

# **Slouching Towards Utopia?: An Economic History of the Long Twentieth Century**

## **X. Really Existing Socialism & Stalin's Soviet Union**

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### **10.1. Karl Marx's Thought**

#### **10.1.1. Really Existing Socialism**

In the midst of the Great Depression, it seemed pretty clear to almost all that the existing global economic and the national political-economic orders had failed: failed to restore the rapid upward march of prosperity, failed to provide a land fit for heroes to live in, failed to generate stable high unemployment, failed to vindicate citizens' Polanyian rights—to a secure place in a stable community, to confidence that your job or at least the ability to find a new and better or as-good job easily would be there, to incomes that corresponded to what you deserve—and they had even failed to provide the rights that a market society is supposed to focus on: that ownership of property gives you security, prosperity, and power.

The coming of the Great Depression had demonstrated that property rights are only worth much in a well-functioning economy. Political insurgencies had demonstrated that property rights themselves could be up for grabs. And the coming of truly mass politics—reinforced by those new modes of social media, the radio, the really cheap flyer, and the gutter press—had shown elites that patterns of deference, authority, respect, and the formation of societal consensus were up for grabs as well. The old system did not work.

But if markets doing the economizing and if representative elected parliamentary

assemblies doing the governing manifestly did not do the job, what were the alternatives. Were there alternatives? There were: really-existing socialism, on the left, and fascism, on the right hand.

I write “really existing socialism” rather “Marxism” or “communism” because the movement had, by 1930, transformed itself from a river to a delta. We can at least point to what really-existing socialism was: the régimes that ruled the Soviet Union from its creation to destruction, that ruled the occupied Soviet satellites of Eastern Europe after World War II, post-Chiang Kaishek pre-Deng Xiaoping China, Cuba after 1959, and North Korea after 1945. Other words were and are all up for grabs.

In Western Europe and North America after and indeed before World War I, most who called themselves any flavor of “socialist” held that in a good society there ought to be enormous scope for individual initiative, for diversity, for the decentralization of decision making, for liberal values, and for private property. In price regulation and in public ownership. the question was an empirical one: private where private belongs, public where it was needed, with circumstances altering cases. And most trusted representative democracy and rational argument could be trusted to settle things case-by-case. But there were those who were less meliorist, and more radical. They wanted an alternative to even a reformed, well-managed, and kinder and gentler market economy. But what this alternative was was not clear to Marx and Engels or, indeed, to any of their pre-Lenin successors. It was only when Lenin began to try to exercise power that people would find out what really existing socialism would become.

### **10.1.2. The Most Revolutionary Class**

Karl Marx mocked the sober businessmen of his time. They claimed to want only stability. They claimed to view revolution with horror. Yet they were themselves, in a sense, the most ruthless revolutionaries the world had ever seen. The business class—what Marx called the *bourgeoisie*, grabbing a French concept for his German texts—were indeed a most revolutionary and progressive class. In a real sense, the prehistory during which scarcity, want, and oppression had been human destiny was about to end. It was the business class of entrepreneurs and investors, together with the market economy that pitted individual businessmen against each other through competition, that was responsible for this greatest of all revolutions in the potential human condition.

But Marx also saw an overpowering danger: the economic system that the bourgeoisie had created would inevitably soon become the main obstacle to

happiness. It could, Marx thought, create wealth, but it could not distribute wealth evenly. Alongside prosperity would inevitably come increasing polarization of wealth. The rich would become richer. The poor would become poorer, kept in a poverty made all the more hateful because needless.

Marx spent his entire life trying and failing to make his argument simple, comprehensible, and water-tight. He failed. He failed because he was wrong. It is simply not the case that market economies necessarily produce ever-rising inequality and ever-increasing immiserization in the company of ever-increasing wealth. Sometimes they do. Sometimes they do not. And whether they do or do not is within the control of the government, which has sufficiently powerful tools to narrow and widen the income and wealth distribution to fit its purposes.

Marx, however, thought he had proved that, as long as the existing system was not overthrown by one that nationalized and socialized the means of production:

The more productive capital grows, the more the division of labor and the application of machinery expands. The more the division of labor and the application of machinery expands, the more competition among the workers expands and the more their wages contract. The forest of uplifted arms demanding work becomes thicker and thicker, while the arms themselves become thinner and thinner.

Fortunately for humanity, Marx further thought, his dystopian vision of what late capitalism would be would not be the end state of human history. The rule of the business class was creating and would create a truly prosperous society because the business class would “produce... above all... its own grave-diggers”.

What would society be like after the revolution? Instead of private property, “individual property based on... cooperation and the possession in common of the land and of the means of production.” And this would happen easily, for socialist revolution would simply require “the expropriation of a few usurpers by the mass of the people”, who would then democratically decide upon a common plan for “extension of factories and instruments of production owned by the State; the bringing into cultivation of waste-lands, and the improvement of the soil generally”.

### **10.1.3. Why Was Marx so Wrong?**

Now this increasing inequality-increasing immiserization-inevitable socialist revolution simply did not happen. For one thing, while inequality rose to 1900, immiserization did not happen, in Britain at least, beyond 1850. And the upward leap in economic growth after 1870 made working classes all over the globe richer and richer than their predecessors.

Some sought to reinterpret Marx as meaning meant to imply that the absolute standard of living of workers falls, but only that relative standards of living would fall—that workers would feel relatively deprived as they gazed on palaces of the rich. But those who hold to such an interpretation have a very hard time facing passages in Marx’s writings like:

[Economic law] rivets the laborer to capital more firmly than the wedges of Vulcan did Prometheus to the rock... an accumulation of misery, corresponding with accumulation of capital. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, agony of toil, slavery, ignorance, brutality, mental degradation... on the side of the [working] class...

It is not surprising that Marx was not an infallible prophet. He had only one example of industrialization to draw on: Britain. In Britain large and visible sections of the working class were worse off in 1840 than in 1790. Technological unemployment was a powerful thing. The construction of dark satanic mills in Lancashire left rural weaving skills useless, and populations impoverished. Steelmaster Andrew Carnegie's father had been an impoverished handloom weaver in rural Scotland. Marx had mistaken the birth pangs of industrial market capitalism for its death throes. In 1848 the belief that market capitalism necessarily produced a distribution of income that was unbearable and immiserizing was not reasonable. By 1883, when Marx died, such a belief was indefensible. By 1914 or 1933 it was a doctrine not of reason, but of pure faith.

But if Marx was so wrong, why, then, spill so much ink on him? Because Marx’s writings became the sacred texts of a Major World Religion. Marx was always, in one of his modes, a prophet: someone who had eaten the same magic mushrooms that John the Theologian had found on the island of Patmos. It is hard to read the “centralisation... expropriated” passage I quoted above without being reminded of the Great Voice saying:

I shall wipe away all tears from their eyes; and there shall be no more death, neither sorrow, nor crying, neither shall there be any more pain: for the former

things are passed away...

Socialism was supposed to be Heaven: the New Jerusalem brought down to earth.

## 10.2. Making Socialism Really Exist

Lenin and his successors over 1917-1990 took the doctrines of Marx the prophet seriously. And they tried to make them real. But they were not gods: while they said “let there be true socialism”, what they made was, instead, *really existing socialism*. It was *socialism* in that it claimed to be as close as there was or could be to Marx's and other socialists' of the 1800s hopes. It was *existing* in that it was there, on the ground, in régimes that at their peak ruled perhaps one-third of the world's population. It was *real* in that it was not an intellectual utopian fantasy or a dream, but rather a necessary compromise with the messiness of this world that its propagandists and apparatchiks claimed was as close as possible to utopia.

It is now gone. Throughout most of really existing socialism's career, Marx would probably have regarded most of it with the dismay and perhaps disdain that St. Paul would have felt for some of those claiming to be his disciples: those who claim that as long as you have accepted Jesus Christ as your personal savior in your heart, it is unimportant whether you feed your hungry, nurse your sick, or visited your imprisoned neighbors.

### 10.2.1. Forming Lenin's Régime

#### 10.2.1.1. The October Revolution and the Russian Civil War

In 1914 Russia was perhaps half as rich as the United States and two-thirds as rich as Germany, and more unequal than both: figure four dollars a day as a typical standard of living. Life expectancy at birth was barely thirty years at a time when western Europe was 50, and the United States 55. Its wealthy classes were dominated by aristocratic landlords who had no functional societal role. Its educated classes were in close cultural contact with western Europe: only one of the first 68 words of Tolstoy's novel *War and Peace* is Russian—*pomest'ya*, a feudal estate governed by the rules of lordship and vassalage rather than private property. The other 67 words are French.

Ideas about equality before the law, governments deriving their just powers from the consent of the governed, meritocracy and the end of caste-status privileges, and constitutions had been flowing into Russia through the window on the West that

was the Czar Peter the Great-built Baltic Sea port capital of St. Petersburg for centuries.

In February 1917 the Czar, without supporters, fell. In October provisional government was overthrown in Lenin's coup. In December Lenin dissolved constituent assembly that was to write a democratic constitution. Then, as British historian Eric Hobsbawm has written: "as Lenin recognized... all it had going for it was the fact that it was... the established government of the country. It had nothing else." For a government to survive when there are no powerful social classes or interest groups that have ideological allegiances or substantive reasons to back it requires great ruthlessness.

A brutal Civil War followed. "White" supporters of the Czar, local autocrats seeking effective independence, Lenin's "Red" followers, stray other forces—including a Czech army of ex-prisoners-of-war that found itself effective ruler of Siberia for a while, plus Japanese regiments—fought back and forth over much of Russia for three years. The Communist government needed to draw on the skills of the old Czarist army officers. But could they be trusted? Leon Trotsky, Commissar for War, came up with the answer: draft the officers, and shadow each one with an ideologically-pure political commissar, who needed to sign each order and would indoctrinate the soldiers in socialism. This system of "dual administration" could be—and was—applied to everything. It was the origin of the pattern of administration that was to be common throughout Soviet society: the party watches over the technocrats to ensure their obedience (at least to the formulas of Communist rule). And if the technocrats do not behave, the Gulag is waiting for them.

Lenin and the Communists won the Civil War, in part because of Trotsky's skill at organizing the Red Army, in part because although the peasants hated the Reds (who confiscated their grain), they hated the Whites who would bring back the landlords even more, and in part because of Feliks Dzerzhinsky's skill at organizing the secret police. During the Civil War the Communist Party acquired the habit of great ruthlessness that was in the end exercised not only against society outside the Communist Party but against the activists of the Communist Party itself. A "command economy" turned out to require a "command polity" as well.

We are now back at the stage where not structures and processes but rather the characters of individual people matter—that with people of different character at different key positions, the world today might be very different than the world we live in.

We can gain at least some insight into Lenin's character from a short monolog that the writer Maxim Gorky reported, of Lenin as a classical music critic: "I know nothing that is greater than the Appassionata [by Beethoven]; I'd like to listen to it every day [Lenin said].... What marvelous things human beings can do! But... music... makes you want to say stupid nice things, and stroke the heads of people who could create such beauty while living in this vile hell. And now you must not stroke anyone's head: you might get your hand bitten off. You have to strike them on the head, without any mercy, although our ideal is not to use force against anyone. Hm, hm, our duty is infernally hard."

Perhaps ten million out of the 165 million people in the Russian Empire died in the Russian Civil War: perhaps one million "Red" soldiers, perhaps two million "White" soldiers, plus perhaps seven million civilians. These casualties were on top of the perhaps seven million dead of the Spanish Flu, two million dead in World War I, and 100,000 dead in the Russo-Polish War. By 1921 Russian levels of prosperity had fallen by two-thirds, industrial production was down by four-fifths, and life expectancy was down to twenty.

#### **10.2.1.2. War Communism**

It was against this desperate background of the Russian Civil War that Lenin attempted "War Communism": his attempt to achieve both the degree of military mobilization of the economy that he believed World War I-era Germany had obtained. The first step was nationalization: all factories, credit institutions, and International trading organizations were nationalized. All wages were equalized. Instead of employers hiring workers, party functionaries conscripted them.

In agriculture War Communism was a disaster—the first of many agricultural disasters. The do-it-yourself redistribution of land that the peasants accomplished and the Bolshevik Party blessed was very popular. But the government needed food for the towns—and peasant farmers living in the countryside were much less interested in delivering grain in exchange for urban luxuries than had been noble landlords under the Czar. The government tried to requisition food. The peasants hid the grain. Urban workers, hungry, returned to their relatives' family farms, where they could get fed. Yet War Communism managed to produce and control enough resources—and the Leon Trotsky-led Red Army managed to find enough weapons and win enough battles—that the Bolsheviks won the Russian Civil War. A large chunk of what had been the western fringe of the Czarist Empire broke off. But at the end the Czarist generals were dead or in exile in Paris. Any liberal



democratic or social democratic center had been purged by the Whites or the Reds. And the bulk of the pre-World War I Czarist Empire the rest was Lenin's land: the Union of Soviet Socialist Republics—the USSR.

And the relatively small group of socialist agitators that had gathered under Lenin's banner before the revolution found itself with the problem of running a country and building a utopia, with the assistance of those who had declared for the Reds and against the Whites and joined Lenin's banner during the Civil War.

## **10.2.2. Making the Soviet Union**

### **10.2.2.1. Socialism in One Country**

Really existing socialism at the end of World War I thus found itself under the leadership of Vladimir Lenin and confined to one country—albeit a very large country—and to a very poor country, in which few had ever imagined socialism might be attempted: Russia. How could they succeed at such a task, when none of them had ever done anything other than organize political rallies and write propaganda?

Lenin stepped back from “War Communism” to the “New Economic Policy”, letting prices rise and fall, letting people buy and sell and get richer, requiring that managers of government factories make profits or be sacked, letting a class of merchants and middlemen grow as “tolerated outlaws” as Keynes put it.

By 1927 the new Soviet Union was back—in life expectancy, in population, in industrial production, in standards of living—to what it had been in 1914. And there was no longer the deadweight of the Czarist aristocracy consuming resources and keeping the country down. As long as Lenin's successors could avoid destroying the country through their own mistakes, and as long as they could keep the baseline to which people compared them at the privations and chaos of war, plague, and civil war, it would be hard for them to be very unpopular.

### **10.2.2.2. The Abolition of Capitalism**

The first imperative Lenin's regime thought it faced was to eliminate capitalism by nationalizing private property and removing business owners from management. But how do you run industry and economic life in the absence of business owners—of people whose incomes and social standing depend directly on the prosperity of individual enterprises, and who thus have the incentives and the power to try to



make and keep individual pieces of the economy productive and functioning? Lenin's answer was that you organize the economy like an army: top down, planned, hierarchical, with undermanagers promoted, fired, or shot depending on how well they attained the missions that the high economic command had assigned them. Lenin had been impressed by what he saw of the German centrally-directed war economy of World War I:

The war has reaffirmed... that modern capitalist society... has fully matured for the transition to socialism. If... Germany can direct the economic life of 66 million people from a single, central institution... then the same can be done... by the nonpropertied masses if their struggle is directed by the class-conscious workers.... Expropriate the banks and... carry out in [the masses'] interests the same thing the [wartime] Weapons and Ammunition Supply Department is carrying out in Germany.

But how did this work, exactly? How could you run an economy without private property, and without a market economy?

The World-War I era German war economy, as run by Walther Rathenau, his advisor Wichard von Moellendorff, and their colleagues in the Prussian War Ministry's Raw Materials Section, started with the government selling bonds or printing money and buying things it needed for the war effort at whatever prices the market demanded. This pleased producers: they got profits.

As prices rose and as worries about debt financing burdens grew, the German and other World War I-running governments began to impose price controls: we will pay you what you offered last month, but no more. But then materials that the government wanted to buy began to be diverted to the civilian economy. So the World War I-running governments imposed rationing. They prohibited the use of "strategic" materials for non-military or non-priority pieces, and began keeping track of material balances: matching production capabilities to uses, with the money flows for purchases becoming simply an accounting device, and then having the planning authorities decide which military uses had priority for which materials.

In Germany, war materials, especially ammunition, especially explosives—which meant nitrogen compounds—were the first to come under the aegis of planning. Foodstuffs followed. War expenditures rose from one-sixth of national income to two-thirds. The government began planning and commanding not just the movement of key raw materials to and through the factories and then finished

products off to the front, but that factories be expanded and built to provide for additional war production.

So things were in the Soviet Union.

The process started with the government nationalizing industries; and then commanding that the nationalized industries be supplied with raw materials at fixed, accounting prices; and then rationing the use of scarce-materials for non-priority projects. And so the Soviet Union's centrally planned economy was launched: a couple of hundred key commodities were controlled by material balances from the center, demands were issued to factory managers from the center, and the factory managers then had to make do—beg, borrow, barter, buy, and steal the resources over and above those directed to them by material balances in order to fulfill as much of the plan as possible. It was highly inefficient. It was highly corrupt. It did focus attention on producing those commodities on which the center placed the highest priority and to which, via material balances, it devoted the key resources.

The system had very limited coverage. The planners could only track material balances for 100 commodities in the mid-1930s. Movements of those commodities were indeed planned. Nationwide, those who did not fulfill their goals according to the plan were sanctioned. Otherwise, commodities were exchanged between businesses and out to users either through standard market cash-on-the-barrelhead transactions or via *blat*: connections: “the use of personal influence for obtaining certain favors for which a firm or individual is not legally or formally entitled”.

Where none of personal *blat*, market exchange, nor the plan could obtain the raw materials an enterprise needed to appear to be successfully contribution to the plan, there was another option: the *tolkach*. *Tolkachi* would find out who had the goods you needed, and what goods you might be able to acquire those who had the goods you needed might value. They were barter agents. In 1930, only two years after the turn away from the NEP there were already more than 2500 *tolkachi* hard at work in Moscow alone.

One hidden secret of capitalist business is that most companies' internal organizations are a lot like the crude material balance calculations of the Soviet planners. Inside the firm, commodities and time are not allocated through any kind of market access process. Individuals want to accomplish the mission of the organization, please their bosses so they don't get fired (or to get promoted), and assist others. They swap favors, formally or informally. They note that particular

goals and benchmarks are high priorities, and that the top bosses will be displeased if they are not accomplished. They use social engineering and arm-twisting skills. They ask for permission to outsource, or dig into their own pockets for incidentals. Market, barter, *blat*, and plan understood as the organization's primary purposes always rule, albeit in different proportions, with the market confined to the external interfaces of most organizations.

The difference is that a standard business firm is embedded in a much larger market economy, and so is always facing the make-or-buy decision: can this resource needed be acquired most efficiently from elsewhere within the firm, via social engineering or arm-twisting or *blat*, or is it better to seek budgetary authority to purchase it from outside, or even to dig into one's own personal pocket to save the hassle? That make-or-buy decision is a powerful factor keeping businesses in capitalist market economies on their toes, and more efficient. And in capitalist market economies factory-owning firms are surrounded by clouds of middlemen. The broad market interfaces of individual factories and the clouds of middlemen were absent in the Soviet Union. Hence its economy was grossly wasteful.

But, though wasteful, material-balance control is an expedient that pretty much all societies adopt during wartime. Then hitting a small number of specific targets for production becomes the highest priority. Then allowing market prices to grossly fluctuate and massively enrich some and impoverish others dissolves societal harmony. In times of total mobilization, command-and-control seems the best we can do. But in peacetime? Or do we wish a society in which all times are times of total mobilization?

#### **10.2.2.3. The Reenservment of the Peasantry**

By 1928 Lenin was dead and Josef Stalin was in the driver's seat. The second imperative that Lenin thought he had faced—and Stalin agreed—was to industrialize as quickly as possible. They greatly feared that the capitalist powers of the industrial core would decide to overthrow their regime. Someday soon the really-existing socialist regime might have to fight a war to survive. They had already fought two: a civil war, in which Britain and Japan had at least thought about making a serious effort to support their enemies; and a war against Poland to the west. They were desperately aware of their economic and political weakness. They needed to build industry.

There was a “scissors crisis”: farm prices were too high, and the prices peasants were willing to pay for urban manufactures were too low for both the cities to be

fed and for enough manufactured goods to be kept in the cities to meet the government's investment targets. Stalin claimed that this "scissors crisis" was caused by a few bad-apple rich peasants who were holding back their grain in order to extort unfairly high prices: the kulaks. The kulaks were the problem.

If there were to be no kulaks, no problem.

Stalin called for the reenservment of the peasantry: the forced movement of peasants into communes run by bosses working for the state. This would, Stalin claimed, boost agricultural productivity massively: communes could realize economies of scale and build up agricultural machinery to a level impossible for a small farm. And the state could then set peasant standards of living as low as it wished, and so gather resources for rapid industrialization and urbanization. This process of industrialization would be guided by the planning process, calculating material balances for key commodities and rationing materials in scarce supply to the highest productivity uses.

Lenin and Stalin were not wrong here.

On June 22, 1941 Nazi Germany was to attack the Soviet Union with all its strength. Its wars aims were two:

1. to exterminate Jewish Bolshevism as an idea, a political movement, and a regime
2. to herd into reservations, enslave, or exterminate the inhabitants of the Soviet Union. The land they occupied was needed to provide larger farms for German farmers and more "living space" —Lebensraum—for the German nation.

#### **10.2.2.4. Stalin's Character**

Lenin had lived for only half a decade after his revolution. In May 1922 Lenin had suffered a stroke, but he was back on his feet and in his office by July. In December 1922 he had suffered a second stroke. In March 1923 he had suffered a third stroke and temporarily lost speech: he did to really recover. In January 1924 he fell into a coma and died.

In his illness he had written out what he thought of his probable successors at the head of the dictatorship:

- Josef Stalin “has unlimited authority over personnel... which he may not be capable of always using with sufficient caution.”
- Leon Trotsky “is personally perhaps the most capable man... but has... excessive self-assurance and shown excessive preoccupation with the purely administrative side.”
- Felix Dzerzhinsky, Sergo Ordzhonikidze, and Josef Stalin had displayed “Great Russian chauvinism.”
- “A fatal role [in the annexation of Georgia] was played here by hurry and the administrative impetuosity of Stalin.”
- In their opposition to the coup that seized power, the “October episode with Grigory Zinoviev and Lev Kamenev was, of course, no accident.”
- However, “blame for it cannot be laid upon them personally, any more than [his] non-Bolshevism can upon Trotsky.”
- Nikolai Bukharin’s “theoretical views can be classified as fully Marxist only with the great reserve, for there is something scholastic about him.”
- Georgy Pyatakov “shows far too much zeal for administering and the administrative side of the work to be relied upon in a serious political matter.”

And a postscript added:

- “Stalin is too coarse... this defect... becomes intolerable in a General Secretary. ... Comrades think about a way of removing Stalin... appointing another man... more tolerant, more loyal, more polite and more considerate to the comrades, less capricious, etc. This circumstance may appear to be a negligible detail... but it is a detail which can assume decisive importance.”

Thus Lenin, as he failed, refused to use his prestige to anoint a leader or leaders. He refused to set up mechanisms by which the will of the people, or even of the industrial proletariat, or even of a broad grassroots or semi-grassroots group that could be ascribed the power of representation the industrial proletariat could be ascertained.

The party would choose its own leaders, somehow. As General Secretary, in charge of personnel, Josef Stalin determined who would be the party. It is no surprise that Stalin came out on top, in the process acquiring many real enemies. It is not surprising that a paranoid personality like Stalin with many and powerful real enemies then took the next steps as soon as he felt he could: silencing, then executing all of his former peers; and promoting to the second rank of power people utterly dependent on them who served—who kept their lives—at his whim.

Dzerzhinsky died of a heart attack in 1926 before Stalin had consolidated power. Stalin shot all the others mentioned in Lenin's testament, save for Trotsky, and perhaps Ordzhonikidze. Trotsky was exiled. He was then killed by the secret police in Mexico City in 1940 by an icepick. Perhaps Ordzhonikidze managed to shoot himself before the secret police could. We do not know.

### **10.3. Stalin in Command**

There might have been another path. It was not foreordained that the Soviet Union would turn into a terror-ridden prison camp. But Lenin's refusal to plan for succession or create mechanisms for any form of normal politics within the Communist Party meant that Russia was likely to fall back into an old political pattern, and acquire a Czar. And in a time of turmoil and troubles, a Czar was likely to behave like Dread Ivan IV Rurik—"Ivan the Terrible". The Czar they got was Josef Stalin, born Josef Djugashvili: a paranoid psychopath, and one of the lead candidates for the greatest mass-murderer in human history.

#### **10.3.1. Stalin's Origins**

Stalin, from Georgia in the Caucasus Mountains, had turned to revolutionary-politics-with-banditry after being expelled from an Orthodox seminary. Exiled to Siberia four times, he escaped four times—suspiciously quickly. Trotsky and others thought, or afterwards claimed that they had thought, that Stalin had spent his time before World War I as an agent provocateur, a spy on the Communists for the Okhrana, the Czar's secret political police.

#### **10.3.2. General Secretary**

In 1912 Lenin needed somebody from one of the ethnic minorities to stir up agitation at the fringes of the Empire. He chose Stalin. In 1917 Stalin was the first major Bolshevik to return to the then-capital—St. Petersburg or Petrograd—after the fall of the Czar. Lenin gave Stalin the post of editor of the party newspaper, *Pravda*. During the Civil War he was responsible for trying to cement the revolution among ethnic minorities at the fringes of the Russian Empire.

After the Civil War, Lenin named Stalin "General Secretary"—responsible for personnel and other bureaucratic matters—of the Communist Party. It was seen by Lenin and his inner circle as a simple boring job, for someone with a good work

ethic and committed to the party but otherwise without great gifts. It was part of the simple administration of things rather than of the government of men.

Trotsky thought, or claimed afterwards to have thought, that Stalin poisoned Lenin.

After Lenin's death, Stalin outmaneuvered his political rivals one by one, allying with one group to expel another from the party before turning on his former allies. Stalin's control of personnel was a more powerful weapon than they had realized. Recruitment drives brought the party membership up to one million in 1929, with new members selected and screened by the party. The General Secretary—Stalin—appointed local committee secretaries. Local secretaries appointed those who screened incoming members. Local secretaries chose the delegates to the Communist Party Congresses—who would then do as their patron's patron suggested.

And their patron's patron was Stalin.

### **10.3.3. Stalinist Collectivization**

The Bolsheviks thought that they were viewed by the non-socialist powers as an existential threat. And a Russia that had not been regarded as an existential threat had been invaded five times in the previous four centuries: the Crimean Tartars in the 1500s, the Poles in the 1500s and 1600s, the Swedes trying to conquer early in the 1700s when Peter the Great was Czar, Napoleon trying to conquer early in the 1800s when Alexander I was Czar, and now World War I. All three had come too close to ending Russia as a great power for comfort.

All the Bolsheviks agreed that Russia needed to industrialize rapidly. But how are you to persuade the peasants to boost agricultural production if you have no factory-made consumer goods to trade them for their grain?

Marx had interpreted the economic history of Britain as one of "primitive accumulation". Landlords used the political system to steal land from the peasantry, squeeze down their standard of living, force them to migrate to the cities to become a penniless urban working class, and use the resources from squeezing the peasant standard of living to build factories. For Marx this was a very bad thing: it was one of the things that made capitalism an obstacle to human development and flourishing. But the Bolsheviks took Marx's critique of British modernization and took it as their business model. Not just Stalin, but Trotsky, Preobrazhensky, and others too concluded that rapid industrialization was possible



only if the ruling Communists first waged economic war against Russia's peasants. Squeeze their standard of living as far as you can in order to extract as much as possible to feed the growing industrial cities. Keep urban wages high enough to provide a steady stream of migrants to city jobs, but no higher. Every kopek that can be kept from being spent on consumption goods is a kopek that can go to a new dam, a new railroad, a new steel mill.

A “goods famine” generated by the start of the first Five Year Plan and the shift of urban production from consumer goods to capital goods, and from light industry to heavy industry, called forth a “grain famine.” Peasants shifted to growing industrial crops—cotton and flax—and to raising livestock rather than the grain that they could not sell to the state at a reasonable price.

Thus the government decided that it would have to do something about the “kulak”, the peasant who was producing a surplus of agricultural products and yet unwilling to deliver it up to the party. Confiscate the land and animals of the kulaks, the Party decided. Bring them into collective farms, along with the poor and middle peasants. Tighten down their standard of living to a little bit more than what the non-kulak average had been beforehand. The middle peasants and the poor peasants will be happy, the Party thought. Only the kulaks will be upset—and their resistance can be handled. Thereafter the entire agricultural surplus can be taken for the cities, with no need to supply the countryside with any consumer goods at all.

In most economies industrialization takes hold as better opportunities in the cities pull workers in from the countryside. There is no necessity for the peasantry to be starved, beaten, and pushed into the cities by making conditions in the countryside more miserable. But, Lenin might have and Stalin did reply, even if there was no economic-development necessity, there was certainly a politico-military necessity.

Some ninety-four percent of the Soviet Union's twenty-five million peasant households were gathered into state- and collective farms, averaging some fifty peasants per farm. Peasants were shot, died of famine, and were exiled to Siberian prison labor camps in the millions during the 1930s. Perhaps fifteen million died. Agricultural production dropped by a third. The number of farm animals in the Soviet Union dropped by half.

It is not likely that there were any benefits to the policy. Food for the cities could have been obtained—more food on better terms—by devoting a share of urban industrial production to consumer goods useful for farmers. Serfdom is not a very

efficient way of squeezing food out of the countryside—especially not if the peasants see the serfdom coming, and slaughter their animals and eat them before the government bureaucrats arrive to take them away. More efficient to have kept the farm animals and the two million? five million? fifteen million? people killed in the collectivization and the famine alive and working, and traded consumer goods for the food to feed the cities.

## **10.4. Rapid Industrialization**

Having first condemned his political opponents as unrealistic “super-industrializers,” Stalin announced a Five-Year Plan that exceeded even their hopes. During the First and Second Five-Year Plans Soviet statisticians claimed that industrial production—which had stood 11% above its 1913 level in 1928—was some 181 percent higher by 1933, and some 558 percent higher than 1913 by 1938. Heavy industry had the highest priority: coal, steel, chemicals, and electricity. Consumer goods were to come later, if at all.

The “Plan” was a series of selected objectives—finish this dam, build so many blast furnaces, open so many coal mines—to be achieved whatever the cost. When in the mid-1960s Fidel Castro decreed that Cuba was to make a ten-million ton sugar harvest, nearly twice its normal production, and that everything else was to be subordinated to that goal, he was acting in the spirit of Stalin’s Five Year Plans.

The aim was to build up heavy metallurgy. The task was to acquire—buying from abroad or making at home—the technology that American heavy industry deployed. A “steel city” was to be built in the Urals, at Magnitogorsk, and supplied with coal from the Chinese border. Magnitogorsk it is hard to see how Stalin could have won World War II, for the factories of western Russia were under German occupation from July 1941 until late in 1943. Dams, automobile factories, tractor (or tank) factories—all located not near the border or where the people were but far to the east of Moscow. General Motors, Ford, and Caterpillar were eager to contribute engineering expertise for a price.

How to get workers to man the new heavy industrial plants—especially since Stalin couldn’t pay them much: consumer goods were impossible to find with the shift to heavy industry, and agricultural production was in shambles. The answer was by drafting the population: internal passports destroyed freedom of movement, housing and ration books depended on keeping your job (and thus satisfying your employer), and there was always the threat of Siberian exile in a concentration

camp or a bullet in the neck for those whose bosses accused them of “sabotage.” At the start of the industrialization drive, there were show trials of engineers (accused of being “plan-wreckers”).

Squeezing down the rural standard of living further produced a mass exodus: bad and low-paid as the cities were, for an adult male being a semi-serf on the collective farm was worse. More than twenty-five million people moved to the cities and the factories during the 1930s. The Soviet Union did outproduce Germany and Britain in war weapons during World War II—and many of the weapons were of acceptable quality. The T-34C tank was designed to last for six months, and for only 24 hours of intensive combat. That is how long they lasted during World War II operations, for the Nazis were good at spotting them and shooting at them.

On the other hand, the claims of nearly sevenfold growth in industrial production from 1913 to 1940 were significantly exaggerated. Perhaps industrial production in 1940 was (measured using standard techniques) 3.5 times industrial production in 1913. As best as Abram Bergson could estimate, Soviet real national product grew at some 4.5 percent per year on average from 1928 to 1958: impressive.

## **10.5. The End of the Bolsheviks**

But the butcher’s bill was immense. Factory workers were shot or exiled to Siberian labor camps for failing to meet production targets assigned from above. Intellectuals were shot or exiled to Siberian labor camps for being insufficiently pro-Stalin, or for being in favor of the policies that Stalin had advocated last year and being too slow to switch.

Communist activists, bureaucrats, and secret policemen fared no better. More than five million government officials and party members were killed or exiled in the Great Purge of the 1930s as well. All of Stalin’s one-time peers as Lenin’s lieutenants were gone by the late 1930s—save for Leon Trotsky, in exile in Mexico, who survived until one of Stalin’s agents put an icepick through his head in 1940.

It is a grim historical irony that the most dangerous place to be in Russia in the 1930s was among the high cadres of the Communist Party. Of the 1800 delegates to the Communist Party Congress of 1934, less than one in ten were delegates to the Party Congress of 1939. The rest were dead, in prison, or in Siberian exile. The most prominent generals of the Red Army were shot as well. The Communist Party

at the start of World War II was more than half made up of those recruited in the late 1930s, and keenly aware that they owed their jobs and their status in Soviet society to Stalin, Stalin's proteges, and Stalin's proteges' proteges.

We really do not know the butcher's bill. We know more about how many cows and sheep died in the 1930s than about how many of Stalin's opponents, imagined enemies, and bystanders were killed. We do know that the Siberian concentration camps were filled by the millions at least five times. The Gulag Archipelago grew to encompass millions with the deportation of the "kulaks" during the collectivization of agriculture. It was filled again by the purges of the late 1930s. It was filled yet again by Poles, Lithuanians, Estonians, Latvians, and Moldavians when the Soviet Union annexed those territories on the eve of World War II. Soldiers being disciplined, those critical of Stalin's wartime leadership, and ethnic groups thought to be pro-German were deported during World War II. After World War II perhaps four million Soviet soldiers who had been captured by the Germans and survived Hitler were sent to the Gulag. There they rotted and died.

The entire system would not be shut down until the late 1950s, when Nikita Khrushchev was General Secretary.