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Article Title: Stalinism in Post-Communist Perspective: Comment

Year of publication: 1997

Link to published version: <http://dx.doi.org/10.1080/09668139708412455>

Publisher statement: None

Stalinism in Post-Communist Perspective: Comment*

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As one of the very few not subjected to criticism by Steven Rosefielde in his 1996 article in this journal (indeed I am cited with approval, if only in his very last footnote), I am perhaps in a better position than most to comment without my motives being suspected. The greater part of Rosefielde's article deals with numbers of excess interwar deaths attributable to Stalinist decisions and policies, a matter on which I have little special knowledge. I will confine myself to his closing remarks on the economic evaluation of Stalinist development.¹

Here Rosefielde makes two points with characteristic vigour. First, regardless of the growth of output of the Soviet 'bundle of goods', the real volume of consumption per head rose little or (depending on the period over which it is measured) fell. Second, the goods produced were worthless anyway from a welfare point of view. In my view each of these points needs substantial qualification.

In support of his argument that Stalinist economic growth was immiserising, Rosefielde cites the traditional estimates of Janet Chapman, who did indeed show that the result of the interwar five-year plans was a prolonged depression of urban living standards. According to her figures, for example, annual real wages of non-agricultural workers measured at 1937 prices fell continuously (that is, in every year sampled by her) for 20 years, and were still below the 1928 level on Stalin's death.² But Chapman's own estimates also show that real household purchases of goods and services per head of the total (not just urban) population were probably a little higher in 1937 than in 1928 because so many had moved meanwhile out of the low-income countryside into a somewhat higher-income urban context. Average household consumption fell back under the impact of rearmament and World War

* Published in *Europe-Asia Studies* 49:3 (1997), pp. 499-502.

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¹ Rosefielde (1996), pp. 978-980.

² Chapman (1963), pp. 144-145.

II, but was again higher than in 1928, probably by a substantial margin, when Stalin died.³ Certainly, within the 1930s, those who stayed in their place (as urban workers or farmers), and those who were downwardly mobile (through deportation or imprisonment) were immiserised by Stalinist policies; but millions moved up and were not immiserised in consumption terms, and their gains offset the others' losses.

It is sometimes said that consumption is the only proper end of economic activity.⁴ This statement, even if valid, can only be sustained in a broad and long-run sense. It may be that a focus on household consumption levels is too narrow. Certainly most of the increase in Soviet GNP in the late 1930s compared with 1928 was being spent on items other than household consumption. These other items were military outlays, capital formation (industrial construction, farm investment, house building, and additions to stocks), and government non-defence consumption (internal security, the police, courts and prisons, administration, health, education and communal services).⁵ Were these irrelevant to the welfare of the population? Many aspects of government consumption contributed indirectly to consumer well-being through health services, educational provision and so on. So did investment in house building. Non-residential capital formation contributed to future consumption possibilities. Even military outlays may be regarded as making a contribution in the same spirit as households in market economies are usually willing to pay for insurance against unpleasant eventualities, and derive utility from the additional security obtained. All these are reasons why it is proper to take income, not immediate consumption, as the measure of utility, at least under 'normal' market conditions.

Of course it is likely that under Soviet conditions none of these uses of resources was satisfied optimally. It might be that a market economy would have supplied them at less cost, or in better proportions, although there are well known public-good and externality arguments as to why this might not have followed in each case. The fact remains that the 1930s saw a great increase in the allocation of resources to uses other than household consumption, that some additional benefit to the population cannot be ruled out, and that this benefit is not captured in the household consumption figures.

The role of outlays on capital formation is of particular importance, because it was capital formation which created most jobs. There is plenty of evidence from market economies that the most important determinant of people's sense of personal well-being is not their level of income or consumption. Real incomes are

³ Chapman (1963), pp. 166-169.

⁴ Thus William Stanley Jevons in 1871 (reprinted as Jevons (1970), p. 102): 'we labour to produce with the sole object of consuming'. But even so neoclassical an economist as Alfred Marshall (1920), p. 90, demurred on the grounds that, while consumption is the satisfaction of wants, wants are produced by activity.

⁵ Bergson (1961), p. 128.

only poorly correlated with 'happiness', whether in cross-section or through time. What really matters is employment status. It is unemployment which most effectively demarcates those who are depressed from those who are happy, or those who feel alienated and isolated from those who feel secure and have a stake in society.⁶ Perhaps it is worth adding that it is not only the subjective happiness of those threatened with redundancy which is at risk under market arrangements. Research also measures the objective deterioration in personal physical and mental health associated with unemployment, along with reduced family stability, career prospects and life expectancy. Thus an increase in unemployment may also be a source of premature deaths.

Soviet-style industrialisation was very costly in capital resources, environmental assets and human labour. However, its high labour cost had an upside in high labour demand and continuous full employment from 1930 onwards. Admittedly, full employment in a context of deprivation of choice cannot be considered an unmixed blessing. Consumer choice and especially choice of employment are certainly not to be ignored. Those forcibly employed in GULAG camps and colonies would no doubt have upset the general result had they been surveyed. Still, many of those Russians who have recently lost their careers, place in society, status and income in the course of transition to a market economy clearly feel in retrospect that they had something to lose.

Rosefielde makes much of how the outcomes of Soviet-type economic growth have been market-tested by the global economy and, he argues, found wanting—even valueless. Here again I think his claim is too strong. Continuous full employment was not a valueless outcome, even if the price was heavy, even too heavy. The same applies to physical products. It is overstated to claim that global market testing shows Soviet products to have been valueless. If I am asked to choose between two cars offered at the same price, one of them a new model Ford, the other a used, obsolete Moskvich, of course I will reject the Moskvich; not even sentiment will sway me. But if I cannot buy the Ford I will buy the Moskvich, care for it lovingly, and drive it for many years. The fact that my substitution is forced does not make my outcome one of zero utility. If the Moskvich were truly valueless it would have been unsaleable domestically as well as abroad. In that sense it is perfectly plain that Soviet consumer production was not valueless, just as the collapse of consumer supply since 1991 has been a real collapse, not just the elimination of valueless or value-subtracting activity.⁷

In Rosefielde's view, Stalin's policies launched the economy on 'a path of false industrialisation'. He argues that human tragedy was compounded by economic failure, not compensated by economic success; therefore, those policies 'had no redeeming value'. On the basis of the arguments outlined above I believe this is

⁶ Clark & Oswald (1994); Oswald (1996).

⁷ This question was coincidentally examined by Hedland & Sundström (1996), pp. 889-893.

oversimplified. Had there been no redeeming aspect it would be impossible to understand how the economic system created by Stalin lasted five minutes, let alone 60 years. The latter is a statement about our grasp of 'the facts', not a normative argument about whether methods were justified by results.⁸

Despotic methods were not sufficient on their own to consolidate Stalin's rule, any more than Hitler would have successfully consolidated his regime in prewar Germany without a rapid restoration of full employment.⁹ It is precisely because Stalinist industrialisation did offer real gains to many different sections of society, and not only to a despotic elite, that Soviet institutions became entrenched and resistant to reform. If in the interwar years some of the gains bore a zero-sum character, this was no longer the case in the much longer postwar period, as both ruble and dollar cost price estimates of Soviet growth reveal.

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⁸ I do not know of any Western economic historian since Wilber (1968) who has argued that the excess mortality arising from Stalinist policy was justified by economic results.

⁹ Van Riel & Schram (1993); Overy (1994), pp. 3-11, 221-226.