

MAKING ECONOMIC POLICY

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Before the archives were opened we already knew a great deal about Soviet economic policy. Eugène Zaleski meticulously examined the published sources in order to trace the relationship between plans and their outcome; he established many significant patterns.¹ David Granick and Joseph Berliner, using newspaper reports and émigré interviews, showed how factory managers, while broadly carrying out the plans of the central authorities, achieved an autonomy of action that the authorities tolerated.²

In a further study, Granick showed that the Soviet makers of economic policy had always sought—without much success—to incorporate an “economic accounting” subsystem within the centralized system of physical planning. In the subsystem economic incentives, including profits, were designed so as to reinforce planning in physical terms.³ It was common ground among students

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1. E. Zaleski, *Stalinist Planning for Economic Growth, 1933–1952* (Chapel Hill: University of North Carolina Press, 1980).

2. D. Granick, *Management of the Industrial Firm in the USSR* (New York: Columbia University Press, 1954); J. Berliner, *Factory and Manager in the USSR* (Cambridge, Mass.: Harvard University Press, 1957).

3. D. Granick, *Soviet Metal-Fabricating and Economic Development: Policy and Practice* (Madison: University of Wisconsin Press, 1967).

of the Soviet economy that “market (or quasi-market) elements” were essential to the operation of the system. The labor market was relatively free with the important exception of the forced-labor sector (see Khlevnyuk’s chapter). The consumer had some freedom of choice in purchasing goods on the retail market. On the peasant market (the so-called “collective-farm market”) prices were formed by supply and demand. These official arrangements were supplemented by various black and gray markets, the importance of which to the economy was (and still is) a matter of controversy.

The published material also provided tantalizing glimpses of attempts by economic advisers to increase the flexibility of the system by enhancing the role of prices and profits. In 1932–33 a particularly interesting development took place in the People’s Commissariat of Heavy Industry. Supported by People’s Commissar and Politburo member Sergo Ordzhonikidze, leading officials in the commissariat sought to make radical reforms in the price system and to abandon or significantly modify the centralized allocation of materials and machinery by introducing a kind of market for these goods. Some of Ordzhonikidze’s officials, notably the journalist Birbraer, advocated even more drastic changes in the system, including the replacement of investment grants by long-term interest-bearing loans. But the reforms were abandoned and the editor of the newspaper in which Birbraer expressed his views was dismissed (we now know that the Politburo issued the dismissal order).⁴

However, without the archives many aspects of economic policy were in darkness. Nearly all the activities of some important sectors of the economy, including defense and forced labor, were classified as top secret (see the chapters by Harrison and Khlevnyuk). Moreover, most top-level decisions on the economy were

4. R. W. Davies, “The Socialist Market: A Debate in Soviet Industry, 1932–33,” *Slavic Review* 42 (1984): 202–23; for the Politburo decision, see RGASPI (Russian State Archive of Contemporary History), f. 17. op. 3, d. 919, l. 2 (April 4, 1933).

classified “for official use only” or “secret.” All Politburo decisions were classified as secret, and the most important were classified as the particularly secret “special files” (*osobyie papki*). The decisions of the Council of People’s Commissars (Sovnarkom) were less restricted. Between 1930 and 1941, as many as 3,990 decrees of Sovnarkom and its main economic committee were published. We naïvely thought that this included a high proportion of the total. We now know that the total number of decrees issued in these years was 32,415. Most of these were “for official use only,” and over 5,000 (considerably more than the total number of published decrees) were “top secret” (the equivalent of the “special papers” of the Politburo), and were available only to a handful of top officials.⁵

A trickle of archival files concerned with economic policy became available in the 1980s, and the trickle turned into a flood after the fall of Communism in 1991. The “normal” Politburo decisions have been declassified for the whole Stalin period, and the special files up to 1934. All the decrees of Sovnarkom are available for the whole of the 1920s and 1930s. Western and Russian historians and archivists are preparing machine-readable indexes to all these materials, and to Stalin’s appointments diary. Most of the decisions are concerned with economic questions. It will soon be possible to analyze the changing pattern of the economic decisions of the Soviet state in a degree of detail perhaps not possible for any other country over so long a period.

In spite of its bulk, the new evidence takes us only part of the way toward an understanding of the making of economic policy. The proceedings as distinct from the decisions of the Politburo and Sovnarkom were recorded only very occasionally, and disagreements almost never. However, a great deal of information can be obtained from the correspondence between Politburo members that is available in their personal files, and from the letters and secret telegrams exchanged between Stalin and his deputy

5. I am grateful to Derek Watson for supplying these numbers.

Kaganovich during Stalin's lengthy vacation periods in 1931–1936. Moreover, the archives of Sovnarkom, Gosplan, and other economic agencies contain numerous memoranda sent by People's Commissars and leading economic officials to the Politburo or to Stalin and Molotov.

The new information has not brought about a revolution in our understanding of the Soviet economic system. Our research today needs to draw on the work of Zaleski, Granick, and others: Some historians not familiar with this earlier work have wasted a great deal of time rediscovering the wheel. But our understanding has been modified in several important respects.

DIVISIONS AND DISAGREEMENTS IN THE POLITBURO

We now have a clearer picture of the relationship between Politburo members, and of the role of Stalin in the Politburo. The claim by Western historians to have detected major divisions about policy among the members of the Politburo cannot be sustained (see chapter by Rees).⁶ Oleg Khlevnyuk has shown that the main disagreements about economic policy followed different lines. On the one hand, Politburo members responsible for major sectors of the economy sought more resources for their sector. They included Ordzhonikidze (in charge of heavy industry), Voroshilov (in charge of defense), and Kaganovich (when he was responsible for the railways). In contrast, Molotov, as chairman of Sovnarkom, and Kuibyshev, in charge of Gosplan, by virtue of their positions sought to achieve a more balanced economy and tried to restrain these demands. Stalin acted as arbiter, though on a number of occasions supported more rapid growth.

The case of investment planning clearly reveals this type of division within the Politburo. In the years 1933–1935, in spite of the clamor of industry and the other government departments for more investment, Molotov, with Stalin's support, succeeded in

6. For an example of this view, see S. Fitzpatrick, *The Russian Revolution* (Oxford: Oxford University Press, 1982), pp. 143–44.

limiting the growth of investment to moderate levels. But the Politburo decisions on the investment plan for 1936, made in the second half of 1935, were a major shift toward more ambitious planning.

On July 19 Mezhlauk, head of the State Planning Commission, proposed an extremely modest investment plan for 1936, a reduction of nearly 30 percent as compared with 1935. In a memorandum of July 26, 1935, to Stalin and to the deputy head of Sovnarkom, Mezhlauk stated that an investment plan of this size would make it possible to achieve a budget surplus of 2,000 million rubles, and to set aside a reserve of about 10,000 million rubles for price reduction.⁷

The plan was discussed at a series of conferences in the party central committee between July 21 and 28. Molotov, chairman of Sovnarkom, was away, and Stalin was the central figure. On July 21 he wrote to Molotov that Mezhlauk had that day presented a memorandum proposing that investment should amount to 19 milliard (19,000 million) rubles, but instead "I proposed a figure of 22 milliard."⁸ Four days later Molotov, who was as usual on the side of caution, replied, "It is possible and necessary" to keep to the figure of 22 milliard: "I consider it extremely undesirable to increase the construction program above 22 milliard rubles. I am guided in this by the desire to strengthen the ruble and also to reduce the cost of construction."⁹ But Stalin did not agree. A few days later he reported to Molotov that after a further meeting the plan had been increased to 27 milliard rubles (which would be reduced to 25 milliard if construction costs were reduced as planned):

22mld was not enough, and, as can be seen, could not be enough. The increase in school building (+760 mil), light industry, timber,

7. GARF (State Archive of the Russian Federation), f. 5446, op. 26, d. 66, l. 266.

8. *Pis'ma I.V. Stalina V.M. Molotovu* (Moscow: Molodaia Rossiia, 1995), pp. 249–50.

9. APRF, f. 45, op. 1, d. 769, ll. 159–60.

food industry, and local industry (+900 mln rub and more), in defense (+1 mld 100 mln), in health, on the Moscow canal project and other items (over 400 mil r) determined the physiognomy and size of the control figures for 1936.¹⁰

On the day on which Stalin wrote this letter, the increased plan was promulgated in a Sovnarkom decree. In the final letter in this sequence, dated August 2, Molotov replied, grudgingly accepting the *fait accompli*: “I would have preferred a smaller amount of capital construction, but I think that we shall cope if we put our shoulders to the wheel (*ponatuzhivshis'*) even with the approved plan of 25 mld r. . . . The possibility of increasing industrial production by 23–22% favors this outcome.”¹¹ This was by no means the end of the matter. Further major increases were made in the plan in December 1935 and after, in response to pressure from defense, heavy industry, and the other economic commissariats. The final plan reached 35 milliard rubles.

The published version of the 1936 plan, prepared by Gosplan, made a virtue of the investment expansion imposed on Gosplan from above. A year previously, the 1935 plan stated that the “stabilization of the volume of finance for construction in comparison with 1934 corresponds to the tasks of 1935: the further strengthening of the ruble, the development of trade, and the reduction of prices.”¹² But the 1936 plan proclaimed that “capital investment in 1936 alone amounts to 50% of total investment in the first three years of the second five-year plan”; “1936 is a year of the tremendous growth of construction.”¹³

Thus the course of the discussion about investment reveals the efforts of the commissariats to increase investment, the struggle of Molotov as chairman of Sovnarkom and Mezhlauk as head of

10. *Pis'ma Stalina Molotovu*, p. 251.

11. APRE, f. 45, op. 1, d. 769, ll. 162–63.

12. *Narodno-khozyaistvennyi plan na 1935 god* (2d ed, Moscow, 1935), p. 301.

13. *Narodno-khozyaistvennyi plan na 1936 god* (Moscow, 1936), pp. 269, 280.

Gosplan to restrain the growth of investment, and the decisive role of Stalin.

Although there were no policy *groups* within the Politburo some of its members sought to moderate Stalin's turn to more savage policies of repression. In 1932, for example, Stalin proposed to the Politburo the notorious law of August 7, which imposed the death penalty or a minimum of ten years' imprisonment for the theft of collective-farm property, including grain ripening in the fields. Kaganovich reported in a letter to Stalin that at the Politburo an unnamed member expressed "doubts and even objections" to this proposal, and together with another member criticized other aspects of the proposed law.¹⁴ And the archives confirm, as historians have long surmised, that in 1936 Ordzhonikidze sought, in the months before his suicide, to moderate the repressive actions by Stalin and the NKVD against industrial managers and senior officials.¹⁵

The above examples illustrate another important aspect of the operation of the Politburo: the role of Stalin. There is a wealth of evidence in the archives that even in the early 1930s Stalin was able to impose his own views on the Politburo. But in those years the top leaders frequently argued about economic policy at Politburo meetings. During the decade the role of the Politburo as a forum for policy arguments inexorably declined (see chapter by Rees). The Great Purge of 1936–1938 resulted in a further sharp decline in the significance of the Politburo as a collective body, and consolidated Stalin's position as a tyrant.

THE SCOPE OF POLITBURO DECISIONS

Stalin's overwhelming authority, even after the 1936–1938 purges, did not, however, mean that he personally managed every

14. This is a rough handwritten draft preserved in the Kaganovich family archives.

15. See R. W. Davies, O. Khlevnyuk, E. A. Rees, L. Kosheleva, and L. Rogovaya, eds., *The Stalin-Kaganovich Correspondence, 1931–1936* (New Haven, Conn.: Yale University Press, forthcoming).

aspect of economic policy. Like other dictators, he lacked the time, the knowledge, and the interest to behave as a universal decision maker. The archives show that, although Stalin was actively involved in a large number of Politburo decisions, he left many important matters to be settled by other members of the Politburo, or at a lower level. For example: In September 1931 he wrote to Kaganovich about an important wage reform: "I haven't read the resolution on wages in metal and coal. Tell Postyshev I am voting *for* them on trust." And in September 1933 he told Kaganovich that he did not intend to read the draft decree on a major reform of factory technical schools. More generally, Stalin and the Politburo largely left industrial projects and issues in the hands of the redoubtable Ordzhonikidze, and Stalin interfered in industry only when he thought things were going wrong, or that Ordzhonikidze was exceeding his prerogatives.

But certain issues were considered by the Politburo, and by Stalin personally, in considerable detail. Throughout 1930 to 1936, they took decisions on the grain collections and examined their progress, region by region, month by month, and even every five days. The powerful Defense Commission regularly discussed major weapons in quite specific terms; in this commission, attached jointly to the Politburo and Sovnarkom, Stalin was very active. The Politburo approved annual and quarterly economic plans, which included many specific targets for particular products, given in physical terms.

On the other hand, the allocation of products between different sectors was usually decided at a lower level, by Gosplan and the People's Commissariats (trucks and tractors were sometimes an exception). And the crucial decisions about the level of capital investment and its allocation between sectors were normally made in terms of rubles, not in terms of the labor, building materials, and capital equipment that were the physical embodiment of these monetary allocations.

PRESSURE AND PERSUASION

Stalin's power was circumscribed in other important respects. He was not immune to pressure and persuasion from Politburo members, or from society at large.

The grain collection campaigns provide an instructive illustration of the pressures brought to bear on Stalin and the Politburo and how they operated. The grain plans approved by the Politburo were designed to squeeze as much grain as possible from the peasants to feed the growing towns, and for export. Before the archives were opened, some historians believed that these grain plans, with few exceptions, were fixed magnitudes to which Stalin obstinately adhered irrespective of the size of the harvest and the sufferings of the peasants. We now know that Stalin often gave way in face of the memoranda with which regional and district party officials bombarded the Politburo. These presented the case for reducing the grain plans and supplying more food to the peasants, fiercely and in detail. A verbatim report of a plenum (plenary meeting) of the party central committee on October 31, 1931, records that at this meeting the grain collections were the subject of a sharp clash between the Moscow Politburo and regional leaders. Khataevich, party secretary of the Central Volga region, frankly stated that his region could not reach its target of 100 million puds (1.638 million tons). He complained that "the collective farmer will not eat his fill," echoing the famous remark of Vyshnegradsky, a tsarist minister of finance, that "we shall not eat our fill but we shall export." Ptukha, the Lower Volga secretary, insisted that the grain yield in his region was far lower than in the previous year. He was rudely attacked by Stalin and Molotov, but he went on to point out that grain collections had met with "considerable opposition" from collective farmers and had now virtually ceased in the region: "Like Comrade Khataevich, I must declare directly at this plenum that in view of the bad harvest resulting from the drought in the Lower Volga we cannot

fulfill the plan issued to us.” He requested that the plan should be reduced from 120 million puds (1.97 million tons) to 85 million, 12 million less than in the previous year.¹⁶

Following this unexpected stand by prominent regional secretaries, Stalin made an unprecedented proposal:

Stalin. It will be necessary to call together all the secretaries of the regions collecting grain. We must agree when to meet, three or four?

Voices. At three. At four.

Stalin. We will finish the question in an hour or even less.

Voices. At three.

Stalin. At three. All secretaries of all regions collecting grain.¹⁷

The meeting with the regional secretaries duly took place, and at the evening session of the plenum Mikoyan, who was in charge of the grain collections, reported a substantial concession. The Politburo had listened to all the regional secretaries and had agreed to reduce the plans of some regions by 123 million puds (2,015,000 tons) and increase others by 30 million (491,000 tons).¹⁸ The resolution presented to the plenum showed that the quotas for the two Volga regions, and for the Urals, Siberia, and Kazakhstan had been substantially reduced.¹⁹

In his statement Mikoyan insisted: “No further re-examinations, no discussions, every area is obliged to carry out in full the approved plan.”²⁰ But this did not end the rebellion at the plenum. When the new quotas were read out, the secretary for Kazakhstan objected, and was sharply rebuffed by Mikoyan:

Goloshchekin. In any case, I must say that 55 million [900,000 tons] is impossible.

Mikoyan. Comrade Goloshchekin, I have read out to you an official

16. RGASPI, f. 17, op. 2, d. 484, ll. 54, 55, 55ob.

17. RGASPI, f. 17, op. 2, d. 481, l. 123; this is a typed version.

18. RGASPI, f. 17, op. 2, d. 484, l. 61.

19. The Central Volga asked for 57–58, or at best 77–78, and got 78; the Lower Volga asked for 85 and got 88.

20. RGASPI, f. 17, op. 2, d. 484, l. 61.

document, a decision of the Politburo, 55 million without rice. This is absolutely precise, and I don't know why you are confusing things.²¹

In the following year, 1932, in the course of similar disputes, a number of piecemeal Politburo decisions again reduced the grain collection plan. The initial quota for Ukraine was already lower than in 1931, and three separate Politburo decisions reduced it by a further 35 percent; it was referred to in the secret discussions about quotas as "the thrice-reduced already reduced plan." These cuts, though substantial, were insufficient to avoid the onset of severe famine in the spring of 1933. At the beginning of 1933 the Politburo insisted that no further allocations of food grain or of grain for seed would be issued to the countryside as aid or loans. But in practice, between February 7 and July 20 it issued no fewer than thirty-five separate decisions allocating small amounts of grain for food to the rural population of the distressed regions, and a further thirteen decisions allocating much larger amounts of grain for seed.²²

Nearly all these decisions were classified as top secret in the special files, and until now have not been known to historians. This new evidence does not excuse Stalin and the Politburo from their responsibility for the terrible famine of 1933, but it does show a Politburo that in making agricultural policy was harassed and somewhat uncertain as well as obstinate and repressive, and was afraid that the provision of more grain to the starving countryside would lead to starvation in the towns and the collapse of the industrialization program.

We have seen from the case of investment planning that in the nonagricultural sectors of the economy, the main centers of influence on Stalin and the Politburo were the People's Commissars, the heads of Gosplan and other government departments,

21. Ibid.

22. These developments will be described in R. W. Davies and S. G. Wheatcroft, *The Years of Hunger: Soviet Agriculture, 1931–1933* (London: Macmillan, forthcoming).

and their senior officials. Every aspect of economic policy was involved. The heads of government departments bombarded Stalin, Molotov, and the Politburo with memoranda both demanding more resources and proposing changes in the economic system.

One striking manifestation of this pressure was the stubborn struggle of the People's Commissariat for Finance and the State Bank to curb inflation and stabilize Soviet finance. Stalin himself, after a short period at the end of the 1920s when he encouraged inflation, spoke out publicly in favor of the stability of the ruble. Before the opening of the archives Western historians and economists, recognizing that the Soviet authorities paid serious attention to the need for financial stability, had examined the Soviet financial system quite thoroughly.²³ We understood that Soviet economic policy resembled the "stop-go" of Western Europe in the 1950s and 1960s. The effort to combine economic expansion and financial stability resulted in a moderate but varying rate of inflation.

But we did not appreciate the extent to which from the early 1930s onward the People's Commissariat for Finance and the State Bank had resumed an active role as stalwart defenders of sound finance, in spite of the thorough purge of financially conservative "bourgeois specialists" which had decimated these government departments in 1929–30. The story of the role of Pyatakov in the State Bank is most illuminating. Pyatakov, formerly a prominent Trotskyist and always an advocate of rapid industrialization, was appointed director of the bank in April 1929. Under his auspices a credit reform was launched which immediately resulted in a rapid expansion of the currency. He was dismissed in October 1930, and his successors switched to a policy of credit restriction.

23. See: A. Z. Arnold, *Banks, Credit, and Money in Soviet Russia* (New York: Columbia University Press, 1937); F. Holzman, *Soviet Taxation: The Fiscal and Monetary Problems of a Planned Economy* (Cambridge, Mass.: Harvard University Press, 1955); R. W. Davies, *The Development of the Soviet Budgetary System* (Cambridge: Cambridge University Press, 1958).

Historians assumed that his dismissal was an implicit condemnation of his inflationary policies.²⁴ But behind the scenes, Pyatakov, on July 19, 1930, had addressed a long memorandum to Stalin pointing out the dangers of inflation. He noted that the rate of increase in currency circulation had been accelerating in each successive year. Insisting that “we are approaching the moment when currency circulation has already entered a sick phase and cannot take on any further burden,” he set out a 21-point program for containing inflation.²⁵ Stalin, indignant at Pyatakov’s turnabout, castigated him in a letter to Molotov as a “rightist Trotskyist,” but quickly adopted a number of his policy suggestions without acknowledgment. The State Bank had acted as if it had a life of its own, rapidly converting Pyatakov to its traditional policies.

In the years 1934–1936 the case for stable finance and for a greater role for prices and profits was strongly urged on the Politburo by Mar’yasin, director of the State Bank, and Veitser, people’s commissar for internal trade. They were generally supported by Grin’ko, the people’s commissar for finance. In 1934, Mar’yasin sent a series of memoranda to Stalin and Molotov calling for increases in retail prices that would enable the abolition of the rationing of food and consumer goods, and officials in Veitser’s commissariat called for the revival of competition in retail trade, suggesting, for example, that the small bakeries that flourished before the revolution and during the 1920s should be reopened in order to encourage improved quality and variety in bread products. At the end of 1934 Stalin personally decided that bread rationing could be abolished, obviously influenced by the arguments of these commissariats. In an unpublished address to a plenum of the party central committee, he condemned low ration prices as “not a price but a gift to the working class” and insisted that as a result of the abolition of rationing “the tastes, requirements, and

24. See, e.g., R. W. Davies, *The Soviet Economy in Turmoil, 1929–1930* (London: Macmillan, 1986), p. 431.

25. RGASPI, f. 85, op. 27, d. 397, ll. 2–7.

wishes of particular areas and individual consumers will have to be taken into account by our trading organizations.”²⁶

The years in which the rationing of food and consumer goods was abolished, 1935 and 1936, also saw important changes in the price system within industry. In 1935 the “fixed 1926/27 prices” in which the growth of production was measured were made more realistic. From April 1, 1936, current industrial prices were drastically reformed. Most of the subsidies on the output of heavy industry were abolished, and the prices paid for its output were increased so that they were much closer to the cost of production. The files of Gosplan and the central statistical agency contain many informative documents in which these changes are thrashed out.²⁷

Simultaneously, economic officials advocated more drastic reforms in the economic system. I described above the proposals by Birbraer and others, which were openly discussed in the industrial press. What we did not know before the opening of the archives was that equally radical reforms were supported by some heads of government departments. No coherent or systematic variant of the established system was proposed. As the experience with Birbraer demonstrated, such an exercise would have been castigated as right wing or counterrevolutionary. Instead, different sections of the administrative structure advocated improvements in the sphere for which they were responsible. We do not know how far, if at all, the proponents of the reform tacitly shared a common view of what kind of economic system was required, but several proposals by prominent officials were intended to strengthen the role of costs, profits, and prices in the economy, thus providing greater opportunities for economic units to take their own decisions within the framework of the national plan. The support by

26. See O. Khlevnyuk and R. W. Davies, “The End of Rationing in the Soviet Union, 1934–1935,” *Europe-Asia Studies* 51 (1999): 564–76.

27. See M. Harrison, “Prices, Planners, and Producers: An Agency Problem in Soviet Industry, 1928–1950,” *The Journal of Economic History* 58 (1998): 1032–62.

the People's Commissariat for Finance and the State Bank for the abolition of rationing, and the price reforms supported by Gosplan, all worked in this direction.

The most striking of the more radical reforms were proposed by Mar'yasin of the State Bank. At the beginning of 1935 he sent memoranda to Molotov urging the replacement of the universal tax on turnover by excises restricted to certain consumer goods: tobacco, vodka, kerosene, matches, sugar, salt, galoshes, and (for the time being) bread. The turnover tax on other goods would be replaced by a profits tax. This amounted to a return to the taxation arrangements of the 1920s: The goods proposed were mainly those subject to excises before 1930. Mar'yasin also proposed that "relations between wholesale and retail trading agencies should be established on the principle of commercial credit," in place of the present arrangement that all credit was centrally authorized and supplied by the State Bank.²⁸ This proposal also involved a partial return to the financial system of the 1920s.

These attempts to reform the system were brought to a halt by the purges of 1936–1938. In every government department a large number of senior officials were dismissed, arrested, and often executed. In the State Bank, Mar'yasin was arrested in July 1936 and was subsequently executed. The purges affected its whole staff. On July 26, 1937, Mar'yasin's successor, S. Kruglikov, in a memorandum to Stalin and Molotov, justified a drastic purge on the grounds that the staff of the bank had been appointed by Mar'yasin and his predecessors Sheinman, Pyatakov, and Kalmanovich (Sheinman was in Britain and did not return; Pyatakov had already been executed, and Kalmanovich was in prison):

It is not merely [Kruglikov wrote] that 250 of the 1,000 staff of the board of the State Bank are to be removed: *half of the staff concerned with credit are being dismissed*. In most of the agencies con-

28. GARF, f. 5446, op. 26, d. 66, ll. 373–70 (not dated [early 1935]); *ibid.*, ll. 25–18 (dated April 1, 1935).

cerned with credit the department heads, their deputies and the officials directly concerned with providing credit for the main branches of the economy are to be removed—i.e., almost the whole basic staff of the officials of the credit agencies.

All the heads of the credit departments are to be dismissed, except two.²⁹

Kruglikov was himself arrested on September 11. His successor, Grichmanov, in his turn wrote to Stalin, Molotov, and Molotov's deputy explaining that a number of Kruglikov's new appointments had been dismissed and arrested, and would need to be replaced.³⁰ In July 1938 Grichmanov was arrested—the third director of the bank to be arrested in two years. This grim upheaval in the personnel of the State Bank did not cease until after the appointment of Bulganin as its director in October 1938.

The purges of 1936–1938 removed most of a generation of talented economic officials. The new generation had a much weaker understanding of economics and were much more inclined to take the existing system for granted. But the impetus to reform did not die out. G. I. Smirnov was briefly head of Gosplan from February to October 1937 (he was then arrested); even at this time, in the midst of the purges, he addressed a memorandum to Sovnarkom castigating the manner in which fixed 1926/27 prices for new kinds of output were set.³¹ Even more remarkably, in 1940 the State Bank, in spite of the drastic change in its staff, again proposed a radical credit reform. The proposals, like Mar'yasin's in 1935, turned on the restoration of commercial credit, and even specifically suggested the revival of the bills of exchange widely used in the 1920s. According to the People's Commissar for Finance, who opposed the reform, it was supported by several Politburo members. But Stalin personally rejected the crucial pro-

29. *Ibid.*, d. 86, ll. 94–90.

30. *Ibid.*, ll. 48–38 (dated October 11).

31. *Ibid.*, ll. 3–5. A similar document was issued by the commission for 1926/27 prices early in 1938; (see Harrison, "Prices, Planners, and Producers," pp. 1055–56.)

posals about commercial credit as a return to a past stage, and it was duly rejected.³²

The Soviet authorities did not, however, reject all proposals for reform in the immediate prewar years. Following a period in which far more severe laws regulating labor discipline were introduced and applied, in the months before the German invasion in June 1941 the Soviet government devoted much more attention to economic incentives and questions of profitability. These developments of 1940–41 remain to be investigated.

Even during World War II the pre-purge effort to modify the rigid structure of the economic system was resumed within the People's Commissariat for Finance. Some of the background to the currency reform of 1947 had long been known from the autobiography of Minister of Finance Zverev. Zverev, a former textile worker educated in the Soviet period, was, like Bulganin, appointed in the aftermath of the purges. According to Zverev, in December 1943 Stalin unexpectedly rang him up and talked with him for forty minutes about the future currency reform. "At this stage in the preparation of the reform, of all the staff of the People's Commissariat for Finance, I alone knew about it; I carried out all the preliminary work, including very complicated calculations."³³

We now know from the archives that this is by no means the whole story. Zverev fails to mention that he had consulted D'yachenko, an official in the commissariat since 1929. On December 31, 1943, D'yachenko sent Zverev a 155-page typed memorandum, "Questions of Currency Reform."³⁴ The interest of this document is not merely that it reveals that People's Commissars

32. This is the account by the People's Commissar for Finance, A. G. Zverev, in his biography, *Zapiski ministra* (Moscow, 1973), pp. 184–86; some less important proposals were approved in spite of Zverev's opposition. The archival files on these events have not yet been traced.

33. Ibid., pp. 231–33.

34. RGAE (Russian State Archives for the Economy), f. 7733, op. 26, d. 1577, ll. 278–123. A handwritten note on the first page reads: "The top copy has been sent to A. G. Zverev."

depended on their senior officials even when they purported not to do so, and that sometimes these officials were among the few remaining from the pre-purge period. The document is particularly remarkable because it includes a lengthy and far-reaching criticism of the price system, and radical proposals for its reform.³⁵

A more cautious version of D'yachenko's proposals was put into effect two years after the currency reform, in 1949–50. By this time even more radical proposals emanating from elsewhere in the Ministry of Finance had suffered a worse fate (People's Commissariats were renamed Ministries in 1946). The head of the tax department, a certain Mar'yakhin (not to be confused with Mar'yasin), proposed a radical increase in the range of goods that individual artisans should be permitted to manufacture and to sell at market prices. This proposal, and the arrangements for taxing this production, was supported by Uryupin, deputy minister of finance, and was partly put into effect without the agreement of the authorities above the ministerial level. But in November 1947 Mekhlis, minister of state control, notorious for his political orthodoxy, sent a memorandum to Stalin criticizing the Ministry for encouraging privateers. In April 1948 Mar'yakhin was rebuked and Uryupin received an official rebuke.³⁶

One important reservation should be made about all these efforts of senior officials to modify economic policy and the eco-

35. D'yachenko argued that the prices of capital goods should be substantially increased and that the subsidies to these industries should be abolished: "All industries and *every* kind of output should make a *stable* profit." Moreover (and this proposal went further than those made in Gosplan in the mid-1930s), the capital stock in all branches of the economy should be revalued on the basis of these higher prices, and the amount allocated to depreciation as part of the cost of production should be increased accordingly. D'yachenko's proposals about the retail prices of consumer goods were equally far-reaching, if somewhat imprecise: He called for "a stable relation between supply and demand." The prices to the consumer of high-quality and fashionable goods should be increased. This would avoid the situation before the war, when "purchasers refused to buy low-grade textiles, while fine woolen textiles . . . were sold out."

36. See the account by Julie Hessler, based on Ministry of Finance archives, in *Slavic Review* 57 (1998): 525–31.

conomic system. All the memoranda I have described were circulated only to a very narrow group of persons: The principle of “need to know” was applied with great rigor. A typical memorandum by Mar’yasin would be sent only to Stalin and Molotov. If Molotov decided to circulate it more widely, the number of persons reviewing it was still greatly restricted.³⁷ Such memoranda were usually not distributed even to all the members of the Politburo. We do not know how far they were known to the senior staff of the State Bank or the People’s Commissariat for Finance. And we have hardly begun to answer the question of how far the proposals of the regional party secretaries and the heads of government departments were influenced by pressures from society at large. But it is certain that all discussion of them was extremely restricted. This situation contrasts sharply with the very wide range of discussion about policy that was characteristic of the 1920s.

CONCLUSIONS

The study of the Soviet state and party archives enables a much fuller understanding of how policy was formed. Although Stalin’s grasp on power was increasing to the point of a personal dictatorship, Stalin was influenced by others, even on the most important policy issues of the day, such as grain collections and investment. The Politburo continued to be the venue for policy debates until the mid-1930s, with Stalin as the ultimate decision maker. Moreover, bold reform proposals were made in the early and mid-1930s, and even after the Great Purge.

This account of Soviet policy making has shown the strong impetus to reform within the system, which passed on from generation to generation of Soviet officials. These reform proposals were largely withheld from public view. Many of the reform ideas of the 1930s resurfaced in the late 1950s and early 1960s, when

37. For example, a Mar’yasin memorandum of January 2, 1936, was sent on only to Kuibyshev, Chubar, Rudzutak, Mezhlauk, and Grin’ko.

the post-Stalin leadership permitted public discussion of reform. In most cases such proposals resulted in significant but rather secondary modifications to the system. In Stalin's time Stalin personally, with the acquiescence or agreement of the rest of the Politburo, blocked all major reforms. It is tempting to conclude that a more flexible political system would have led to more flexible economic policies, and a more flexible system. Others would argue that the proposed reforms would have weakened the command economy without providing a better alternative, that Stalin was right to believe that radical reforms would disrupt Soviet socialism. This is one of the major issues about the economies of the twentieth century that cannot be resolved by the archives. But the archives are providing us with rich material on which to base our judgments.