

Counter-Intelligence in a Command Economy

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Abstract

We provide the first thick description of the counter-intelligence function in a command economy of the Soviet type. Based on documentation from Soviet Lithuania, the paper considers the KGB (secret police) as a market regulator, commissioned to prevent the disclosure of secret government business and forestall the disruption of government plans. Where market regulation in open societies is commonly intended to improve market transparency, competition, and fair treatment of consumers and employees, KGB regulation was designed to enforce secrecy, monopoly, and discrimination. One consequence of KGB regulation of the labour market may have been adverse selection for talent. We argue that the Soviet economy was designed to minimize the costs.

Keywords: communism, command economy, discrimination, information, loyalty, regulation, security, surveillance, Soviet Union.

JEL Codes: N44, P21.

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Data Appendix

Table A-1. Lithuania and its Soviet neighbours in 1970: summary statistics

	Lithuania	(Rank) ^a	Latvia	Belorussia	Russia
Census population (millions)	3.128	(9)	2.364	9.002	130.1
<i>Numbers (per cent of population):</i>					
Of local ethnicity ^b	80.1%	(4)	56.8%	81.0%	82.8%
In urban settlements	51.0%	(6)	64.0%	45.0%	63.0%
With secondary and higher education ^c	38.2%	(15)	51.7%	44.0%	48.9%
Retail turnover, rubles per head ^d	752	(3)	997	623	740
<i>Value (per cent of 1960) in "unchanged" prices:</i>					
National income	238%	(1)	204%	218%	198%
Industrial production	303%	(2)	248%	294%	215%
Industrial labour productivity ^e	163%	(6)	175%	175%	168%

Sources: TsSU, *Nar. khoz. 1922-1972*, pp. 9, 10, 37, 135, 150, 360, 393, 499-599, 516, 531, 544, 556, 569, 581, 594, 607, 619, 631, 644, 657, 669, 681).

Key:

^a Rank among 15 Union Republics of the Soviet Union (in reverse order of population size in 1970, Russia, Ukraine, Kazakhstan, Uzbekistan, Belorussia, Azerbaidzhan, Georgia, Moldova, Lithuania, Kirgizia, Tadzhikistan, Armenia, Latvia, Turkmenistan, and Estonia.) Clockwise from the North, Lithuania's neighbours were the Soviet Republics of Latvia, Belorussia, the Polish People's Republic, and Soviet Russia's Kaliningrad enclave in the West.

^b Local ethnicity: self-declared Lithuanians in Lithuania, Belorussians in Belorussia, and so on.

^c Numbers with complete and incomplete secondary and tertiary are shown per cent of the population aged 10 years and over.

^d Retail turnover in state and cooperative retail establishments, including socialized catering; this left out "collective farm markets" where farmers sold produce on their own account. The year is 1971.

^e Gross value of industrial output per worker.

Table A-2. KGBs and census populations: per cent of local nationality

	KGB employees	Census populations
Estonia		
1953 ^a	25	...
1959 ^b	...	74.6
Latvia		
1953 ^c	17.5	...
1956 ^d	44	...
1958 ^d	55	...
1959 ^b	...	62.0
Lithuania, second administration		
1957 ^e	53	...
1959 ^b	...	79.3
1968 ^f	39 (first dept)	...
1969 ^g	23 (third dept)	...
1969 ^h	44 (first dept)	...
1970 ⁱ	44 (first dept)	80.1
1971 ^k	53 (first dept)	...
1973 ^m	77 (fifth dept)	...
1979 ⁿ	...	80.0
1984 ^e	75	...

Note: In the Soviet Union, national identity (e.g. Russian, Estonian) was self-declared for purposes of acquiring personal identity papers and in national censuses. We suppose that the Estonian and Latvian KGB figures were based on self-declaration. For Lithuania the KGB figures are based on the ethnic identification of family names given in holiday rosters and circulation lists found in KGB files. The Lithuanian figures are cover the KGB second administration only and the particular departments shown. We base ethnic identification on family names in vacation rosters and circulation lists. The KGB did not have unified personnel records; each administration had its own card index of employees.

Sources:

^a Estimate provided by Meelis Saueauk (personal correspondence, 29 April 2013). According to Tannberg, *Politika*, p. 116, the same figure for employees of the Estonia MVD (including both state security and militia at that time) was 32 per cent.

^b TsSU, *Nar. khoz. 1960*, pp. 18-20).

^c Rahi-Tamm, Jansons, and Kaasik, 'Estonia', p. 159.

^d Rahi-Tamm, Jansons, and Kaasik, 'Estonia', pp. 162-163.

^e Anušauskas, *KGB Lietuvoje*, p. 87.

^f Hoover/LYA, K-1/3/659, 237-239 (Lt. Col. Kardanovskii, chief of Lithuania KGB second administration, first department vacation roster dated 3 January 1968).

^g Hoover/LYA, K-1/3/670, 17 (Capt. Markūnas, chief of third department of the Lithuania KGB second administration, vacation roster dated 15 January 1969).

^h Hoover/LYA, K-1/3/683, 102-104 (Lt. Col. Kardanovskii, chief of Lithuania KGB second administration, first department vacation roster dated 30 December 1969).

ⁱ Hoover/LYA, K-1/3/673, 24 (Circulation list of staff of the first department of the Lithuania KGB second administration for decrees and instructions of the USSR and Lithuania KGBs, dated 13 February 1970). For an identical list see also Hoover/LYA, K-1/3/683, 105-106 (Lt. Col. Kardanovskii, chief of Lithuania KGB second administration, first department vacation roster dated 27 January 1969). For census data for the same year, 1970, see TsSU, *Nar. khoz. 1922-1972*, p. 594).

^k Hoover/LYA, K-1/3/683, 100-101 (Lt-Col A. Domarkas, deputy chief of first department, Lithuania KGB second administration, vacation roster dated 15 January 1971).

^m Hoover/LYA, K-1/3/699, 157 (Circulation list of staff of the fifth department of the Lithuania KGB for decrees and instructions of the Lithuania KGB for 1973).

ⁿ TsSU, *Nar. khoz. 1922-1982*, p. 36.

Table A-3. Facilities regulated by the Lithuania KGB second administration, June 1968

Facility	Fundholder	Key
<i>Vilnius</i>		
Planning Commission [Gosplan]	LSSR CM	E
State Bank [Gosbank]	LSSR CM	E
Min. of Communications	LSSR CM	N
Min. of Land Amelioration and Water Conservation (including the Institute of Water Conservation)	LSSR CM	L
Min. of Automobile Transport and Roads	LSSR CM	N
Chief Admin. of Power and Electrification	LSSR CM	N
Chief Admin. of Material and Technical Supply	LSSR CM	N
Admin. of Geology	LSSR CM	L
Lithuanian Admin. of Civil Aviation	USSR Min. of Civil Aviation	N
Admin. of Land Reorganization	LSSR Min. of Agriculture	L
Vilnius District Admin. of Gas Pipelines	USSR Min. of Gas Industry	N
Central Statistical Admin.	LSSR CM	E
Research Institute of Electrography (mailbox G-4602). Does research and experimental design work on manufacture of display equipment, computer output devices, and document copiers.	USSR Min. of Radio Industry	S
Research Institute of Radar Instruments (mailbox R-6856). Develops new models of radar instruments.	USSR Min. of Radio Industry	S
Vilnius branch of the All-Union Research Institute of Electrowelding Equipment	USSR Min. of Electrotechnical Industry	S
Republican Design Institute for Land Organization	[LSSR] Min. of Agriculture	L
Institute of Geology	LSSR CM Admin. of Geology	L

Facility	Fundholder	Key
Association "Sigma," with Central Design Bureau of Management Systems and "Orgtekhnika" Specialized Design Bureau. Develops and prepares accounting and organization equipment.	USSR Min. of Instrument Building, Means of Automation, and Management Systems	S
Vilnius Design Bureau (mailbox no. G-4322). Does research and experimental design work on model integrated circuits and special-purpose equipment	USSR Min. of the Electronic Industry	S
Vilnius Design Bureau of Magnetic Recording (mailbox no. A-3593). Develops sound recording equipment for Ministry of Defence contrast and also for needs of the national economy.	USSR Min. of the Radio Industry	S
Special Design Bureau of the Accounting Equipment Factory. Develops discrete choice equipment [schetno-reshaiushchie ustroistva]	USSR Min. of Instrument Building, Means of Automation, and Management Systems	S
Experimental Research Institute for metal Cutting machine tools. Develops and improves metalworking machine tools	USSR Min. of Machine Tool Building and the Instrumentation Industry	S
Vilnius Radar Instrument Factory (mailbox V-7859). Produces radar equipment for military purposes	USSR Min. of the Radio Industry	S
Lithuanian Instrumentation Factory (mailbox A-7934). Prepares sound recording equipment for Ministry of Defence contrast and also for needs of the national economy.	USSR Min. of the Radio Industry	S
Radio Components Factory (mailbox no. A-7528). Produces transformers for the defence industry and also transformers and deflection systems for television sets	USSR Min. of the Electronic Industry	S
Vilnius Electrowelding Equipment Factory (mailbox G-4823)	USSR Min. of the Electrotechnical Industry	S

Facility	Fundholder	Key
Vilnius Electrotechnical Factory "Elfa" (mailbox A-7586). Produces compact electrical motors and magnetic recorders for needs of the national economy	USSR Min. of the Electrotechnical Industry	S
Vilnius Factory of Electrical Meters	USSR Min. of Instrument Building, Means of Automation, and Management Systems	S
Vilnius Factory of Numerically Controlled Machine Tools (mailbox no. V-2677)	USSR Min. of Machine Tool Building and the Instrumentation Industry	S
Vilnius Factory of Accounting Equipment	USSR Min. of Instrument Building, Means of Automation, and Management Systems	S
Machine Tool Factory "Žalgiris" (mailbox no. V-2936)	USSR Min. of Machine Tool Building and the Instrumentation Industry	S
Factory of Building and Finishing Machinery	USSR Min. of Building and Road Engineering	H
Machine Tool Factory "Kommunaras"	USSR Min. of Machine Tool Building and the Instrumentation Industry	S
Vilnius Power Grid	LSSR CM Chief Admin. of Power and Electrification	N
Vilnius Thermal Power Central	LSSR CM Chief Admin. of Power and Electrification	N
Vilnius oil depot	LSSR CM Chief Admin. of Material and Technical Supply	N
DOSAAF Republican committee	[USSR DOSAAF]	L
Civil Defence Staff	LSSR [CM]	L
Unified Air Detachment and Vilnius Airport	USSR Min. of Civil Aviation, Lithuanian Admin.	L

Facility	Fundholder	Key
Vilnius division and lines: Vilnius-Porech'e-Druskininkai, Vilnius-Stasiliai, Vilnius-Turmantas, Vilnius-Šumskas, and Lentvaris-Kaišiadorys	Baltic Railway	N
<i>Kaunas</i>		
Kaunas Research Institute for Radar Equipment [KNIIRIT] (mailbox no. V-8574). Does exploratory research on ways and means of creating new radar equipment for Ministry of Defence contracts and needs of the national economy	USSR Min. of the Radio Industry	S
Institute for Physical-Technical Problems of Power Engineering. Does development work on various secret topics in new power engineering, high-temperature physics and cybernetics	LSSR Academy of Sciences	S
Republican Institute for Design of Water Supply "Litgiprovdkhov"	LSSR Min. of Agriculture	N
Institute for Industrial Construction Design "Promproekt"	[LSSR CM State Construction Admin.] "Gosstroj"	S
Kaunas Geodesical, Cartographic, and Land-Organization Departments.	Republican Design Institute for Land Organization [of the LSSR Min. of Agriculture]	L
Specialized Administration of Road Building	LSSR Min. of Road Transport and Highways	N
Specialized Design Bureau "Vint" (mailbox no. A-1281). Engages in the development of screw propellers for Ministry of Defence contracts	USSR Min. of the Shipbuilding Industry	S
Naval Engineering Factory "Piargale" (mailbox no. A-7475). Produces screw propellers for Ministry of Defence contracts	USSR Min. of the Shipbuilding Industry	S

Facility	Fundholder	Key
Kaunas Radio Factory (mailbox R-6856) and Specialized Design Bureau	USSR Min. of the Radio Industry	S
Artificial Textile Fibre Factory	LSSR CM Admin. of the Chemical Industry	S
Kaunas "Kaunas Energoremont" [Power Repair] Enterprise	USSR Min. of Power and Electrification	N
Lithuanian Office for Woodland Aerial Photography	All-Union "Lesproekt" Association	L
"Vodokanal" [Water Supply] Trust	LSSR Min. of Communal Services	N
Western Aerial-Photography Geodesical Enterprise "Sel'khozaerofots"emka"	USSR Min. of Agriculture	L
Kaunas State Power station and Petrashus State District Power Station	LSSR CM Chief Admin. of Power and Electrification	N
Kaunas zonal base of "Glavneftesbyt" [Oil Supply Administration]	LSSR CM Chief Admin. of Material and Technical Supply	N
Lithuanian Admin. Airport and Unified Air Squadron of	USSR Min. of Civil Aviation	N
Air Club and Radio Club	DOSA AF	L
Kaunas communications office, secure communications division, and city and inter-city telephone exchanges	LSSR Min. of Communications	N
Radio station and facility no. 603	LSSR Min. of Communications	N
Third district of the cable relay turnpike. Maintains lines of communication, including those going to important secure facilities and the international cable	USSR Min. of Communications	N
Kaunas city and district civil defence staffs	[LSSR CM]	L
Kaunas city railway station and lines: Kaišiadorys-Linkaičiai, Kaišiadorys-Kaunas, Palemonas-Gaižūnai, Kaunas-Kybartai, Kazlų Rūda-Alytus	Baltic Railway	N

Šiauliai

Facility	Fundholder	Key
Šiauliai television factory (mailbox no. V-3822)	Min. of the Radio Industry	S
Electronics factory "Nuklon" (mailbox. No. M-5621). The factory is presently under construction. After commissioning, the factory will produce integrated logical circuits for Ministry of Defence contracts	Min. of the Electronics Industry	S
Šiauliai precision machine tools factory	USSR Min. of Machine Tool Building and the Instrument Industry	S
Bicycle and Motor Factory "Vairus"	USSR Min. of the Automobile Industry	H
Oil depot	LSSR CM Chief Admin. of Material and Technical Supply	N
Land organization base	Republican Design Institute for Land Organization [of the LSSR Min. of Agriculture]	L
West-Lithuania Hydrogeological Expedition	LSSR CM Admin. of Geology	L
Power grid	LSSR CM Chief Admin. of Power and Electrification	N
State District Power Station "Rekiva"	LSSR CM Chief Admin. of Power and Electrification	N
Gas Supply Administration	LSSR Min. of Communal Services	N
Water Supply Administration	LSSR Min. of the Communal Economy	N
Specialized Road Building Administration, production unit	LSSR Min. of Road Transport and Highways	N
District network, with facilities: TV relay station, telephone exchange [lineino-tekhnicheskii uzal], facility no. 60, secure communication facility [spetssviaz'], cable unit no. 33	Min. of Communication	N
Civil Defence Staff	[LSSR CM]	L

Facility	Fundholder	Key
Railways of the Šiauliai division and lines: Šiauliai-Eglaine, Radviliškis-Pagėgiai, Šiauliai-Lukšiai, and Šiauliai-[illegible]	Baltic Railway	N
<i>Klaipėda</i>		
Klaipėda Shipbuilding Factory "Baltija" (mailbox no. N-5832)	USSR Min. of the Shipbuilding Industry	H
Experimental Ship Repair Factory (mailbox no. V-2677)	USSR Min. of Fisheries	S
Workshop no. 2 (mailbox no. 109) of the Riga Enterprise "Era". Engages in electrical installation work on vessels of the fishing fleet and Navy.	USSR Min. of the Shipbuilding Industry	S
Ship Repair Factory no. 7	USSR Min. of the Maritime Fleet	H
Klaipėda division of the State Design Institute of the Fishing Fleet	USSR Min. of Fisheries	L
Klaipėda trading port	USSR Min. of the Maritime Fleet	L
Klaipėda Maritime Agency	USSR Min. of the Maritime Fleet	L
Radio facility no. 61. Engages in jamming radio broadcasts of capitalist states	LSSR Min. of Commucations	N
Klaipėda oil export entrepôt	LSSR CM Chief Admin. of Material and Technical Supply	N
Bases	USSR Min. of Fisheries	L
Klaipėda Seafaring College	USSR Min. of Fisheries	L
Coastal Weather Station	USSR Min. of the Maritime Fleet	L
City Communications Network	LSSR Min. of Commucations	N
Power Grid and State District Power Station	LSSR CM Chief Admin. of Power and Electrification	N
Civil Defence Staff	[LSSR CM]	L
DOSA AF	[USSR DOSAAF]	L
Klaipėda railway network and lines: Klaipėda-Skuodas, Kretinga-Kužiai, and Klaipėda-Pagėgiai	Baltic Railway	N

Facility	Fundholder	Key
<i>Panevėžys</i>		
Ekranas Cathode Ray Tube Factory (mailbox no. V-2963)	USSR Min. of the Electronics Industry	S
Automobile Compressor Factory	USSR Min. of the Automobile Industry	S
Precision Mechanical Factory. Produces visual-display accounting equipment	Sigma Association	S
Panevėžys oil depot	LSSR CM Chief Admin. of Material and Technical Supply	N
City DOSAAF and Civil Aviation landing strip	[USSR DOSAAF]	L
City and District Civil Defence Staffs	[LSSR CM]	L
District communications network	LSSR Min. of Commucations	N
<i>Mažeikiai</i>		
Compressor Factory	USSR Min. of Engineering for the Light and Food Industry and Household Equipment	S
Akmenė Cement Factory	LSSR Min. of Building Materials	H
<i>Elektrėnai</i>		
Elektrėnai State District Power Station	LSSR CM Chief Admin. of Power and Electrification	N
<i>Kėdainiai</i>		
Kėdainiai Chemical Combine	LSSR CM Admin. of the Chemical Industry.	H
<i>Jonava:</i>		
Nitrogenous Fertilizer Factory	LSSR CM Admin. of the Chemical Industry.	H

Source: The words in the first two columns are abstracted from Hoover/LYA, K-1/3/664, 120-132 (Col. Naras, chief of Lithuania KGB second administration, 'List of institutions, organizations, and enterprises of the Lithuanian Soviet Socialist Republic at which it is necessary for the Lithuanian SSR KGB to maintain counter-intelligence work', dated 18 June

1968). Text in [square brackets] is inserted. The third column is our attribution, based on the key below.

Key:

	Definition	Scope of activity
E	Economic regulators	Accounting, planning, and financial services
H	Heavy industry facilities	Shipyards, fertilizer plants, and other production without a clear research or developmental orientation
L	Location-based activities	Ports, airports, civil defence and border security, and activities linked to resource exploitation involving cartography and aerial photography
N	Network utilities	Power, gas, and water supplies, railways, highways, mail and cable services.
S	Science-based research or production	Research, development, testing, and experimental facilities and electronic products.

Abbreviations:

DOSAAF	Voluntary Society for Cooperation with the Army, Air Force, and Navy
LSSR	Lithuanian Soviet Socialist Republic
CM	Council of Ministers
Min.	Ministry
Admin.	Administration (usually a functional or territorial subdivision of a ministry)

Table A-4. *Kompromat and persons compromised: Panevėžys, 1972*

	All	Refused travel	In post	Cleared	Refused clearance
Persons, total	176	96	79	6	10
<i>Personal data</i>					
Prob. Russian	1%	2%	0%	0%	0%
Prob. Female	41%	66%	15%	17%	0%
Average age 1944	20.2	24.2	15.7	10.8	10.6
Average years education	9.6	7.5	12.5	13.3	14.2
Prob. Party or Komsomol	8%	4%	10%	67%	30%
<i>Labour market status</i>					
Prob. Employed	85%	71%	100%	100%	100%
Prob. WC/Supervisor Employed ^a	73%	45%	97%	83%	100%
Prob. Retired	11%	21%	0%	0%	0%
Prob. Housewife	4%	8%	0%	0%	0%
<i>Nature of compromising evidence (percent of persons in column)</i>					
Prob. Historical					
circumstances:					
Personal	17%	14%	19%	17%	50%
Of family member	6%	4%	9%	33%	10%
Prob. Liable to					
resettlement:					
Personally	5%	7%	3%	0%	0%
As family member	16%	9%	25%	17%	40%
Of family members	7%	5%	9%	17%	30%
Prob. Historical action:					
Personally	14%	14%	14%	0%	0%
By family member	31%	33%	29%	50%	50%
Prob. Sentenced:					
Personally	18%	8%	29%	0%	0%
Average term, years					
Sentenced	12.7	12.0	12.9
Family member	13%	14%	9%	17%	20%
Prob. Current					
circumstances:					
Personally	7%	10%	3%	0%	0%
Family member abroad	28%	45%	9%	0%	20%
Prob. Current action:					
Personal	19%	29%	4%	0%	50%
By family member	2%	2%	1%	17%	10%

Source and notes: see next page.

Source: Calculated from personal data in a series of documents, all from Lt. Col. Kishonas, chief of Panevėžys KGB, and dated 2 or 3 December 1972: Hoover/LYA, K-1/3/703, 90-91 (‘List of persons cleared for top secret work and documents with compromising evidence’), 92-93 (‘List [of persons] with compromising evidence, who have been refused clearance, but continue to work in positions indicated’), 94-109 (‘List of persons denied travel abroad for 1970/72’), 110-122 (‘List with compromising evidence on persons occupying leading positions’, dated 3 December 1972).

^a “Prob. WC/Supervisor | Employed”: Probability of employment in a white-collar or supervisory capacity, conditional on being employed.