

Soviet Command Economy:

Stalinist Five-Year Plans & Rapid
Industrialization and Collectivization

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“War Communism” (1918–1921)

- Emergency program during the civil war.
- Forced requisition of grain.
- Nationalization of all trade and industry.
- Strict control of labor.
- Confiscation of financial capital.
- In 1920, industrial production was 13% and agricultural production 20% of the 1913 figures.

NEP (1921-1928)

- “We are not civilized enough for socialism”.
- Return to a limited capitalist system.
- Forced requisition of grain was replaced by a specific tax in kind (a fixed proportion of the crop).
- Peasants retained excess produce, sold for a profit at a state-regulated price.
- Small businesses were permitted to operate as private enterprises (< 20 workers).
- Large industries remained under state control.
- Private trade and wages were restored.

Scissors Crisis During NEP

- The **Scissors Crisis** is the name for an incident in early 1923 Soviet history during the New Economic Policy (NEP), when there was a widening gap ("price **scissors**") between industrial and agricultural prices.

Scissors Crisis During NEP

Reasons:

- Agricultural production had rebounded quickly from the devastating famine of 1921-22.
- Industrial infrastructure was relatively slow to recover from civil war-era neglect and destruction.
- State demanded high prices for the manufactured goods and low for agricultural

Result: Industrial prices were three times higher, relative to agricultural prices, than they had been before the war.

NEP

- By 1928, the NEP had raised the soviet national income above its pre-war level.
- However, the NEP policies were inadequate for the expansionist aims of Stalin.

Why?

- NEP was too capitalistic and went further away from socialism.
- Weak heavy industry
- Command economy

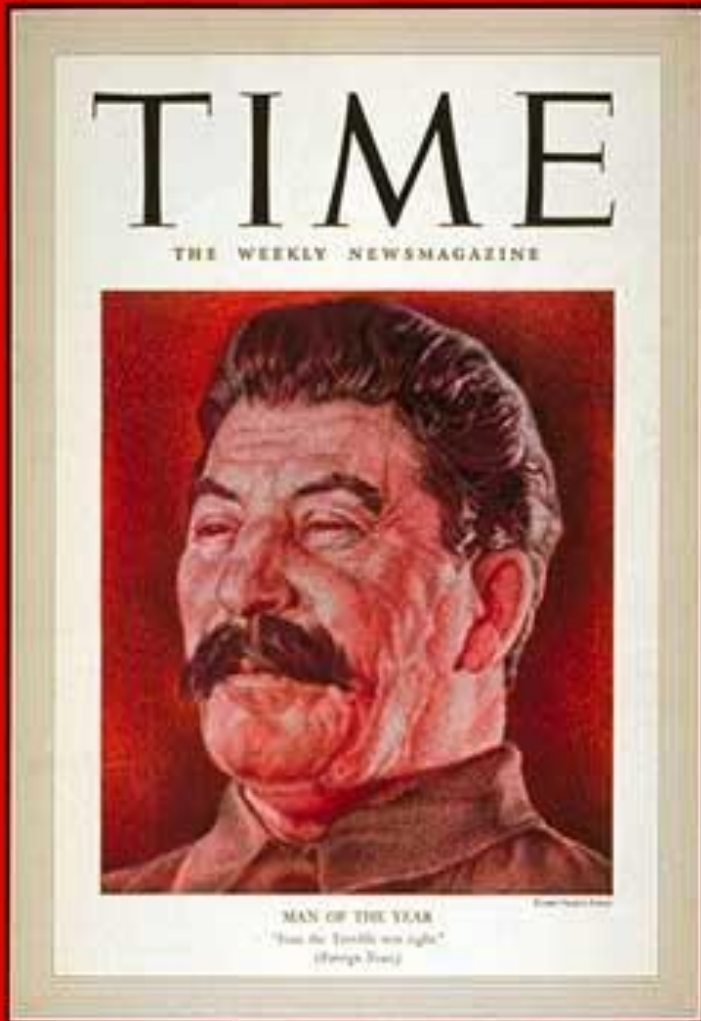
Soviet Command Economy

- What should be produced and in what quantities is “*commanded*” by the state,
- Centrally-planned economy (central planner)
- The state controlled the factors (means) of production and made all decisions about their use and about the distribution of income
- State decided what should be produced and directed enterprises to produce those goods
- Prices and wages determined by the state

Stalin

- “Fifty to a hundred years behind the advanced countries (the U.S., France, Germany, the UK),
- Must narrow "this distance in ten years“
- Declared "Either we do it or we shall be crushed."
- “Socialism in one country”
- Russia had to be able to feed itself - hence collectivization

Time Magazine Man of the Year



- Josif Stalin (1879 – 1953)
- 1939 - he switched the balance of power in Europe by signing a "non-aggression pact" with Hitler.
- 1942 - he helped to stop Hitler and opened the door of opportunity for allied troops.

Stalin's "Revolution From Above"

Five-year plans (**Piatiletka**)

- Nation-wide centralized exercises in rapid economic development.
- The plan called for the state taking control of the economy

Two extraordinary goals:

- Rapid industrialization (heavy industry),
- Collectivization of agriculture.

Aims

- To erase all traces of the capitalism
- To transform the Soviet Union as quickly as possible into
 - Industrialized,
 - Completely socialist state,
... without regard to cost.

Five Year Plans

- There were 13 five-year plans.
- The first five year plan was from 1928 to 1932 (one year early).
- The second five year plan was from 1933 to 1937.
- The third five year plan was from 1938 to 1941 (interrupted by war)
- The last, thirteenth Five-Year Plan was for the period from 1991 to 1995 and was not completed, as the Soviet Union was dissolved in 1991.

Problems With 5-year Plan

- Widespread shortages of consumer goods (due to unrealistic production targets).
- Deportation of kulak households (5 mil people).
- Disastrous disruption of agricultural productivity.
- Catastrophic famine in 1932-33 (Ukraine)
- Prices system did not function to signal the shortage.

...Human costs were incalculable

Serious Flaws

- Parts for industrial machinery were hard to get
 - No parts to repair worn out machines
 - Factories were kept idle for weeks
- Ex-peasants were used as skilled workers, while they had no idea how to operate the machines
 - Damaged the machines
- Products produced were frequently so poor that they could not be used

Collectivization

- Consolidation of individual land and labor into co-operatives - **collective farms** (kolkhoz) and **state farms** (sovkhoz).
- Stalin thought the peasant farmers should provide food for the urban workers in the factories

Goals

- Modernize soviet agriculture by modern equipment using the latest scientific methods.
- Increase agricultural production.
- Put agriculture under the control of the state.
- Transfer the land and agricultural property from kulaks to peasants.

Peasant Resistance to Collectivization

- Wanton slaughter of livestock,
- Women's riots (*bab'i bunty*),
- Theft and destruction of collective farm property,
- An intentionally slow pace in carrying out directives of the kolkhoz administration.

Result: Collective farms failed to meet procurement quotas

Industrialization Without Collectivization?

- Industrialization could have been achieved without any collectivization
- Tax the peasants more (Meiji Japan, Bismarck's Germany, post-war South Korea and Taiwan).

However:

- Would take much longer than Stalin's ultra-rapid version.
- Would leave the Soviet Union far behind the West.
- Possibly result in a victory for Germany in WWII.

Conclusion

- For all the problems and hardship caused by the Five Year Plans, by 1941, Stalin had transformed Russia into a **world class industrial power**.
- Vital for Russia as the war was about to test her to the *extreme*.