

THE DICTATOR'S ORDERS

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The Soviet administrative-command economy was the most important socioeconomic experiment of this century. It was formed without a theoretical blueprint, the product of trial-and-error and of initial conditions. Beginning in 1928 and 1929, Stalin and his allies embarked on a course of rapid industrialization and forced collectivization, which required the creation of a new command economic system. The Soviet leadership had fashioned, by the mid-1930s, an economy of full state ownership with resource allocation managed through administrative balances of material, labor, and financial resources. Planning was carried out by the State Planning Commission (Gosplan) and the Ministry of Finance, but operational resource allocation was the responsibility of industrial ministries, which managed state enterprises and collective farms. The Soviet “state” was a close amalgam of the Politburo of the Communist Party and the Council of Ministers (then called the Council of People’s Commissariats, called Sovnarkom). These organizations are described in detail in the chapter by Rees. This system remained remarkably unchanged until its collapse at the end of 1991.

If the book were closed on the Soviet system today, some

The author would like to thank the Hoover Institution and the National Science Foundation for their support of this research.

would contend that it was doomed from the start by the systemic problems outlined by Mises and Hayek in their classic critique of planned socialism written in the 1920s and 1930s. Others would argue that the Soviet system, which transformed Russia from backwardness to industrial power, failed because of inept policies and incompetent administrators, not because of the system itself. The recent opening of the Soviet state and party archives provides an opportunity to determine who was to blame—people and policies, or the system itself? The chapters in this collection all address this issue, either directly or indirectly, using the (mostly secret) documents from the Soviet state and party archives that Soviet decision makers themselves used.

PLANNERS' PREFERENCES

Abram Bergson introduced the term “planners’ preferences”—the notion that the Soviet administrative-command economy was ultimately directed by the top leadership of the Communist Party, unlike market economies, which are ultimately directed by consumer sovereignty.¹ Planners’ preferences were expressed principally as *plans* (for outputs, inputs, investments, labor staffing, and cost reductions), drawn up according to the directives of the Soviet dictatorship. This chapter studies how the dictator’s preferences were used to shape the economy according to the dictator’s will. We know that these preferences mattered. We have conclusive evidence that the command system yielded economic outcomes quite different from a market economy.² Soviet-style economies produced more heavy industry and defense goods and fewer services, and had higher investment rates and lower rates of urbanization than market economies at a similar level of eco-

1. Abram Bergson, *The Real National Income of Soviet Russia Since 1928* (Cambridge, Mass.: Harvard University Press, 1961).

2. Gur Ofer, *The Service Sector in Soviet Economic Growth* (Cambridge, Mass.: Harvard University Press, 1973); Simon Kuznets, “A Comparative Appraisal,” in Abram Bergson and Simon Kuznets, eds., *Economic Trends in the Soviet Union* (Cambridge, Mass.: Harvard University Press, 1963).

conomic development. Moreover, Soviet planned economies devoted more resources to agriculture and relied less on foreign trade.

COMMANDING HEIGHTS AND SMALL STAFFS

The Soviet “dictator” was the Politburo, which consisted of about ten of the Soviet Union’s top Party leaders headed by Joseph Stalin as its general secretary. As Rees notes in his chapter, in the early 1930s, the Politburo met regularly, then less frequently as Stalin consolidated all power in his hands. Yet in spite of his growing power, Stalin nevertheless continued throughout this period to involve his “team” in decision making. The Politburo was the “leading organ” of Soviet society, not subordinated to any other institution.

Before the opening of the archives, our stereotype of Soviet planning was that Soviet plans began with the Politburo’s assignment of a few basic economic targets, which were then translated by Gosplan into a much larger number of concrete economic targets. We were never sure which targets were set by the dictator and which by Gosplan; nor did we know how they worked together or whether the dictator’s planners’ preferences were faithfully executed by Gosplan and the industrial ministries. We do know that individual enterprises were not particularly faithful executors of planners’ preferences.

Lenin had argued during the early years of Bolshevik rule that the economy could be controlled through its “commanding heights”—heavy industry, transportation, and banking. This principle meant that the dictator need not control *all* aspects of economic life, only the most important. The archives show that, in any case, the Party leadership, with its extremely small staff, could control only a few aspects of economic life. In January 1930, the entire staff of the Central Committee of the Communist Party amounted to only 375 persons, the two largest departments being the secret department (103 persons) and the chancellery depart-

ment (123). Other departments such as the organizational and instructional department, and the department of culture, employed fewer than 50 persons each.³ The central Party apparatus had less than 250 persons to assist with the formulation, transmission, and monitoring of planners' preferences. Staffing was also limited in central Soviet (state) institutions; there was a "small Gosplan" within the Council of Ministers, whose branch staffs were spread very thin. For example, all automobile and aviation business was handled by one person and a secretary. The largest central state agency, Gosplan, which at the time included the Central Statistical Administration, employed only 900. Gosplan's department of energy and electrification (one of its most important departments in this period) was staffed by only 30 persons. A Gosplan department head (chemicals section) complained that "we cannot present and decide even one issue because of the complete lack of workers."⁴ The major industrial ministries were more generously staffed, with more than 10,000 employees each.

The Party's lack of expert staff meant that most of the actual work of planning and running the Soviet economy had to be carried out by the better-staffed committees such as Gosplan and by the industrial ministries themselves. Clearly, the Politburo could have created a large support staff for itself, but the notion of small staffs was consistent with the Leninist view of the Party as an elite organization. Perhaps those at the top did not want large staffs that might temper their power to decide the key issues of society; they may have felt there were too few "reliable" staffers who could be trusted.

The Politburo did not make all its decisions as a unified body.

3. *Stalinskoe Politbyuro v 30-e Gody* (SP30), ed. O. V. Khlevniuk, A. V. Kvas-honkin, L. P. Koshelova, and L. A. Rogovaia (Moscow: AIRO-XX, 1995), pp. 14–15.

4. For examples of the serious complaints from Gosplan departments concerning the lack of personnel, see memos preserved in the Russian State Archive for the Economy (RGAE) from Vagransky (energy and electrification) and Blinov (chemical section) to Gosplan director Kuibyshev. RGAE, f. 4372, op. 39, d. 34, l. 85, and RGAE, f. 4372, op. 39, d. 34, ll. 91–93.

It delegated some decisions to the various Politburo departments, to specific agencies, or to designated individuals, authorizing them to make the decision in the name of the Party: In 1934, the commission on gold reserves was empowered by Stalin to “take all measures in the name of the Politburo which it considers necessary to increase the gold reserves of the USSR.” In another decree, dated May 26, 1934, Stalin and two other members were authorized to determine the agenda of a comintern meeting “in the name of the Politburo.”⁵ By the late 1930s, the most crucial decisions were being taken not by the Politburo but by ad hoc commissions of Politburo members, consisting of five to six members.

The dividing line between the Politburo's “leading role” and Gosplan's “technical” planning role was not absolute. Stalin, in particular, worried about the undue influence of unreliable specialists in Gosplan, even after his massive purge of Gosplan in 1930. In a letter to Molotov, Stalin complained that the Politburo was losing control of important economic decisions to Gosplan, and even worse, to middle-level experts, and he ordered Molotov to “smash the nest of . . . bourgeois politicians in Gosplan, central statistical administration, and so on. Hound them out of Moscow”; “You will see that our funds are being allocated by [Gosplan specialists], while the Politburo is changing from a directing body into a court of appeals, into something like a ‘council of elders’.”⁶ Stalin's concern that specialists must be “loyal” agents meant that key positions must be increasingly occupied by reliable persons. It comes as no surprise that most Politburo decisions in the 1930s related to personnel matters.

The Politburo was thus torn between its role of setting the general party line and involvement in detailed decisions. Politburo actions vacillated between general instructions and detailed interventions, and its decisions ranged from trivial matters, such as which factory will get three cars, or who will be allowed to make

5. SP30, p. 16.

6. Lars T. Lih, Oleg V. Naumov, and Oleg V. Khlevniuk, eds., *Stalin's Letters to Molotov, 1925–36* (New Haven, Conn.: Yale University Press, 1995), Letter 44.

a trip abroad, to the setting of the economy's most basic priorities and the approval of its national economic plans. In some cases, the Politburo engaged in protracted discussions of production details, such as whether a particular Soviet car should be a Buick or Ford design, or the proper way to process timber.⁷ One case study of vehicles shows that the Politburo and Gosplan had fundamentally different approaches toward resource allocation.⁸ Gosplan, charged with producing balances of resources, preferred gradual and balanced changes in allocations; the Politburo valued its ability to "mobilize resources" on short notice. Differences between the Gosplan and Politburo approaches were most evident during periods of supply shocks, when the Politburo radically reshuffled resources contrary to Gosplan's plans for more equal cuts.

THE POLITBURO'S CONTROL FIGURES

Given its limited staffing and need to control the commanding heights, what indicators did the Politburo routinely set that Gosplan used as a basis for national economic plans? The archives show that the Politburo routinely set a rather narrow range of control figures, usually consisting of a relatively small number of physical output targets for key industrial and agricultural commodities. Table 1 shows the Politburo's 1951 *direktivy* control figure targets for the end year of the fifth five-year plan (1955) for national income, investment, consumption, transportation, trade, wages, productivity, and cost reductions. It shows both the figures proposed by Deputy Premier Malenkov and Stalin's corrections in the margin.⁹ These Politburo control figures provide growth factors for industrial production, broken down by heavy and light industry, as well as growth factors for various agricultural products.

7. SP30, no. 133, letter from Kaganovich to Ordzhonikidze.

8. Valery Lazarev and Paul Gregory, "Dictators and Cars," Working Papers in International Studies, I-99-6, Hoover Institution, October 1999.

9. These figures are from the XIX Party Congress fond of the Hoover Institution archives (RGASPI, f. 592).

TABLE 1
TARGETS FOR THE FIFTH FIVE-YEAR PLAN

Category	GROWTH FACTOR, IN PERCENTS	
	<i>Politburo/Malenkov proposals, 1951</i>	<i>Stalin (margin corrections), 1951</i>
National income	70%	
Investment	105	
Consumption	50	
Freight turnover	44	
Trade turnover	74	
Costs in industry	–20	
Industrial labor productivity	52	
Construction labor productivity	47	
Wage fund	30	
Industrial output	80	70%
Group A (intermediate goods)	90	80
Group B (consumer goods)	70	65
Agricultural output		
Grain	35–40	40–50
Wheat	n.a.	55–65
Cotton	55–65	
Flax	35–40	40–50
Sugar beets	60–65	65–70
Sunflower seeds	40–45	50–60
Feed grains	2.5–3	2–3

SOURCE: Hoover archives 2.2590; 592-1-6. 6,37.

The archives show that the most Politburo debate on economic plans was devoted to the size and distribution of the investment budget, denominated in rubles. This is contrary to our long-held assumption that the Soviet economy was planned in physical units, not in value units.¹⁰ The Politburo realized that the investment budget, which itself depended on sales taxes from the population, determined the volume of rubles chasing investment goods.

10. See, e.g., Paul Gregory and Robert Stuart, *Russian and Soviet Economic Structure and Performance* (7th ed., Boston: Addison-Wesley, 2001), chap. 6.

If that budget were too generous, the prices of investment goods—bricks, cement, lumber, machinery—would be bid up. Moreover, the Politburo was conscious of the fact that investment was limited by the size of the state budget insofar as most investment was budget financed. The following account of Stalin's actions at a December 25, 1947, Politburo meeting illustrates these two points:

Comrade Stalin, upon hearing the deputy ministers of the Council of Ministers, said: The plan is very swollen and is not within our capacity. We should give money only to construction projects that can be placed on line and not spread it out among many projects. They are building all kinds of nonsense in new, unpopulated areas and they are spending a lot of money. It is necessary to expand old factories. Our dear projectors project only new factories and swell construction. It is necessary to set the [investment] plan at 40 billion rubles instead of the mentioned 60 billion. We have to keep in mind that because of the lowering of [consumer] prices and the replacement of the rationing system we have lost 50 billion rubles [from the budget]. If we swell construction, then extra money will appear on the market and there will be devaluation [rise in prices].¹¹

The investment budgets in different versions of the fifth five-year plan drawn up between June 1950 and October 1952 illustrate the Politburo's thinking concerning the trade-off between higher investment budgets and higher constructions costs: Table 2 compares the initial investment plan (a 90 percent increase in ruble terms) with the final investment plan (a 60 percent increase), and we see the Poliburo's association of higher investment with higher prices (and the negative association between labor productivity and costs of production). In effect, the smaller investment budget would yield the same amount of "real" investment because of lower costs of production.

The archives reveal that most Politburo discussions of control

11. These notes were made by a senior economic official, Malyshev, and are cited in Oleg Khlevnyuk, "Sovetskaia ekonomicheskaiia politika na rubezhe 40–50 godov i delo gosplana," Working Paper, Florence, Italy, March 2000.

TABLE 2
DIFFERENT DRAFTS OF THE FIFTH FIVE-YEAR PLAN
(1955 TARGETS, IN PERCENTS)

Category	DATE OF DRAFT				
	June 1950	Jan. 1951	June 1951	Aug. 1951	Oct. 1951
Investment	1.9	2.05	2.13	1.94	1.6
Cost of production	0.85	0.8	0.77	0.79	0.75
Productivity of construction labor	1.45	1.47	1.57	1.55	1.55

figures usually concerned relatively small differences. Some differences, however, could be quite large, such as the remarkable change in Politburo preferences in 1932, when the Politburo backed away from the exaggerated planning of the first five-year plan to adopt more realistic planning for the second five-year plan. In July of 1932, the Politburo ordered a special commission to consider reducing the investment budget. The commission, headed by the chairman of Gosplan, proposed reducing planned investment by 10 percent “with the aim of bringing the amount of finance provided into conformity with the physical volume of work indicated in the plan and concentrating material resources on the crucial [construction] sites,”¹² as well as correcting the previous policy of spreading investment over a large number of projects to avoid the piling-up of incomplete construction projects. Stalin agreed with a marginal note: “Is this necessary [the excessive spreading of investment]? It is not necessary!”¹³ In spite of protests from industrial ministers whose investment budgets were being cut (including protests from the influential minister of heavy industry and Stalin confidant, G. K. Ordzhonikidze), the Politburo remained firm. Molotov silenced protests by declaring that

12. R. W. Davies, *Crisis and Progress in the Soviet Economy, 1931–33* (London: Macmillan, 1996), p. 230.

13. R. W. Davies and O. Khlevnyuk, “Gosplan,” in E. A. Rees, ed., *Decision-making in the Stalinist Command Economy* (London: Macmillan, 1997), p. 41.

Stalin himself supported the cuts. In 1933, there were further efforts to restrain investment, supported by the Ministry of Finance's claim that a budget surplus was necessary to reduce inflationary pressures.

The story behind the Politburo's 1932 move toward moderation tells much about its relationship with its planner, Gosplan. In July of 1931, Gosplan, which was headed by a key Politburo member and Stalin deputy, proposed to move away from the over-ambitious plans of the first five-year plan period. Gosplan had been purged just a year earlier for supporting moderate plans and would not have taken this step without approval from Stalin, who, after consultation, agreed to a significant lowering of pig-iron targets. Another player in this episode was Ordzhonikidze, whose engineering reports showed that the ambitious metallurgy target for 1937 (45 million tons of pig iron) could not be met. The minister explained that his own iron plants produced only 5 million tons in 1930. In August of 1931, Gosplan proposed to reduce the 1937 pig-iron target to 25–30 million tons. In November of 1931, the Politburo approved a further significant reduction in pig-iron production, from 17 to 9–10 million tons for 1932.¹⁴

From the early 1930s to his death in 1953, Stalin was the Politburo's ultimate decision maker. Stalin's letter to Molotov of September 12, 1933, is indicative of his role: "Greetings Viacheslav [Molotov]: (1) I agree that we should not go higher than 21 billion rubles for capital work for 1934 and that the growth of industrial production—not more than 15 percent. (2) I also am agreed that gross grain collections for 1932 must be 698 million centners—not less."¹⁵ Another letter from the minister of transportation and Politburo member to the minister of heavy industry (and Politburo member) of September 4, 1935, gives a flavor for

14. Oleg Khlevnyuk, "The People's Commissariat of Heavy Industry," in *ibid.*, p. 105.

15. Letter from Stalin to Molotov of September 12, 1933, cited in SP30, p. 133.

Politburo actions: “Today we [the Politburo] just decided, on the basis of Stalin’s proposal, to buy, in addition to our collections, 300 million puds of grain. . . . Today we discussed the 4th quarter plan and they added 100 million rubles to your annual limit.”¹⁶ These proposals had been sent to Sochi, where Stalin was vacationing, for his approval. It was customary for Politburo decisions to be forwarded to Stalin if he were away. Often Prime Minister Molotov would inform Stalin of the decision; in a number of cases, Stalin refused to approve Politburo or Council of Ministers decisions, thereby effectively killing them.

Stalin was not, however, above listening to his close associates and being persuaded to change his mind. According to a document of the Council of Ministers—probably immediately after a meeting of the Politburo on December 25, 1947—Stalin, in spite of his earlier decision to limit capital investment in 1947 to 40 billion rubles, was persuaded by the chairman of Gosplan and Deputy Prime Minister Voznesensky to raise the capital limit to 50 billion. This revised figure was confirmed the next day by the Politburo. The final figure signed by Stalin raised capital investment to 55 billion. Thanks to Voznesensky’s interventions, Stalin’s original proposal was raised to from 40 to 55 billion—almost one third.¹⁷

Why was someone like Voznesensky able to change Stalin’s mind? Unlike many of his Politburo associates, Voznesensky held strong personal opinions. Consider Stalin’s praise of Voznesensky:

Unlike other associates who mask disagreements by either agreeing or pretending to agree among themselves before coming to me, Voznesensky, if he is not in agreement, does not agree on paper. He comes to me and expresses his disagreement. They understand that I can’t know everything and they want to make me a rubber stamp. I pay attention to disagreements, to disputes, why they arose, what

16. SP30, no. 130.

17. Khlevnyuk, Working Paper, 2000.

is going on. But they try to hide them from me. They vote and then they hide. . . . That is why I prefer the objections of Voznesensky to their agreements.¹⁸

It should be noted that Voznesensky paid with his life for his independence. His Politburo colleagues conspired against him, resulting in his eventual execution for treason.¹⁹

BARGAINING

Were the dictator's preferences set exogenously in stone or were they influenced by the bargaining of those who had to fulfill them? The archives reveal intense bargaining over control figures, focused on two central issues: reductions in output targets and increases in investment. Even during the period of exaggerated expectations prior to 1932, Stalin and the Politburo were not impervious to appeals for realism. As Rees notes in his chapter, Stalin was persuaded by regional party officials that their regions could not meet their grain delivery quotas during the impending famine of 1932–33 and agreed to lower their collection targets and allot them more seed.

Bargaining was inevitable in such a system: For the most part, the highest production officials—the industrial and transportation ministers—were Politburo members, which meant that they had the political clout to fight for resources within the Politburo. Once appointed to industrial positions, the Politburo member viewed himself in a struggle against those who represented the “national interest,” such as Gosplan. A quote on these natural conflicts appears in the memoirs of a Politburo member and Stalin deputy (Kaganovich) concerning the change that occurred after being appointed Minister of Transportation:

When we [Kaganovich and Molotov] worked together in the Central Committee, we worked in a friendly manner, but when he became

18. Quoted in *ibid.*

19. *Ibid.*, p. 13.

Prime Minister and I Minister of Transportation we argued on business matters. I demanded more rails, more capital investment, and [Gosplan] did not give and Molotov supported Gosplan. I was on the same footing with Ordzhonkidze [Minister of Heavy Industry]—he also argued and fought with Molotov about capital investment, about relations with industry. And we complained to Stalin. And Molotov wanted us to complain to the Council of Ministers. But we considered that the Politburo was the highest decision-making body.²⁰

When disputes arose between producers and central organizations, “compromise” commissions were often formed to find solutions that suited both sides. In fact, the most powerful ministries often rejected the compromises offered by such commissions and chose to fight out their dispute, using delays and threats of lost production.²¹ In other cases, the parties accepted the compromise. Consider the protest of the Gorky region against an “unrealistic” timber production target. Gosplan had assigned a target of 25 million mcm, which local trusts and local party officials had requested to lower to 23 million mcm. On November 3, 1935, a meeting of the Ad Hoc Commission on the Question of Procurement of Timber in Gorky Region was called, attended by local Gorky representatives, the chairman of Gosplan, the Minister of Timber Industry, the Commissioner of Fuel, and Gosplan’s timber sector chief. The special commission refused Gorky officials’ request to lower the production target but ordered the allotment to the region of fifty additional tractors. This bargaining outcome was typical: Requests to lower output targets were denied but producers were given the wherewithal to meet the production target. On October 1, 1935, Gosplan countered the Ministry of Heavy Industry’s production plan, which had asked for a production growth of 19.7 percent and growth of labor productivity of 13.5 percent, with a production increase of 28–30 percent and a

20. F. Chuev, *Tak govoril Kaganovich* (Moscow, 1993), p. 61.

21. Eugenia Belova and Paul Gregory, “Dictators, Loyal and Opportunistic Agents, and Punishment,” unpublished paper, Florence, Italy, July 2000.

labor productivity increase of 25–26 percent, and called for cost reductions of no less than 9 percent.²² The ministry agreed to a 26 percent increase in output, labor productivity growth of 20 percent, and cost reductions of 6 percent but demanded an increase in capital investment of 1.5 billion. As the ministry's response shows, the difference between the two sets of figures was rather small. The final figures accepted by the Politburo gave the ministry one half of its requested investment increase.

The archives also provide ample evidence that bargaining power depended on political influence. Ordzhonikidze, as a close associate of Stalin and a member of the Politburo, commanded considerable bargaining power for the Ministry of Heavy Industry. The Ministry of Transportation was starved of investment resources until Kaganovich, also a close Stalin associate and Politburo member, was appointed minister of transportation in February 1935; after Kaganovich's appointment, external supervision over the Ministry of Transportation, which had been such an irritation to the previous minister, virtually ceased. Within a year, Kaganovich had succeeded in raising investment resources for transportation despite the opposition of Gosplan.²³

PRIORITIES AND INTERVENTIONS

The commanding-heights philosophy argued that the economy could be controlled by controlling a few key commodities. This chapter has shown that the Politburo set control figures for a few basic targets in physical terms along with investment targets in rubles and cost, price, and productivity targets. As the chapter by Tikhonov and Gregory shows, even the more generously staffed Gosplan could set targets in the early postwar period for only 127 products and provide 66 agency breakdowns for investment. Once approved, these control figures were subject to considerable

22. Khlevnyuk, "People's Commissariat," p. 121.

23. E. A. Rees, "The People's Commissariat of Transport (Railways)," in Rees, ed., *Decision-Making*, pp. 203–34.

manipulation and distortion by the industrial ministries and their enterprises. The Politburo's ability to control the economy through its control of the investment budget and a few physical control figures was extremely limited. Because it could not control investment costs, it was unable to control the allocation of physical investment. Moreover, the industrial ministries fought against specific targets and against specificity in its investment plan to gain as much freedom from central control as possible. The ministries typically resisted presenting figures broken down by enterprises, and they did not even tell central authorities what investment projects would cost—though Gosplan did all it could to wring this information out of them. They presented information as late as possible and in as little detail as possible, often setting off intense battles with Gosplan as the Politburo's prime representative.

The Politburo had other means of controlling the basic direction of the economy. It set priorities, made direct ad hoc interventions in the allocation of resources, and maintained direct control over some key commodities. Politburo priorities could be either general or quite specific. In the former category, consider this priority statement issued by the Politburo in September 1932 concerning the distribution of vehicles to organizations: "Preserve the position of current users with a slight growth of supply to light industry firms producing items of mass consumption, continue the policy of mechanization of agriculture, and give preference to union over regional organizations."²⁴ Stalin's priorities issued in July 1935 were more specific: "There are some things that must not be reduced: NKO, locomotives under the ministry of transportation allocation, the building of schools—under the ministry of education; re-equipment under light industry; paper and cellulose factories—under the heading 'Timber;' some very necessary enterprises (enumerated) under the [ministry of heavy industry]. This makes it more difficult. We shall see."²⁵

24. September Plenum of the Politburo, 1932.

25. Davies and Khlevnyuk, "Gosplan," p. 55.

Planners' preferences were also set via the numerous interventions into resource allocation decisions made by the Politburo and its state executive arm, Sovnarkom. The early Soviet theorists of planning had never intended planning to be perfect. Although they expected aggregate planning to be accurate, they anticipated that numerous corrections would have to be made by political authorities to correct micro planning defects. The archives reveal that interventions represented perhaps the most burdensome task of the Politburo as it responded to thousands of requests and petitions for plan alterations or resource increases. An example of this is vehicle planning. Although the first-quarter 1933 vehicle distribution plan had already been approved, the Politburo made two significant interventions: first, the Kazak Regional (Party) Committee, after pointing out its shortage of transport for emergency grain supplies, was the beneficiary of a special Politburo decree that increased its truck allocation by a factor of three;²⁶ second, the Politburo ordered a radical change in car distribution, allocating 90 percent to "organs of control over agricultural producers."²⁷ These are only two examples of Politburo interventions into one single quarterly plan that effectively rendered the original plan inoperable. Another means of enforcing planners' preferences was for the dictator to allocate resources directly. This was done by a number of ad hoc commissions headed by prominent Politburo members, such as the foreign exchange commission, or the Molotov commission that allocated vehicles. A case study of vehicles shows how this was done.²⁸

COMMUNICATION AND ENFORCEMENT

Stalin worried openly that the Politburo could issue decrees that would either not be communicated to the proper parties or,

26. State Archive of the Russian Federation (GARF), f. 5446, op. 14a, d. 628, ll. 143–44; Russian State Archive of Contemporary History (RGASPI), f. 17, op. 3, d. 914, ll. 10–11.

27. RGASPI, f. 17, op. 3, d. 915, l. 8.

28. Lazarev and Gregory, "Dictators and Cars."

worse, would be ignored. In his letters to Molotov, Stalin expressed a number of concerns: In a letter of September 22, 1930, he proposed to establish, “under the Council of Commissars, a standing commission [Commission on Fulfillment] for the sole purpose of systematically checking on the fulfillment of the center’s decisions. . . . Without such reforms the center’s directives will remain completely on paper.” In an earlier letter, dated August 21, 1929, he confided to Molotov: “The Politburo has adopted my proposal concerning grain procurement. This is good, but in my opinion, it is inadequate. Now the problem is *fulfilling* the Politburo’s decision. There is no need to insist that all procurement agencies (especially in Ukraine) will evade this decision. Furthermore, I am afraid that the local GPU will not learn about the Politburo’s decision, and it [the decision] will get bogged down in the bowels of the OGPU.” In a letter of August-September 1930, Stalin wrote Molotov: “I think it would be beneficial if the Central Committee plenums were to move away from general decrees on general issues and hear reports—real reports—from the economic commissariats that are doing badly.”²⁹ For these reasons, an extensive system of control was established, which is described in the chapters by Rees and Belova.

Politburo decrees were formulated either in the name of the Party or according to “Soviet order” as directives of the Council of Ministers. All were signed by the prime minister (Molotov) or by one of his deputies. The most important decisions were issued as joint decrees of the Central Committee of the Communist Party and the Council of Ministers. Party decrees were never broadly circulated, but were sent to Party committees as statements of intent. A short explanation signed by Molotov accompanied all draft decrees, justifying the proposed action. Copies of these documents were filed in the secret department of affairs management of Sovnarkom, which was responsible for correspondence with the Politburo. After confirmation by the Politburo, a notation was

29. Lih, Naumov, and Khlevniuk, *Stalin's Letters*, Letters 42, 61, and 68.

made on the copy of the number and date of the decision. The originals were filed as materials to the protocols of the Politburo.³⁰ The secret department circulated Politburo decrees to a specified list of officials according to special instructions. Politburo decrees were classified as either “absolutely secret” (*sovershenno sekretno*) or, in the most confidential cases, they were placed in a “special file” (*osobaia papka*). The communication system of the Ministry of Interior’s police was regularly used to distribute these documents. According to budget documents of the Politburo, between January and September of 1932, between 1,500 and 6,100 documents were dispatched monthly through the secret police at a cost of 31,000 rubles for the period.³¹

Although a rigid system of distribution existed on paper, Politburo document distribution was plagued by lax discipline. Secret documents were supposed to be returned by recipients within a specified period of time, but a 1933 survey showed that only 40 percent were actually returned; for example, the deputy minister of heavy industry had received eighteen copies but had returned only five.³² The Politburo imposed sanctions on the most negligent recipients, such as withdrawing the right to receive further documents.³³

Given the lack of staff of Soviet and party central organizations, the interpretation of the general party line had to be left to a number of subordinate organizations. Execution of central orders was monitored and enforced in an overlapping fashion by the Soviet (state) and party apparatus and by various independent enforcement agencies, such as military inspectors and the secret police. Each local, regional, and republican party office (*obkom*, *kraikom*, republic central committees) was ordered “to place the responsibility on one of its secretaries for monitoring the fulfill-

30. SP30, p. 17.

31. SP30, no. 12.

32. SP30, nos. 75, 76.

33. A Central Asian party official (Ikraimova), for example, was punished for leaving protocols in his room in the Hotel National and was deprived of the right to receive documents for three months (SP30, no. 75).

ment of directives of the Central Committee of the Communist Party and the responsibility for timely responses to related questions.” Similarly, ministries were ordered to designate one member of the collegium to be responsible for monitoring fulfillment of party directives, following more detailed instructions on deadlines and reporting than those imposed on party organizations. In keeping with the general policy of secrecy, “persons having the right to be informed about decisions of the Central Committee are categorically forbidden to reveal, when these decisions are passed through their structures, that these are instructions of the Central Committee.”³⁴

OUT-OF-CONTROL LOCAL OFFICIALS

Local party organizations proved to be a problem for the Politburo in the early 1930s. Their out-of-control excesses during the 1929–30 purges of industrial managers and experts (the so-called Shakhty Affair) illustrate the danger of allowing “loyal” local party officials to interpret the party line. Stalin, in 1929, unleashed a campaign against “wrecker” experts and managers. The campaign against wreckers and saboteurs was carried out largely by local party, militia, and state organizations, with the assistance of the secret police (the OGPU). Many managers and specialists were imprisoned, directors were fired, local party officials took over management, and some executions took place. Managers from the Donbass region reported that over half of their specialists were in prison. After the disastrous effects on production of the campaign against wreckers became apparent in 1930, the Politburo took steps to stop the campaign. The new minister of Heavy Industry (Ordzhonikidze), an early supporter of the purge, delivered at a conference of January–February, 1931, attended by Stalin, a strong report strengthening management and stating that the mass of workers had nothing to do with the wreckers.³⁵ This

34. SP30, nos. 83, 84, 85.

35. Khlevnyuk, Working Paper, p. 97.

retreat was supported by Stalin (the archives contain Stalin's marginal notes on Ordzhonikidze's draft). The Politburo adopted Stalin's instruction on January 20, 1931, to local party organizations not "to allow the removal of directors of works of all-union significance without the sanction of the Central Committee and of the Supreme Economic Council."

Ignoring clear-cut Politburo instructions, local party organizations, local militia, and OGPU officials continued their harassment of managers and specialists. In February of 1931, Ordzhonikidze received a letter from a Rostov director that the regional party organization had dismissed the factory committee and had placed its managers in the factory and turned managers and specialists over to the OGPU and courts. On March 17, the Rostov party organization was censured for breaching Politburo directives. In August, the Central Committee again had to dismiss a local party leader for substituting local party leaders for local managers. In May and June of 1931, the Politburo had to assure an accused plant director of "normal working conditions of work in the shop . . . and that the North Caucasus regional party committee would end the practice of interrogating specialists by the militia." Party organizations were not allowed to revoke, correct, or delay operative orders issued by the factory management. On June 22–23, 1931, the Central Committee convened a special meeting to address the harassment of management.

After the June meeting, the government adopted additional laws to protect managers and specialists, affirming that no director could be arrested without the agreement of the corresponding ministry. Disputes were to be referred to the Central Committee. But local party organizations still proved difficult to restrain: The Central Committee had to issue rebukes against local party interference as late as April of 1933, more than two years after the Politburo had called off the campaign against wreckers.

The Politburo's negative experience with local party organizations prompted it to centralize punitive powers in the Ministry of Interior and in the Procurator's office, the two offices that pro-

vided the venue for the Great Terror of the late 1930s.³⁶ Additionally, in 1934, as is explained in the chapters by Rees and Belova, the work of party and state control commissions was centralized and a structure was established that was supposedly independent of local organizations.

By the mid 1930s, the Politburo faced growing awareness of an additional danger of relying on local party organizations to interpret and execute planners' preferences: Local party organizations were not "honest brokers"; rather they lobbied for the interests of enterprises in their region. As noted above, timber trusts in the Gorky region felt that their 1935 production target was unrealistic. Instead of protesting to their own ministry, they solicited the support of local state and party organizations, who sent a telegram to Gosplan requesting a plan reduction, citing technical problems, distance from rivers, difficulty of floating logs down the river, and lack of horses. The meeting of the special commission formed to resolve this dispute was attended by local party officials.³⁷ The point of this example is that local party authorities were acting in the interests of local enterprises to alter a production target that had been approved by Gosplan, the timber ministry, and the Council of Ministers.

CONCLUSIONS

Planners' preferences is a misnomer. The system's preferences were formed not by the planners in Gosplan but by the political leadership in the party's Politburo. The system's preferences were not expressed only in plans; they were expressed in priorities and, perhaps most important in the 1930s, by direct interventions. We can posit two different models of the manner in which the Soviet dictator formed planners' preferences. The hierarchical model starts with the Politburo and Stalin, with distinct preferences, a

36. Khlevnyuk, "People's Commissariat," pp. 101–3.

37. On this, see Rees, "The People's Commissariat of the Timber Industry," Rees, ed., *Decision-Making*, pp. 133–34.

well-defined party line and a well-organized planning and control apparatus, which then tries to get the preferences implemented down the line to the individual enterprise.³⁸ The bargaining model starts with agents at each level of the planning hierarchy, having their own preferences, who bargain for scarce resources. The bargaining goes up to the Politburo, but is decided there not according to a well-defined party line but according to the power position of the agents. Were the economic directives of the Politburo the result of “bottom up” planning, whereby the industrial ministries proposed production plans and bargained for resources, or of “top down” planning, in which the Politburo simply dictated to the industrial ministries what they were to produce and allotted them supplies of resources?

What have we learned from the Soviet state and party archives on these matters? First, the Soviet state and party archives clearly show that, in spite of the growing Stalin dictatorship, the bargaining model was in widespread use. When economic agents protested plans, there was usually some accommodation or compromise offered. The bargaining model appears to be unavoidable in such a system, in which some of the most important leaders are held responsible for concrete results. It is noteworthy that, with a few exceptions, bargaining was over relatively small differences.

Second, the Soviet dictator did not rely exclusively on its power to set basic control figures for the economy that Gosplan would translate into concrete plans. The dictator controlled too few targets, had too small a staff, and knew of the vast potential for abuse by production organization, ranging from the large ministries headed by fellow Politburo members down to individual enterprises. The dictator tried to expand its power over resource allocation by setting priorities, which it hoped participants would follow, but this proved to be a weak form of control. The most potent means of control appeared to be interventions directly in

38. I am indebted to Hans-Juergen Wagener for this classification.

the process of resource allocation. These ad hoc interventions were disruptive to the normal planning process, but the dictator felt they were necessary, because even its most trusted agents in Gosplan were “specialists,” whose loyalty and judgment were not secure.

Third, throughout the 1930s, the dictator had a great deal of difficulty in dividing turf between itself and Gosplan; the line between policy and operations was difficult to draw, and much of the dictator's resources were dissipated in solving relatively trivial resource-allocation issues.

Fourth, the dictator learned that only the center would look after the center's interests. The industrial ministries and territorial authorities were concerned about achieving “good” results in their backyards. Even local party, secret police, and militia, which theoretically should follow the party line, were untrustworthy. The dictator's apparent inability to control local officials may require historians to rethink Stalin's blame of local officials for excesses during forced collectivization in his famous “Dizzy from Success” article in *Pravda*. Ministries hid information from the center, refused to present disaggregated targets, abused any decentralized authority offered them, and sought as much independence of action as possible. Hence, as time passed, the dictator attempted to centralize the control function—the process of monitoring the execution of the dictator's orders. Although there existed a highly formalized systems of checks and balances on the execution of the dictator's orders, it is unlikely that even formally assigned controllers would set aside their own vested interests to represent the “true” interests of the party.