

"Ob ekonomicheskom roste do revoliutsii i posle nee" [On economic growth before and after the revolution]. *Kommunist* no. 9 (1991), pp. 118-20.

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Paul Gregory has done more than anyone in the west to enable systematic quantitative measurement of Russian economic performance before 1917 in comparison with that of the Soviet period. His collaboration with Gennadii Zoteev summarises the results of many years' fruitful work.<sup>1</sup> Nonetheless, for the sake of understanding properly the choices which Soviet people face today, I would like to present some alternative evaluations of Tsarist Russian and Soviet economic performance. In particular, I will suggest the need for caution against idealising the prerevolutionary economy. First, Russian economic performance under the market system was not, relatively, as good as Gregory and Zoteev have made it seem. Second, if economic performance under the market system appears less favourable, the result is not to support the retention of the command system. Instead, a third way is necessary which involves neither continuing with the Soviet command system nor going back to 1913 to restore the Tsarist regime and market system.

Gregory and Zoteev approve the economic performance of Tsarist Russia. They find that in 1885-1913 under a "full blooded" market system the economy grew at 3.4% p a (GNP growth percent per annum), which substantially exceeds the probable long term GNP growth rate of 2.5% p a under the Soviet experiment with the command system, 1913-1993 (excluding 1940-50).

This comparison involves some remarkable methodological leaps. First, it assumes that all the costs of transition should be ascribed to the command system - both the costs of moving towards the command system before 1929, and the costs of moving away from it after 1990. Perhaps the logic of the argument is that, the market system being self-evidently superior, all the costs of both moving away from it, and then back to it 80 years later, should be debited to the inferior command alternative. But this, of course, assumes what was to have been proved.

Second, under the costs of transition towards the market system is included all the lost years between 1913 and 1928. The gap between actual and potential output widened steadily after 1914 to the yawning chasm of 1922. But blame for these lost years must be laid first at Germany's door, for Russian wartime economic decline and disintegration began well before the inception of the Soviet experiment in 1917. The miscalculations and incapacities of Tsarist

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<sup>1</sup> Paul Gregory and Gennadii Zoteev, "Ekonomicheskii rost. Sravnitel'nyi analiz khoziaistvennykh sistem (Rossiia-SSSR)", *Kommunist*, No 1 (1991).

officialdom before 1917 also played a part; the old regime must bear some blame for its own collapse and for the aftermath. After 1917, economic losses were further increased by the mistaken policies of armed intervention in the Russian civil war which were pursued by Russia's former Allies. The Bolshevik strategy of political intransigence and social polarisation (especially in relation to the peasantry) also deserves some of the blame. But it would be absurd to hold the "command system" solely responsible for the postwar prostration of the Soviet economy.

Third is the deterministic assumption that the whole process from World War I through revolution, civil war, and NEP, was no more than a period of preparation for Stalin's revolution from above. It automatically rules out any idea of NEP as a "full blooded" mixed economy in its own right, and a relatively successful one at that. Gregory and Zoteev justify this by the argument that by 1928 Soviet GNP still fell short of normal prewar standards (this judgement depends heavily on seeing the exceptional 1913 harvest as "normal"); the 1920s were no more than a recovery period, and strictly speaking the recovery was not even completed until the end of the first Five Year Plan. In fact, NEP was more than just a recovery phase. For one thing, recovery was complicated by significant wartime losses of capacity in both agriculture (livestock) and industry; these losses had to be replaced before recovery could be attempted. Moreover, recovery was associated with a pattern of growth quite different from that associated with economic growth before the Revolution; NEP made more resources available from domestic sources for productive investment in both industry and agriculture, and productive capacity grew more rapidly.<sup>2</sup>

In short, we should reject the idea of including the years 1913-28 in evaluation of the command system's long term growth performance. We should also avoid the idea of adding in the costs of transition away from the command system in 1990-3. If current economic losses are part of the cost of the command system, then for an objective comparison we should also have to work out and ascribe to the Tsarist market system the costs of its decline in 1914-17. Such complications are unnecessary; it is clearer and less ambiguous to leave out all "costs of transition" from both sides of the equation, giving us the following (GNP growth in percent per annum, using the same sources as Gregory and Zoteev):

The market system	1885-1913	3.4% p a
The command system	1928-1990	4.5% p a

Fourth is Gregory and Zoteev's failure to compare growth rates of GNP/head. The fact is that Soviet population grew more slowly after 1928 than the population of Tsarist Russia up to 1913. This demographic shortfall could be represented partly as a cost of the command system, in the mistreatment of its human assets characteristic of Stalin's era. But German policies of aggression and occupation in World War II also bore a responsibility for Russian and

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<sup>2</sup> See for example R W Davies, "NEP i sovremennost'", *Kommunist* No 8 (1990), with whose conclusions I very much agree.

Soviet population losses which can hardly be displaced on to the already sufficiently burdened shoulders of Lenin and Stalin. Moreover, some demographic slowdown could have been expected with rising economic development, regardless of the impact of political events. Whatever the reasons for the population slowdown, a comparative evaluation based on per capita indicators would be still more in favour of the command system (growth of GNP/head):

The market system	1885-1913	1.8% p a
The command system	1928-1990	3.1% p a

This is important to know. Restructuring the economic system is certainly a complicated matter. A nation of almost 300 million people cannot just walk around the supermarket, pulling economic systems off the shelf, comparing their characteristics and costs, and choosing one economic system while rejecting others on this basis alone. However, growth performance is certainly one relevant consideration, and it is important that we should know it accurately, and in comparable units.

Clearly, in GNP growth terms, the command system was not just an historic aberration. But was it therefore better? When Gregory and Zoteev found the growth performance of the market system to be apparently superior, they presented this as grounds for preferring it. If we reverse the evaluation, does this make superior growth performance sufficient grounds for preferring the command system? I think not, and believe that both the market system and the command system in turn have failed, at least in their Russian and Soviet forms; moreover, neither deserves a second chance in the form in which we know them.

Gregory and Zoteev repeatedly refer to the Tsarist economy after 1885 as a "full blooded" market system. In their story this market system expanded rapidly because of the unfettered operation of the supply side - free enterprise, well organised markets and competitive forces. However, there is reason to doubt both their characterisation of this system, and its capacity to meet popular requirements of stability and security.

First, in Tsarist Russia many working people and entrepreneurs aspired to economic security through nonmarket mechanisms and institutions - the village land allotment, the peasant family farm, with its significant degree of own-consumption and self-employment, and with which many migrant and urban workers also retained links; the paternalistic relations of dependency upon squires and moneylenders; the relatively egalitarian consumer and credit cooperatives, and the workers' combinations and trade unions which were rendered legal only after 1905; producer associations and cartels which limited firms' competition in the home market, and which were also protected from external competitors by government-erected tariff walls; preferential government orders for railway goods and military goods. This market economy was far from whole hearted or full blooded.

In fact, the prerevolutionary experience of Tsarist Russia, like that of western economies in the twentieth century, showed that governments cannot neglect

the need of working people for a degree of security and stability in economic life. If there was an economic factor common to the repeated waves of antigovernment movement in the years between 1900 and 1917 it was not (as Gregory and Zoteev correctly point out) impoverishment and exhaustion. Rather, this was a poor agrarian country already characterised by both harvest instability and fiscal instability; the nineteenth century saw the international fluctuations stemming from the wave-like industrial growth of western Europe and the north Atlantic economy superimposed on this already unstable growth pattern. As a result, the citizens of the Empire suffered not steady impoverishment but chronic insecurity.

The growing exposure of working people to market forces was added to their traditional exposure to uncertain harvests and arbitrary variations of the government regime. Such rising insecurity was not compensated by increased rights of representation in the community, workplace or state. It may be argued that this imbalance made an essential contribution to the Russian revolutionary movement.

In Gregory and Zoteev's account these problems are referred to as no more than "normal cyclical fluctuations" - variations, about a rising trend, caused by the economy's demand side. But the rising trend itself was a result of the supply side - unfettered enterprise, well organised markets, and competitive forces. Simultaneously they downgrade the role of government intervention. They correctly point out that the Tsarist budget made little contribution to the supply side expansion, in the form of a very small percent share in total capital investment and infrastructural expenditures. But they ascribe no positive role to largescale government spending under Vyshnegradskii, Witte and their successors, which may have added to aggregate demand and contributed to the full utilisation of productive capacity.

This is a philosophy which again assumes what was to be proven - that free markets always function well, and never leave capacity underutilised in the long term. The economic history of western economies suggests that some scepticism may be in order. Demand fluctuations may not only have transitory effects, as the world market economy found after 1929.

The Soviet command system did not solve the old problems of economic instability and insecurity. Collectivisation stripped the rural population of its security, and at times even its means of existence. The jobs and incomes of those employed in state enterprises were stabilised only by paternalistic and authoritarian means, which were ultimately detrimental to the creative potential and technological dynamism of the economic system. Meanwhile, capricious administration and shortages dogged the life of the urban citizen. If the market system treated people as communities, the command system treated them as cogs (*vintiki*). While Stalin lived, repeated purges swept through society as a whole, including especially the official strata.

However, experience of economic development even under conditions of the inherited prosperity and democratic political framework of the western market economies shows that markets do not always allocate resources optimally. A well functioning market system embodies the principle of consumer

sovereignty. But in practice, consumer sovereignty is modified by the concentrated market power of big firms to fix prices and deter competition. The practical working of consumer sovereignty is also affected by the maldistribution of personal wealth and periodic shortages of jobs; sovereignty is restricted to those who have money. Those who do not have access to an adequate cash income from employment or property cannot exercise sovereignty. Consumer sovereignty also means the sovereignty of the employer over the seller of labour power, and alienating production relations.

The experience of prolonged exposure to such forces in the market place and the workplace has led western Labour movements to place a considerable premium on the joint intervention of governments and community groups, including trade unions and workplace collectives, to achieve improved security, social justice, and democratic rights of participation. Sometimes these arrangements turn out to carry a cost in economic efficiency (which has probably nonetheless been slight compared with the efficiency cost of the command system). These traditions are represented in the economic thought associated with western socialism (including socialist feminism and Eurocommunism), and with Keynesian social democracy, which simply fall outside Gregory and Zoteev's frame of reference.

The proper role of government intervention in market systems can only be enhanced when we take into account future ecological requirements. In my view, today's triumph of the market system will be short lived. For Soviet, Hungarian and Polish consumers, market-led restructuring may already be too late. The western consumer boom of 1870-2000 is nearly over. The last years of the century will surely see the end of the road for the market system in the western economies. For 200 years the steam engines, blast furnaces, power stations and mechanised transportation systems of the industrialised countries have been pouring heat and carbon dioxide into the world's atmosphere. Until now the oceans have absorbed the greater part of this effluence. Accumulating evidence of global warming now points more and more surely to a future of rising sea levels and a greenhouse climate.

This is not only a problem of market economies. The command system has made a big contribution, maybe out of proportion to its industrial strength. This ecological burden has proved a catalyst for perestroika. Ironically, however, western experience suggests that the turn from a command system to a market system will restrain neither direct poisoning of the local environment nor the global threat from the pumping out of greenhouse gases. Saving the planet will force everyone, east and west, back down the road to a government led economy - severe government restriction of carbon using processes (which means virtually all existing processes of investment, consumption and defence activity), combined with protection of investment in carbon saving processes and renewable energy sources.

All this leads me to the view that the choice for the Soviet economy on the eve of fundamental change cannot be restricted to either continuing with the command system, or else going over to a "full blooded" market system (whether in the Tsarist model of 1885-1913, or some other more convincing stereotype).

Yes, the Soviet economy is too little monetised and marketised. Its financial stabilisation will have to be combined with a radical extension of the market mechanism. The bureaucracy of supply plans and investment methodologies needs to be dismantled. But the market is a mechanism, and like all mechanisms it does not serve all purposes. It is not a panacea. Russian and Soviet history already contains too many blind zigzags. A third way is needed, and not just because it is desirable, but because it is necessary.

However, I do not advocate a third way in the spirit of an arithmetical average of the first two, or as a half-way compromise between extremes. One cannot get there by splitting the difference between conservatives and reformers. The existing bureaucratic elite and military-industrial leadership is not sufficiently democratic or adaptable to introduce the kind of third way that is economically and socially desirable. All the more reason for Soviet reformers to spend less time idealising western experience of privatisation and market deregulation, and more time persuading working people of the need for a democratically regulated, mixed economy that will at last begin to treat them not just as commodities, nor just as *vintiki*, but also as human beings.