1989, 2009). The word "culture" is a way of capturing the sense of shared beliefs that persist and, if they change at all, evolve slowly in relation to historical time. Missing, perhaps, is the element of choice. The economist more often sees secrecy as an institution in Douglass North's (1990) sense of "rules of the game." There are rules, which were chosen in the past, and within those rules people make choices in the present and for the future. Here it is the rules that persist and evolve, changing only when individual choices give rise to new coalitions of people that have the power to change them. Most likely these approaches should be viewed as complementary. Still, the economist's approach does suggest a natural starting point: how much secrecy there is in a society may well be the outcome of a series of

choices. In that case, it is sensible to ask who benefited from secrecy, and at what cost.

Some working hypotheses spring naturally to mind. In any society, the ruler is a clear beneficiary of secrecy. When decisions can be made in secret, the decision maker is secured against the pressure of interested lobbies. When the outcomes of decisions can be kept secret, the decision maker is secure against scrutiny; competence, for example, cannot be evaluated. It is not by chance that authoritarian systems tend to merge security and secrecy into one.

Secrecy brought another benefit to the ruler that might well be large. State capacity is based on the ruler's command of agents who will loyally and competently pursue the ruler's objectives. The selection of agents is then the ruler's problem. Seen in this light, secrecy becomes an instrument by which the ruler can build state capacity by screening personnel for loyalty and competence. Loyalty comes in, because positive vetting is intended to ensure that only trusted people are admitted to secrets. Competence can be judged by how well those admitted to secret records handle their responsibilities.

How large were such benefits of secrecy? There is no monetary value that can be assigned to them, but it is easier to scale the benefits if we think also about the costs of secrecy. If large costs can be identified, the economist reasonably concludes that the expected benefits of secrecy must have been at least commensurately large.

The research that I will discuss suggests that secrecy had many costs and at least some of these were large in proportion to the overall costs of government business. Some of the costs of secrecy fall under the heading of transaction costs, or the costs of doing business of all kinds, including government business. As we will see, secrecy added to these costs in various ways.

There may also have been other costs. The use of secrecy to select personnel into government service under communism distorted the formation of human capital in ways that imply a cost to society. Possibly the communist system minimized these costs by design, and they cannot be valued without some kind of counterfactual hypothesis. Finally, secrecy might have restricted the capacity of the government to take well-informed strategic decisions. Again, a counterfactual hypothesis is required to suggest whether the cost was large or small.

## **Transaction costs**

Soviet records tell us about two kinds of transaction costs of secrecy. Compliance costs arise because secrecy created additional rules and procedures with which business partners had to comply in order to do



business. There are also control costs: an environment of secrecy reduced trust between higher and lower authorities and this redirected efforts at lower levels away from government goals.

### Compliance costs

A regime of secrecy governed official documentation, based on conspirative norms.<sup>1</sup> In every significant enterprise or organization a first department handled secret communications and stored secret documentation, under direct supervision by the security police. Every bureaucracy keeps accounts, for example financial accounts, inventories of property, and personnel records. In addition to these, the Soviet bureaucracy operated an accounting system that inventorized secret paperwork and tracked every secret document from person to person and from creation to destruction or to the archive.

This story has an important twist. The accounting system was secret, and was previously unknown (e.g. to Hutchings 1987). The system was itself a largescale producer of secret paperwork, in the form of accounting products such as inventories, receipts, certificates of transfer, audit reports, and so on. The existence of the accounting system was a secret, and all its accounts were secret, so that in turn the accounting products had to be entered in the same system that produced them, where they were accounted for in their turn. The result was a kind of secrecy multiplier: the total volume of secret documentation in the system tended towards some multiple of the primary documentation that the Soviet state produced when it did its other business.

It is possible to arrive at a rough measure of the burden of accounting for secrets. A detailed inventory of the archive of the Soviet Lithuania KGB makes it possible to count the proportion of archived documents that were accounting products, as distinct from ordinary correspondence, decrees, reports, minutes, transcripts, and so forth. In the period from 1954 to 1982, it turns out, at least one third of the archived paperwork is documentation of the system of accounting for secret documentation. As Table 2 shows, on a keyword-based classification of files in the archive, the largest single category of files is explained by the activity of tracking secret paperwork. If that indicates how the officers spent their time, it suggests that the first KGB priority was to protect its own secrets. Everything else that we might associate with KGB activity came after.

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<sup>1</sup> This section is based on Harrison (2013a), using the Lietuvos SSR Valstybės Saugumo Komitetas (Committee of State Security of the Lithuanian Soviet Socialist Republic, LSSR KGB) records on microfilm at the Hoover Institute Archive.

*Table 2 near here.*

Making inferences from face value might mislead. Here are some things we do not know: Is the documentation that the KGB archived fully representative of all documents produced? Is the composition of the documentation archived over a period representative of KGB office time consumed in the same period for all the purposes of state security? Would we find similar proportions if we combed through the archives of the Ministry of Light Industry or the State Committee for Cinematography? The system of accounting for secrets that the KGB administered internally was the same system that it enforced everywhere in the Soviet state. Still, on present knowledge one cannot be certain that the figure of one third is representative. More research is required.

If one third is anywhere near the true figure, then it is an order of magnitude greater than my estimate of the compliance costs of American secrecy on a comparable basis, but in 2010, long after the Cold War.

### Control costs

In another paper, I look at how an environment of secrecy reduced trust between higher and lower authorities, so that efforts were shifted away from government goals.<sup>2</sup> What happened emerges from a natural experiment that took place in 1947, when Stalin unexpectedly raised the legal penalties for secrecy violations.

The law of 1947 was not aimed at spies, who were already faced with the severest punishment under existing laws. The new law imposed severe penalties for unintentional or negligent sharing of secret information, an offense that might be committed by any government official. This delivered a shock to state employees, in response to which they changed their behaviour. By following the changes in their behaviour, we gain further insight into the costs of secrecy.

One of the most important secrets of the Soviet state since the early 1930s was the identity and location of labour camps. The core business of the camp system was to exploit the forced labour of detainees to build industrial and railway facilities and to produce fuels and metals for the industrial economy. From an economic standpoint, the Soviet labour camp was simply a business enterprise: in conformity with various state plans, it disposed of labour and capital, delivered outputs (such as construction services and unrefined fuels and ores) and received inputs

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<sup>2</sup> This section is based on Harrison (2013b), using the Archives of the Soviet Communist Party and Soviet State Microfilm Collection at the Hoover Institution, Records of the State Archive of the Russian Federation (Moscow) held at the Hoover Institution Archive.

(such as food, clothing, equipment, and energy supplies). In correspondence with the inflows and outflows of goods, the camp also received revenues and paid costs through its account at the State Bank.

For every camp, the effect of the law was to put its commandant into an impossible situation: he could no longer do business without sharing a state secret with suppliers, purchasers, and bank officials, making himself liable to prosecution and imprisonment. The secret was: "My camp exists." The commandant could not legally share the camp's identity with state subcontractors when ordering supplies, or share details of location with the state railway for their delivery, or share credentials with State Bank officials to authorize payment for them from the camp's account. The same issues arose in consigning products and being paid for them.

As archival documents show, a wave of fear swept through the ministry of the interior, responsible for the camp system. At every level, frightened officials shifted effort away from the core business of the camp system to increased mutual insurance.

The correspondence files show that officials raised their mutual insurance against penalization by various stratagems. Lower officials, starting from the level of the camp commandants, took out additional insurance with their superiors by writing to them to complain. The message was: This is our problem, and now it's your problem too. If we are in trouble, so are you. In this way, they passed the problem upwards. At higher levels, officials took out insurance with each other. They did this by ordering round after round of inter-agency consultations and working groups tasked with finding solutions.

In due course, various possible solutions were identified and debated. Notably, however, none of them was adopted, even though years went by. Instead, anxieties retreated into the background. The threat of the new law on state secrets of 1947 faded, merging eventually with a new normal.

In this transition there was good news and bad news. The good news was that, while the business of the Gulag slowed for a while, it did not come to a halt. A literal interpretation and enforcement of the new law would have required the business of the Gulag to grind suddenly to a wrenching stop. Instead, at every level, worried officials found temporary expedients and workarounds. These workarounds did not solve the problem but, in combination with increased mutual insurance, they reduced anxiety to a level that everyone could tolerate.

But there was also bad news. Because of the new law, and the sudden surge of demand for insurance against it, many thousands of highly-paid hours were lost forever. These hours, which should have been devoted to the core business of the Soviet state, were spent instead writing and reading correspondence, which often went unanswered and had to be followed up by repeated enquiries, and in debating responses in informal

huddles and eventually in high-level interdepartmental committees where the brightest and best of the Soviet bureaucracy passed their working days puzzling anxiously over the conundrums created for them by the new law.

Figure 2 shows one such puzzle. The instructions issued in March 1948 for the handling of state documentation classified both “secret” and “top secret” under the law of June 1947 was itself classified “top secret,” with the effect that officials permitted to handle documents classified only “secret” could not obtain access to the new rules with which they were expect to comply on pain of severe punishment.

*Figure 2 near here.*

To the observer, such secrecy will always seem absurd or irrational (e.g. Mikoyan 2001). But if you run a dictatorship, you must be willing to pay some price of this nature. In politics, as in internet commerce, there is a security-usability trade-off. Too much security and you are immobilized; too little security and you are exposed. Somewhere between, there is a right amount. That is, there is a right amount for the dictator. The chance that this will also be the right amount to please the rational thinking of the liberal-minded historian or social scientist is vanishingly small.

## **Adverse selection**

In the Soviet Union, nearly all business was government business, and selection for business responsibility was politicized. Describing Stalin’s creation of the nomenklatura system of personnel selection, his biographer Stephen Kotkin (2014: chapter 10) has noted: “Stalin put a premium on competence, which he interpreted in terms of loyalty”—that is, an official was competent if s/he (but normally he) would unswervingly follow the party line and loyally implement party directives.

When nearly all business was government business, and nearly all responsible work was secret, the recommendation of a candidate for promotion to responsibility at any level provided the moment to test loyalty. As previously described by Grybkauskas (2007), this test was applied by the security police, the KGB.

There was selection; how might selection operate adversely?<sup>3</sup> The dictator’s dilemma (Wintrobe 1998) suggests the logic. As the ruler’s power increases, so does the likelihood that subordinates will pretend

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<sup>3</sup> This section is based on Harrison and Zaksauskiene (2016), using the Lietuvos SSR Valstybės Saugumo Komitetas (Committee of State Security of the Lithuanian Soviet Socialist Republic, LSSR KGB) records held on microfilm at the Hoover Institute Archive.

more loyalty than they feel. Knowing this, the ruler's trust in the professed loyalty of subordinates is likely to diminish. What is the ruler afraid of? Egorov and Sonin (2011) suggest that the dictator's greatest fear is of political competition from people around him that are falsely loyal and truly competent. On that basis, they predict, when considering whom to promote, a dictator will impose a more demanding loyalty test on people of greater competence than on others of lower capability, who pose less of a threat. Adverse selection is the expected result. And this is also what contemporary observers thought they saw at first hand: based on his own experience the Polish economist Włodzimierz Brus (1975: 200), for example, concluded that communism tended to "negative selection" of personnel for "servility and conformity."

The work of seriously testing this prediction has barely begun. The first obstacle is that our knowledge of the KGB security clearance system is seriously incomplete, being limited to Soviet Lithuania in the 1960s and 1970s. Its scope is known only within a broad range. In 1979, according to Grybkauskas (2007: 84), in all of Lithuania 14,000 employees were cleared for the highest level of classification, 'top secret (special file)'. As a proportion of the public sector workforce, this was around 1 per cent. That is the bottom of the range; if we could add the numbers cleared for lesser levels, the proportion would be larger. Many of those with clearance were concentrated in key government installations and large or hi-tech factories and research and design establishments, often defence-related. For the upper limit of the range, in 1971, we know, in the 10 or so facilities classified as of 'special importance,' around one quarter of the 16,000 employees were cleared for access to paperwork classified at any level (for this and following data see Harrison and Zaksauskienė 2016).

The number of employees with security clearance, however small, was rapidly growing. Behind this lay the rapid growth of secure facilities. Across the decade of the 1960s, employment in the 100 or so facilities subject to direct KGB regulation grew by around 10 per cent annually (compared with less than 6 per cent for total public employment), and the number of security clearances at the most secure facilities also by 10 percent.

Underlying the growing number of positions for which security clearance was required was strong demand. Several factors were at work. One was the disproportionate growth of the secret sphere, behind which lay the growing burden of Soviet defence spending. Another was the privileged position of the secure facilities in the supply system, which enabled them to acquire resources when others could not. These fundamentals were reinforced by other elements. Because the secure facilities were privileged, other enterprises sought to share their privilege by developing links, and this led them to demand upgraded security

clearance for senior managers for the sake of visitation rights. Finally, the churning of both products and employees played a role. New products arose, and were classified because they had some defence significance, but old lines of production were not discontinued and were not declassified. Employees appointed to sensitive positions were cleared, but then moved on, and were replaced by new faces that required fresh clearance. The only countervailing factor was periodic reviews that cut back the number of posts requiring clearance: for example, by 30 percent in industry and science across Lithuania in 1963.

The demand for clearances was not only strong, but also tended continually to exceed the supply available. The evidence of this is that the KGB kept uncovering persons without security clearance in chains of secret correspondence. Managers regularly put forward candidates for clearance whom the KGB determined to be unsuitable. Rates of rejection were around 7 per cent in 1973, and again in 1981 (Grybkauskas 2006: 84). Seven per cent might not seem like a high rate, but one must suppose that obvious traitors were pre-selected out of the sample. Clearance took time, sometimes so long that such people were appointed anyway. After the event, when the KGB spotted these people, managers resisted instructions to exclude them and tried to avoid compliance by means of delay and negotiation. As in any bureaucracy, they could get away with procrastination when the turnover of KGB supervisors was rapid enough that the next guy would forget to enforce the deadline.

On what criteria was clearance likely to be refused? In December 1972 the city KGB of Panevėžys sent Vilnius details of 176 persons on whom their files held “compromising evidence” (kompromat). The lists that are relevant here are 79 persons occupying senior positions in spite of compromising evidence; 6 persons cleared for ‘top secret’ documentation (and therefore in senior positions) despite such evidence; and 10 persons refused clearance because of the evidence, but still holding the senior positions for which clearance had been sought. Their data are shown in Table 3.

*Table 3 near here.*

In the table we classify the reported evidence along two dimensions: historical versus contemporaneous, and circumstantial versus voluntary action. We see that hardly any of the compromising evidence was based on the subject’s own contemporary behaviour. A summary in the note to the table shows that 128 separate items of kompromat were held against the 79 persons listed in senior positions, but of those 128 items only three were reports of suspicious behaviour in the present (this category would have included church attendance, expressing anti-Soviet views, or having unauthorized contact with foreigners). Nearly everything that the KGB

held against these persons arose from circumstances over which they had little or no control, such as accidents of birth or childhood, or the behaviour of family members, including events that led relatives to flee abroad; or from their actions that were now at least twenty years in the past, in wartime, for example, or during the postwar national insurgency.

In other words, as Wintrobe would predict, lacking any real handle on the inner loyalties of the people it was watching, the KGB relied chiefly on indirect signals of loyalty. These signals were statistically noisy; their use must therefore have led to many errors that held back loyal citizens with bad records, while disloyal people with clean family sheets were let through.

Does it follow, as Egorov and Sonin (or Brus) would predict, that there was adverse selection, so that on average more competent people were denied promotion, or were discouraged from seeking it, while less competent people were allowed through? Possibly. It is hard to imagine that a Bill Gates or a Steve Jobs could have made a career and risen to prominence in Brezhnev's Russia. If the effect was widespread, the damage would have been lasting, because investment in human capital would have been systematically misallocated away from the most talented people, who might have expected to rise in a system without political filters.

The arguments in favour of large losses from adverse selection are somewhat weakened by two considerations. For one thing, the Soviet economy was seemingly adapted to minimize such damage. Its system was devised for the mass production of capital goods and munitions, and it was intended to be run by ordinary people with basic training, a capacity for hard work, and no special talents. When Lenin (1918/1969: 315) wrote that "We know that an unskilled labourer or a cook cannot immediately get on with the job of state administration," his emphasis fell on the word "immediately." With "training," it could be done. Extraordinary talents were not in demand under communism, and would not earn a return. People who had them were often people that the system could not use.

And, for another thing, as Table 3 suggests, those who fell under suspicion were not always automatically excluded. Seemingly, there were too few people of assured reliability to dispense completely with the services of the unreliable.

But the diagnosis proposed by Brus looks approximately correct. On average, personnel were being selected on the basis of compliance with an approved template of family history and lifestyle choices. Selected for "servility?" Maybe, in many cases, maybe not in all. For "conformity?" Yes; in fact, that was the point.

## Abuse of office

It is natural to think of secrecy as an opportunity to abuse one's office. But this is hardly a problem that was specific to the Soviet state, and secrecy is not a necessary condition for it. If you want to exploit your authority behind a closed door, to bully a colleague or take a bribe, perhaps, you don't need state security, just an office with a door that closes.

Research suggests two aspects of the abuse of office that were specific to Soviet secrecy.<sup>4</sup> One follows from the secret processing of instances of unjust authority; the other from compartmentalization, Katherine Verdery's (2014) alternative definition of "conspirativeness."

Compartmentalization allowed officials to use secrecy to veil their activities in secrecy or exploit secret information to evade accountability. The examples that we have come from the 1930s. In civilian ministries, officials kept slush funds for illegal side-payments and bonuses hidden from auditors by labelling them "secret." The defense industry made every effort to starve the plan and budget authorities of information about its activities on the grounds that they constituted important military secrets. In the defence industry, designers cloaked their projects in secrecy, fending off potential buyers and competitors alike. Defence industry managers repeatedly used secrecy to withhold information that defence ministry buyers needed to do their jobs. This included production cost data, which mattered because industry was legally obliged to price equipment at cost plus a fixed margin. Defence industry managers also sat on information about mobilization capacities in the event of war.

These practices persisted despite frequent appeals by the defence ministry, which industrial officials countered by nothing more complicated than dragging their feet. Again, this evidence comes from the 1930s, but to judge from press reports the same practices continued half a century later (Cooper (1990: 188).

The capacity of the Soviet state to prevent abuse of office was limited by the fact that the most important stage of initial investigation was itself secret. This was the stage of party investigation, which provided the first filter in the processing of cases of wrong doing. Party investigation was a

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<sup>4</sup> This section brings together observations scattered through Harrison and Simonov (2000), Markevich and Harrison (2004), and Harrison (2004, 2008, 2011), based on records held in the Russian State Military Archive (RGVA), the State Archive of the Russian Federation (GARF), and the Russian State Archive of Contemporary History (RGANI) in Moscow, and the Archives of the Soviet communist party and Soviet state microfilm collection, 1903-1922: Russian State Archive of Contemporary History (RGANI) held at the Hoover Institution Archive.



party secret, not a state secret, but the concept of conspirativeness that applied was identical.

In the Soviet nomenklatura, all leading personnel were party members (with only rare exceptions). When party members committed a legal violation, before they could go to trial, they had to be expelled from the party. Before expulsion, they had to be investigated. Thus, it was the rule that party members accused of wrong doing were first investigated by the party. Initial investigation was generally done by local party committees; a national agency, the party control commission (KPK), also received reports of wrong doing, initiated local investigations and received appeals from party members when local investigations went badly for them (as described by Getty 1997; Markevich 2011).

The investigative work of KPK was itself shrouded in secrecy and protected by the code of conspirativeness. Thus, the public never learned about the wrong doing that party investigators uncovered, unless it was sent to trial and some deliberate decision was made to publicize the outcome. Outcomes varied over time. In Stalin's Great Terror, it was possible for the security police to execute hundreds of thousands of people with the full approval of the party, including tens of thousands of party members, on the vaguest suspicions, in complete secrecy. A generation later, the pendulum swung back to forgiveness, and large numbers of party members found to have committed criminal offenses were regularly forgiven.

Small-sample evidence is provided by KPK records of 88 cases of accounting fraud, in which managers lied about plan fulfilment in order to obtain financial rewards and promotion, from the 1940s to the 1960s (described by Harrison 2011). Plan fraud was one of those offences that struck at the heart of the Soviet command system, because it revealed the cogs of the planned economy as self-interested human beings who resisted manipulation. Moreover, plan fraud had widespread economic effects; if it did not cause shortages and queues, it certainly exacerbated them. It was an essential ingredient of the street-wise saying "we pretend to work and they pretend to pay us."

The 88 cases under consideration were not minor violations, which tended to go unreported. Nearly all cases involved an element of conspiracy, sometimes embracing government and party superiors. On average, the public loss was measured in millions of rubles and hundreds of thousands were diverted into private pockets. In many cases, plan fraud was committed to help conceal other offenses, such as asset-stripping. Table 4 shows what can be discerned about the pattern of penalization. Many cases involving large rings of conspirators, defrauding the state of millions of rubles and pocketing hundreds of thousands in undeserved bonuses, were dealt with by reprimands or reassignments.

*Table 4 near here*

Such patterns are suggestive of a dilemma that led the ruling party to investigate alleged misdemeanours in secret, while secrecy allowed the regime to behave inconsistently towards its agents who were found to have behaved disloyalty. In public, such violations were fiercely condemned. Ex ante, a fearsome range of penalties was available, including the death penalty in some periods. Ex post, the party did not dispose of enough competent personnel that it could dispose of them lightly. In private, excuses and mitigating circumstances would be found in most cases. In public there was rarely anything to see. Any manager who could work this out would learn to treat the rule book with the contempt it deserved.

### **Flying blind**

Finally, secrecy may have inhibited the capacity of Soviet leaders to make strategic choices. This idea is based on a case study of the most secret of all late Soviet statistics: the defence budget.<sup>5</sup> The pilot of a plane may have a clear idea of her destination but, if she has no idea of her position and speed, it is useless to know the destination. She cannot make the choices that are required to bring her craft to a safe landing. In the same way, political leaders must be well informed of the current state of their country before they can make intelligent choices for its society or economy.

In the period of perestroika, under Mikhail Gorbachev, Soviet leaders began to ask themselves how much they should spend on defence. In looking for answers to this question, it would surely have been useful to know how much they were spending on defence already.

Who was supposed to know the true figure for Soviet defence spending in the 1980s? A military source of the time named four people: the party general secretary, the prime minister, the defence minister, and the chief of general staff. In his memoirs, Gorbachev suggested: no more than two or three. But, as it turns out, military outlays had become so well concealed that nobody knew. Possibly, until Gorbachev, none of the leaders *wanted* to know. But by then it was too late for him to find out.

Soviet military outlays were not always secret. Until 1929 published Soviet budgets and reports told the truth, subject to accounting conventions of the time and place. In 1930 the Soviet government wanted to join the disarmament negotiations being held in Geneva under the

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<sup>5</sup> This section is based on Harrison (2009), using records from the Vitalii Leonidovich Kataev collection held at the Hoover Institution Archive.

League of Nations. To support the diplomats, it was decided to lie about the military budget (Davies 1993). For a few years the rapid growth of Soviet spending was thoroughly concealed. In 1935, given the collapse of disarmament hopes, it was decided there was nothing to lose from resuming truthful publication and this was done the following year (Davies and Harrison 1997).

Similar motivations account for the next stage of concealment, which began with Soviet-American arms control discussions in the late 1950s or early 1960s (the exact date remains uncertain). As it worked out, arms control became a continuous process so, once concealment began again, there was no subsequent moment at which it appeared advisable to return to a policy of disclosure.

The stratagem of concealment became embedded. The published Soviet figures diverged further and further from the truth. And the more it did so, the more obvious the gap became. As of 1980, for example, the Soviet superpower claimed an annual budgetary allocation to defence of 17.1 billion rubles, under 6 percent of the state budget and under 3 percent of the Soviet GDP. The world was supposed to believe that, somehow or other, this tiny sum—less than the Soviet population spent on sugar and sweets in government stores—maintained a military machine to equal that of the United States, which spent \$168 billion or 6 percent of its much larger GDP on national defence in the same year.<sup>6</sup>

In response, outsiders began to devote considerable efforts to trying to ascertain the gap. As Table 5 shows, the figure proposed by the nongovernment Stockholm International Peace Research Institute was more than twice the Soviet official figure. In turn, the estimate made by the US Central Intelligence Agency was more than twice that of SIPRI.

*Table 5 near here.*

On the Soviet side of the arms control process, the result was a credibility problem of vast scale. How could the Soviet side win the trust of their negotiating partners when it was obvious to everyone that the Soviet position was based on secrecy and lies?

Inner acceptance of this problem was long delayed, however. The reckoning arrived with Gorbachev's appointment as party general secretary. The following timeline is reconstructed from the papers of Vitalii Kataev, a senior Soviet defence industry manager and arms control negotiator. Gorbachev became CPSU general secretary in March 1985.

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<sup>6</sup> On sugar and sweets purchased in 1986, see Goskomstat (1987: 464). US defence outlays in that year are from the Bureau of Economic Analysis national accounts website at <http://www.bea.gov/national/>.

There were ongoing talks concerning the deployment of theatre nuclear weapons. Gorbachev understood that Western distrust had become a decisive obstacle. Only through a turn to transparency, he believed, could the Soviet Union restore good faith in the negotiations. In November 1986, the party central committee decided on the principle of full disclosure both Soviet force levels and Soviet military spending to the Western side—which meant also, under the emerging policy of openness, disclosure to the public.

Over a few months, resistance to disclosure emerged. The opposition, led by Gosplan, was soon joined by prime minister Ryzhkov, the foreign ministry, the KGB, and some key central committee secretaries. In August it was decided to postpone disclosure for “2-3 years.”

The case for delay was the purported risks of transparency. When attempts were made to compile a true figure for the total of Soviet defence outlays, the figure that resulted, never quoted, was too small. If published, it could only invite scepticism concerning the Soviet Union claim to superpower parity with the United States. Everyone understood that the Soviet economy was considerably smaller than the U.S. economy. If Soviet defence outlays supported military power comparable with that of the much wealthier chief adversary, then the total spent should be much larger in proportion to the economy.

The problem lay with the pricing of weapons. Soviet officials knew what prices were being paid for equipment of the Soviet armed forces but these prices bore no relation to true costs. As Firth and Noren (1998: 189-190) discuss, the equipment budget would have dramatically understated the real burden on the economy because of multiple channels of hidden subsidy (which charged defence costs to non-defence items) and sources of off-budget support (which were most likely charged against the central bank). These were so numerous and so deliberately concealed that no one could quickly find them. Because of this, the Soviet Union seemed to acquire vast quantities of military equipment for nearly nothing. To explain the undervaluation of equipment to a western audience, the Soviet side would have to engage in detailed comparison of weapons, prices, and subsidies – the last thing that anyone wanted.

But not explaining the official figures would also be bad and perhaps even worse. Chief of general staff Marshal Akhromeev warned that the disclosure of domestic equipment prices would undercut the export market for Soviet weapons: the prices that the Soviet Union charged to its allies and friends when they purchased Soviet weaponry would appear inflated, and give rise to pressure for better terms. And Akhromeev also warned that laying claim to a defence burden that was understated would undercut the propaganda claim that the Soviet people were impoverished by having to compete against the United States in the arms race.

Soviet officials came up with a variety of alternative solutions. One suggestion was to continue to lie, but more convincingly. This was the proposal of central committee secretary for defence industries Beliakov:

It appears expedient not to publish the actual sum of outlays and in preparation of the documentation to proceed by way of artificial formulation of a figure for our “outlays on defense activities” that is acceptable for publication.

Another option was to procrastinate. The strategy of delay would begin by conceding in public that the published number, although not a lie, was not the whole truth; that it represented some defined subtotal of defence outlays; and that a figure representing the remainder of these outlays would be published eventually—after completing of a sweeping price reform in Soviet industry that would align Soviet weapon prices with true costs, enabling a proper figure to be calculated.

This is what Akhromeev announced to the world in January 1988 (described by Firth and Noren 1998: 186). But it is not clear how sincere was the intention to arrive at a true figure, following price reforms, as opposed to simply inventing a more credible lie. What is known is that the sweeping price reform that was anticipated never took place.

Finally, in May 1989, it was considered that the “2-3 years” had expired; there could be no further delay. Preparing to meet Margaret Thatcher, Gorbachev was given new figures, which he duly announced: 77.3 billion rubles in the current year. The 20.2 billion in the previously published state budget for the year were itemized as maintenance, construction, and pensions only. An accompanying document in the Kataev files, reported in Table 6, claims that the 77.3-billion sum accounted for 8.4 per cent of Soviet GNP, whereas American defence spending made up only 5.9 per cent of the much larger US economy.

*Table 6 near here.*

While the Soviet Union no longer exists, Gorbachev’s 77.3 billion rubles remains an “official” figure today in the sense that Russian insiders claim to have recalculated time series for Soviet defence spending all the way back to 1960, and their series continues to be benchmarked on the figure that Gorbachev announced in 1989 (Masliukov and Glubokov 1999). And 77.3 billion rubles was clearly a step in the right direction. But was it the truth, or was it just a more convenient lie? The disclosure aroused intense interest and, therefore, expert scrutiny. Renewed scepticism followed. The basis of the new figure was unclear, and the figure itself still fell far below the most moderate Western estimates. Many new questions were raised, never to be answered.

This story has two implications for our understanding of secrecy. Most obviously, from Brezhnev onwards, and perhaps even from the time of Khrushchev, Soviet leaders had no clue what they were spending on defence. Perhaps they did not want to know, but the fact is that no one was controlling the final uses of a large fraction of Soviet GNP. In terms of economic policy they were flying blind.

Another implication is a little more subtle. When the eventual collapse of the Soviet economy is under discussion, it is often suggested that the burdens of defence played a role. Yet none of the Soviet insiders who played a part in this story suggested at any time that their economy was being bankrupted by military spending. Marshal Akhromeev clearly thought the idea was a propaganda myth, one that it would be convenient to sustain if possible.

What our story points to is not the burden of defence but the burdens of secrecy. Secrecy itself was a double burden on Soviet political leaders. It was a burden on the economic decisions open to them because it ended up denying them valuable information about their own economic situation. It was a burden on them, a second time, in international diplomacy, because it ensured that no one who was not obliged by loyalty would believe a word they said.

## **Conclusions**

The ability of a government to make decisions and direct others to carry them out without undue procrastination, bureaucracy, or diversion of effort to other purposes is one aspect of state capacity. At first sight, secrecy seems like a powerful tool for augmenting the decisiveness of the state and containing its running costs. Indeed, authoritarian regimes often display impressive decisiveness and fearsome powers of enforcement; that's one way we know that they are authoritarian.

What autocracies do not put on display is how the sausage is made. Indeed, the mystique of authoritarian regimes arises in some part from deliberate concealment of their inner workings. The historical research covered in this paper suggests that the stratagem of concealment is wise. The secret records of a long-lived authoritarian regime show that its Iron Curtain of secrecy concealed much waste of opportunities and human resources, and diversion of time and effort to private goals.

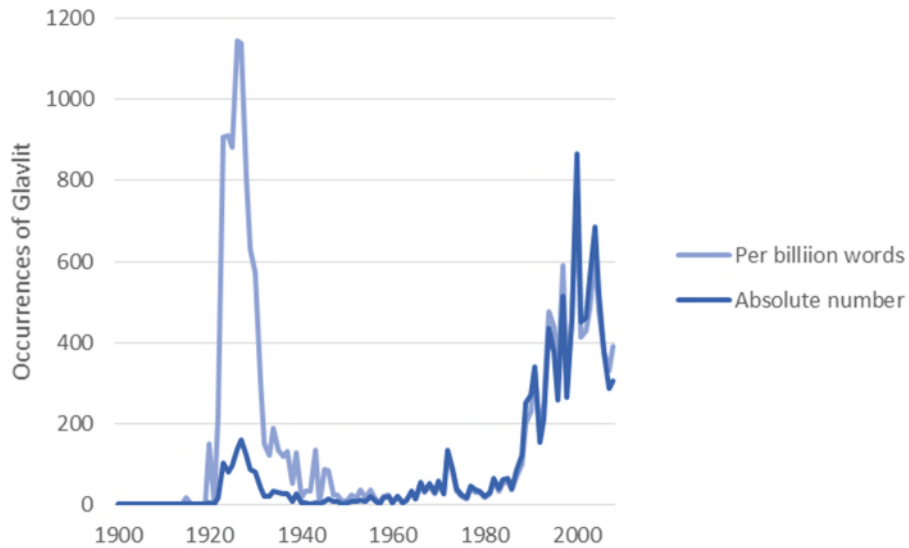
Secrecy conceals weaknesses as well as strengths. It seems designed to hide clues, yet all it may hide is cluelessness. When we strip the cloak away, we find that the true capacity of the totalitarian state was less than appeared on the surface. Soviet secrecy made authoritarian rule cumbersome and indecisive. Bureaucrats used nearly as much paper secretly registering and inventorizing secret correspondence as writing

down the original secrets. Secretive government permitted everyday abuses, while denying a place in government business (that is, in nearly all the business there was) to faces that didn't fit. Secretive government could withhold valuable information even from its own leaders.

I do not conclude that secrecy was irrational or excessive from the standpoint of the regime. The same security/usability tradeoff applied to Soviet government as to all business systems. With good reason, Soviet rulers preferred a regime that was more secure, even if less – much less – user-friendly. When the cloak of secrecy was torn away, regime security soon collapsed, and with it the regime.

## Figures

*Figure 1. The frequency of “Glavlit” in half a million Russian books, 1900 to 2008*

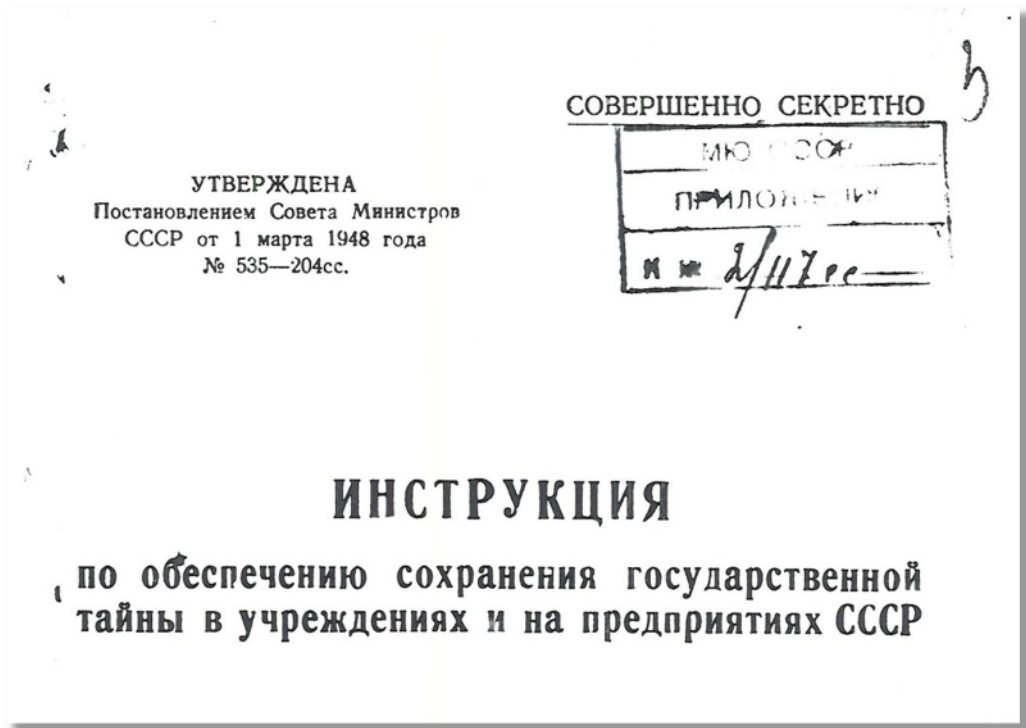


Source: Harrison (2016: 47).

Note: This figure shows the results of searching for Glavlit in the Google Books N-gram Viewer. The search uses the Google Books Russian-language corpus of 2012 from 1900 to 2008 and “Glavlit” in Cyrillic characters, switching off both case-sensitivity and year-to-year smoothing. Over these years the Google Books Russian-language corpus includes more than 63 billion words from more than 555,000 books.



Figure 2. Excessive secrecy



Source: Hoover/GARF, fond R-9492, op. 2, delo 79, l. 19ob.

Note: This is the cover page of the “Instructions for provision of conservation of state secrets in institutions and enterprises of the USSR,” confirmed by decree of the USSR Council of Ministers on 1 March 1948, pursuant to a decree “On responsibility for the disclosure of state secrets and for the loss of documents containing state secrets,” issued by the USSR Supreme Soviet on 9 June 1947. The cover page is of interest because it shows that the document, which regulated the handling of all state documents classified “secret” and “top secret,” was itself classified (in the top right hand corner) “top secret”: those responsible for handling documents classified only as “secret” were not permitted to read it.

## Tables

*Table 1. Soviet and American secrecy codes compared*

	USA	USSR
Value of an “informed citizenry”?	Yes	No
Presumption of “ultimate” disclosure?	Yes	No
The existence of a secret is secret?	No, 1953to 1982	Yes
Open to over-classification?	Yes	Yes
Right to request declassification?	Yes, since 1966	No
Scale of classification activity disclosed?	Yes, since 1979	No
Targets for declassification?	Yes, since 2010	No
Contestable in media and law?	Yes	No

Source: Harrison (2013a: 1023-1024).

Note. On the United States, this table relies on the record of U.S. presidential executive orders since 1948, various legislative acts (such as the Freedom of Information Act 1966), and reports of statutory committees (the Moynihan Commission report of 1997) and agencies (annual reports of the Information Security Oversight Office, established in 1978).

*Table 2. Lithuania KGB management files, 1954 to 1982: Composition by keyword clusters (per cent of total)*

	%
Accounting for secrets	34
Police work	20
Matters relating to foreigners	10
Counter-insurgency	8
Complaints and petitions	8
Economic matters	8
Anonymous circulars	4
Matters relating to young people	4
Preventive work	4
Matters relating to Jewish people	1
Not classified	19

Source: Harrison (2013a). There is some double-counting: the shares add to 120 per cent. Double counting is confined to the rows labelled “Police work” and below. So the first row is unaffected.

Note: the table is based on a keyword classification of 1,003 files from the Lithuanian Special Archive, described in the data appendix to the source.

Table 3. *Kompromat and persons compromised: Panevėžys, Lithuania, 1972*

	In post	Cleared	Refused clearance
Number of persons	79	6	10
<i>Personal data</i>			
Russian ethnicity	0	0	0
Female	12	1	0
Average age in 1944	15.7	10.8	10.6
Average years education	12.5	13.3	14.2
Party or Komsomol member	8	4	3
<i>Nature of compromising evidence</i>			
Historic circumstances:			
• Personal	15	1	5
• Of family member	7	2	1
Liable to resettlement:			
• Personally	2	0	0
• As family member	20	1	4
• Of family members	7	1	3
Historic behaviour:			
• Personally	11	0	0
• By family member	23	3	5
Sentenced:			
• Personally	23	0	0
• Average term, years	12.9	...	...
• Family member	7	1	2
Current circumstances:			
• Personally	2	0	0
• Family member abroad	7	0	2
Current behaviour:			
• Personal	3	0	5
• By family member	1	1	1

Source: Harrison and Zaksauskiene (2016: data appendix), available at <http://warwick.ac.uk/markharrison/data/>.

Notes: The column headings, in order from left to right, are based on KGB reports from Panevėžys to Vilnius, all dated 3 December 1972, entitled respectively: “List with compromising evidence on persons occupying leading positions”; “List of persons cleared for top secret work and documents with compromising evidence”; and “List [of persons] with compromising evidence, who have been refused clearance, but continue to work in positions indicated.”

Historic/circumstantial evidence: The subject was born into a family of the pre-Soviet urban or rural elite; or was liable to resettlement under

Soviet occupation in their own right or as a family member; or a family member collaborated with the German occupation or resisted the Soviet occupation, or fled the country after the war; or a family member was sentenced for 'state crimes'.

Current/circumstantial evidence: The subject was in touch with a relative abroad, who might be (but did not need to be) linked to anti-Soviet activity); or had a family member at home who was known to grumble about the regime; or was employed at or lived close by a secure facility.

Historic/voluntary behaviour: In the past the subject collaborated with the German occupation or resisted the Soviet occupation, or had been sentenced for 'state crimes' in their own right.

Current/voluntary behaviour: The subject violated Soviet norms of behaviour or demonstrated disaffection by attending church; or by openly expressing anti-Soviet views; or by having unauthorized contact with foreigners.

For the 79 persons "occupying leading positions," the distribution of evidence against them is summarized as follows:

	Circumstantial	Voluntary	Total
Historic	81	34	115
Current	10	3	13
Total	91	37	128

*Table 4. Plan fraud under Soviet communist party control, 1943-1962: cases by highest penalty imposed*

Highest penalty score	0	1	2	3	4	5
Number of cases, total	3	21	30	3	2	10
Number of accused, average	3.67 (N = 3)	6.81 (21)	3.69 (29)	3.67 (3)	4 (2)	4.7 (10)
Size of fraud, average:						
Percent of plan-year	1.7% (1)	10.6% (8)	14.9% (10)	... (0)	... (0)	23.1% (3)
Thousand rubles	8,090 (2)	1,571 (9)	1,715 (14)	15 (1)	396 (2)	354 (9)
Size of private gain, average						
Thousand rubles	... (0)	52 (3)	285 (4)	6 (1)	... (0)	10 (1)
Per cent combined with other offenses	33% (1)	57% (12)	40% (12)	67% (2)	50% (1)	50% (5)

Source. Harrison (2011: appendix 6).

Notes. "Highest penalty score" reflects the highest penalty imposed on any accused in each case. The ranking of penalties is ordinal. Reference to the state prosecutor (5) was self-evidently the most serious sanction, leading to imprisonment or worse. Exclusion from the party (4) opened the door to prosecution and terminated the offender's career; this made it more serious than exclusion from employment in one of many ministries (3). Reassignment (2) within the party or ministry was more serious than a reprimand or warning. Reprimands and warnings (1) were normal and frequent in the life of any Soviet executive, described by Berliner (1957).

To calibrate monetary values, the average monthly wage of a Soviet public employee was around 570 rubles in 1946, rising to 1,000 rubles in 1961 (Nove 1966).

*Table 5. Soviet military outlays, 1980 (billion rubles and per cent)*

	Billion rubles	Share of GNP, per cent
US Central Intelligence Agency	94	15
Stockholm International Peace Research Institute	48.7	7.9
Soviet official budget figure	17.1	2.8

Source: Figures are from Noren (1995: 269). Soviet GNP in 1980 is taken as 619 billion current rubles from Goskomstat (1990: 6).

*Table 6. Soviet and US military outlays, 1989 (billions of national currency and per cent)*

	Billions	Share of GNP, per cent
USA (in dollars)	308.9	5.9
USSR (in rubles)	77.3	8.4

Source: Harrison (2009).



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