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WHY A SHORTAGE
of CONSUMER GOODS
in the SOVIET UNION?

(A Brief Analysis)

by

NICHOLAS L. CZYROWSKI

WASHINGTON IRVING PUBLISHING COMPANY

Newark, N. J.

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PREFACE

Dr. Nicholas Czyrowski makes a very telling indictment of the ruthlessness of the Communist leaders against the mass of their own peoples with this expose of their willful and studied program to cause a dirth of consumer goods, even those considered essential for everyday life.

He also gives us an insight in the warped and false mysticism of Communist ideals: to bring about the perfect classless society, the rule of the proletariat, the ideal Communist state—where, theoretically, everyone contributes according to his capacities and everyone receives according to his needs (in itself a most Christian ideal)—no sacrifice is too great, no suffering is too hard, no means too vile. Intermediary and imperfect stages toward the achievement of the final goal are acceptable and to be used: deceiving even their own trusted followers is not beyond their scope. In a perverted sense of abnegation, it becomes permissible to violate every law of nature and of God, to desecrate every right of man and every facet of his personality, to imprison, torture and massacre millions of innocent in order to fulfill the supreme aims of Communism.

The author, in his penetrating analysis of the subject, allows us again to glimpse in another dark recess of the Communist mind: the secret yearning of the Russian nationalists to establish a Russian empire over the world and to use Communism as the tool toward that end.

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1. *Introduction*

There is now and always has been a drastic shortage of consumer goods in the Soviet Union. This significant fact has been attested to by various publications, numerous statements, and informative reports echoed many years ago, as well as those currently made by former Soviet citizens, foreign visitors, and especially refugees from the U.S.S.R. who have recently arrived in the United States. This tragic situation regarding the Soviet consumer market received important attention not too long ago from two top Soviet leaders. First, G. M. Malenkov, the Prime Minister of the Soviet Union, indicated in his message to the U.S.S.R. Supreme Council, in September 1953, that there existed a completely inadequate situation in various areas of the Soviet economy. He further stated that there is particularly an insufficient supply of consumer necessities for the vast population, and he promised actions toward improvement. This type of statement dealing with the deficiency of the Communist collective economy has been rarely officially uttered by leading personalities of the Soviet Union. Oddly enough, this deficiency took place in the Communist country that claims to have established a superior economic system.

Then Nikita Khrushchov, an outstanding expert on Soviet collectivization of farms and other aspects of Soviet agriculture, and presently a top party official, promised some concessions to private initiative

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and to small private property holders in order to relieve the misery of the agricultural population.

What is the reason that the citizens of such a tremendous and economically rich area suffered and continue to suffer from the fatal lack of living necessities? The answer to this question is both easy and difficult. The scarcity of consumer goods in the Soviet Union is due simply to the fact that the Communist government ignored the production and market supply of proper quantities of living necessities, because, in its opinion, it had other more vital economic problems to overcome. This is really the core of the answer.

The Soviet Union's collective economic system, being entirely subject to the Communo-Bolshevist political doctrine, disregarded the production of consumer goods and necessities as well as the proper domestic market balance between supply and demand of consumer goods. Instead, they placed a definite emphasis on the output of producer goods and war materials. This one-sided tendency of the Soviet planned economy has been confirmed at times voluntarily, intentionally and directly, and at other times involuntarily, unconsciously and indirectly by numerous statements of Soviet high officials and by various articles in official Soviet newspapers like *Pravda*, *Izvestia*, and *Krasnaia Zvezda*. However, it was confirmed most officially by purposes stated in the first, third, and fourth Five Year Plans.

Thus far, the answer has been simple. But the more

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difficult part of the answer is addressed to the more complex question: Why did Stalin's government neglect consumer goods, but instead devoted its attention to producer goods, heavy industry, war production, and other economic activities having military significance only? The answer requires an analytical approach to the Soviet Union and its political system.

The Soviet Union has undergone certain fundamental and deep changes since Joseph Stalin's death. New leaders have appeared; perhaps new trends have been set in motion. In any event, on the basis of the recent Soviet statements it is interesting to ponder the future of the Soviet consumer market. Let us analyze the whole problem systematically and proceed by some application of historical interpretation.

2. Political Background

The first attempts to realize the Marxian ideal of Communism during the early years of the Communist government in Russia, following the October Revolution of 1917, brought disappointment to the Communist leaders.¹ It was proved in the Soviet Union that it is impossible to destroy old conservative institutions (especially in the field of economic life) and to establish an entirely new and unusual system overnight simply by means of a few legislative acts and administrative measures. According to the Soviet leaders, the first experiments of full Communism

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were unsuccessful, due to the fact that they were introduced too quickly. Nevertheless, these experiments provided the Communists with some essential first-hand knowledge regarding the realization of collectivist economy. First of all, they learned that even the most revolutionary Communists must adjust themselves to time-consuming evolutionary measures and that the world cannot be changed in the course of twenty-four hours. Secondly, they became convinced by their early failures that Marx was quite right in saying that first socialism and the dictatorship of the proletariat must re-educate the society before the classless and stateless full Communism could be achieved. Thirdly, they learned that the counter-revolutionary forces were still around and represented a serious threat to the success of Communism.

Thus, their ambitions were somewhat curtailed, and the Soviet Government announced to its peoples and the world that the period of socialism had begun with the final aim to prepare for the introduction of full Communism and its promise of paradise on earth. Furthermore, it was announced that the idea of a Communist society is so highly elevated that it is worthy of any sacrifices.* Therefore, in order to aid the Soviet society in becoming accustomed to the economic measures necessary, and in order to uncover all anti-Communist elements, the Soviet Government introduced the so-called New Economic Policy (NEP) in 1921. It was necessary for the Soviets to

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bring out into the open all "Capitalist" residues in order to break down their resistance and opposition to the collectivist and planned forms of the economy.

The era of the New Economic Policy is known as a period of considerable concessions made by the Bolshevik regime to private initiative and free enterprise in the Soviet Union between 1921-1928. Enjoying the opportunities of relative economic and national freedom under the NEP, all the so-called "Capitalistically" and anti-Communist-minded elements became more active and were thus more easily uncovered by the Government. The way to liquidate all hostile forces was made smooth.

However, the period of the NEP generated some other developments inimical to the eventual realization of the Communist doctrine. Hence the NEP became greatly responsible for the further events and over-all measures that later took place in the Soviet Union. The bloody practices of the "War-Communism" of the years 1917-1921 were, for a considerable part, discontinued during the period of the New Economic Policy. It soon became apparent, however, that the lessening of terroristic measures seriously endangered the existence of the Soviet Union itself. Because Communism as a system was established and could be maintained by terror alone.

At first many Communists (for example, the so-called Trotzkyites) began to doubt whether perfect Communism was possible of realization in Russia, surrounded, as she was, by capitalistic nations. The

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ideological purity of the Communist doctrine was thus put in doubt, and the vital power of Communism to survive and to bring on the downfall of Capitalism was questioned. Extreme and fanatical Communists under the leadership of Stalin opposed such an interpretation and branded it as treason and a treacherous departure from the general principles of Marxism. This ideological conflict among Communists received, a few years later, its bloody epilogue in the ruthless extermination of all "old" Communists by Stalin.³

Secondly, in the economic field, Communism had not achieved any successes, thus dampening the enthusiasm of the people for collectivism and threatening by failure a return to the "hated" capitalistic conditions. Moreover, the doubtful successes of collectivism in the Soviet Union lowered the attractive power of Communism abroad and did not contribute to the popularity and spreading of this doctrine in the world, postponing the realization of the world revolution *ad calendas grecas*. In the long run these economic failures meant, therefore, that Communism was condemned to liquidation, and that economic individualism would thus prove its superiority and would disprove the entire Marxian teaching.

Thirdly, the relative freedom granted under the New Economic Policy awakened and activated some separatist and decentralizing nationalistic tendencies among the various nationalities which were forced by the Communists to join in the building of the

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Soviet Union between 1917 and 1921. Individual Union Republics strived to maintain as much autonomy as possible and to minimize the interference in their affairs that was exercised by the central government agencies and by the largest of the Union Republics—the Russian Socialist Soviet Republic. Therefore, the antagonism between the Russians and other nationalities, like the Ukrainians, the Byelorussians, and various Caucasian peoples, increased. It threatened directly the breaking up of the Soviet Union into a series of independent nations. Moreover, this alarming tendency was given legal sanction, at least theoretically, by the Soviet constitution which granted to each and every Union Republic the right to secede at any time.

Instead of accepting these developments as normal consequences of the deficiencies of Communism and Marxism, the Soviet leaders reacted with the fury and recklessness of true fanatics. They began to repeal all the arrangements of the NEP and sought to bring about the realization of Communism by force and violence. Freedom had not proved to be a proper measure for the purposes of communization.

This violent return to the pure Marxian doctrine was caused therefore by two factors: by ideologic fanaticism and by the nationalism of the several Soviet republics. As it has already been stated, the group of extreme Communists under the leadership of Stalin seized the government and, after the liquidation of all “intraparty” opposition, undertook to

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prove the superiority of economic collectivism. Then, increasing separatist movements alarmed the Russian nationalists, who were all too eager to save the Soviet Union at any price as a new form of Russian Empire. Since that time the Communist doctrine and Russian nationalism became inseparably united. Communism could be realized only if supported by Russian political centralization; on the other hand, Russian political ambitions could be achieved only by using Communist agitation and propaganda abroad and Communist terrorism for the "domestic" purpose of the Soviet Union. By this marriage the chance for true international Communism was irrevocably lost.⁴

It seemed at first that Russian nationalism was merely an instrument in the hands of the Kremlin determined to create the world revolution. Later on, however, the roles changed, and it appears today that Communist doctrine is used to implement Russian nationalism and to make Russia a dominant power. Stalin himself stated, soon after the Second World War, that the Soviet Union and Communism were saved first of all because of the sacrifices and patriotism of the great Russian element in the U.S.S.R., and that Communism can count primarily on Russians.⁵

3. Declining Efficiency Under Economic Planning

The first days of Communist experimentation re-

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vealed the complete inferiority of Communism as an economic system. Lowered economic initiative, inadequate labor incentives, and declining responsibility of groups in charge of production and marketing bogged down the economic system in a mire of inefficiency. This disaster was aggravated by war conditions. These deficiencies had their primary effect in the continuous increasing scarcity of consumer necessities. After a short relief in the Soviet consumer market in the period 1922-24, the same disastrous developments took place as the State Planning Commission assumed more and more authority between 1925 and 1928, thus gradually weakening private initiative by putting more and more restrictions on free enterprise. However, even with the return of economic troubles, the dictatorship of the proletariat, instead of ending comprehensive state economic planning in order to improve the economic situation in general and the situation of the proletarian consumer in particular, introduced on October 1, 1928, the so-called First Five Year Plan. The Plan was designed to collectivize the whole Soviet economy and to make economic planning wholly comprehensive in preparation for Communism. It was an immediate reaction to the New Economic Policy of 1921.

4. Terrorism

Concurrently with the progressing collectivization and socialization of all branches of the Soviet econ-

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omy and *pari passu* with increasing sacrifices by the consumer, a self-inspired resistance by broad classes of the population to Communism soon appeared. The resistance gave automatic rise to a fast-growing government terror and persecution of the dissatisfied. Dissatisfied elements were declared "saboteurs" and "grave enemies" of Communism and of the Soviet Union and were alone held responsible for the developing economic deficiencies. In this convenient way all responsibility for economic failures was shifted to the anti-Communists, and the full justification for ruthless terrorism, murder, and immediate deportation of the opposition was established.

The spreading fear and the growing hunted-animal psychology among the people caused, in a cumulative fashion, the further decline of initiative and labor productivity both of management and workers, thus abnormally intensifying the scarcity of consumer goods and necessities. In its turn this scarcity produced still lower labor efficiency and further government terror and repression of "saboteurs" and the dissatisfied. It became a truly vicious circle. The disastrous situation was even worse in other Union Republics, for political terror in the non-Russian territories was much greater because of their opposition to Russian supremacy throughout the Soviet Union. A special political terror to suppress nationalistic separatism had a highly demoralizing effect on labor efficiency and on the volume of production output in

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these areas, resulting as usual in the inevitable shortage of consumer necessities.

Furthermore, in the Ukraine, for example, the opposition toward the forced collectivization and socialization was by far more resolute and determined than in Russia because of the individualistic qualities of the Ukrainians who did not find collectivism to be a proper economic system for them. Russians, on the other hand, had adapted to Communism more easily because of their more collectivistic national psychology. As recently as prior to World War I, there still had existed in northern Russia large family collective farms. Thus, the individualistic qualities of the Ukrainians, their national and political tendencies toward independence and sovereignty, and their opposition to Russian political supremacy made them special victims of the cruel repressive methods of Communism. In order to break the Ukrainian peasantry who opposed the forced collectivization, the Red Russian authorities organized in the Ukraine in 1932-33 an artificial shortage of food. The government-induced famine was of such severity and intensity that approximately 6 million Ukrainians starved to death in the course of a few months.⁶ Such a situation naturally resulted in the Ukraine's producing below her economic capacity, which automatically gave rise to the charge of "sabotaging the Soviet Economy." This charge, in turn, justified an ever-increasing terrorism, applied against the Ukrainian population, and extermination of the Ukrainian

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Communists, and replacing them by Russians in the government of the Ukrainian S.S.R.

5. Increasing Expenditures To Suppress Opposition

Nevertheless, economic deficiencies, shortage of living necessities, persecutions, and political terror increased the number of dissatisfied and opposing elements. Therefore, Stalin, to maintain Communism, had to increase the Soviet military forces and to expand the Soviet police; these arms of the government were given the task of controlling the population and suppressing any spreading opposition and counter-revolutionary movements. Tremendous expenditures to maintain the huge armed forces and the vast machinery of the secret police resulted automatically in a speedy and abnormally increasing taxation burden for the Soviet economy, which, being hampered by this high taxation, declined in efficiency. It could not remain without any influence on the Soviet consumer market.

Large labor forces which could have been used for peaceful production of consumer goods became economically sterile when put into extravagantly large military and police formations. Moreover, they consumed vast millions of economic values and produced literally nothing because they were completely superfluous so far as safeguarding the life and property of the Soviet citizens themselves were concerned. So

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much the more, they not only produced nothing but, being an instrument of terror and oppression, they paralyzed the labor efficiency of others, who lived in dread of the increasing terrorism.

On the other hand, the large Soviet army and the police forces did represent an abnormal increase in the demand for consumer goods which could not be curtailed. Thus, in the face of an already existing scarcity of consumer goods for the civilian population, the army and the MVD members had to be fed and clothed as a further sacrifice by the undernourished civilians. Consequently declining production due to the conscription of hundreds of thousands of men and a subsequent increasing total demand for living necessities developed a considerable, even drastic, reduction of the volume of consumer goods available in markets for the broad classes of the population. In such a way, an existing scarcity changed into a dangerous shortage.

6. Doctrinal Compulsion to Expand Soviet Armaments

The developments sketched above do not represent a complete analysis of the causes of shortage of consumer necessities in the U.S.S.R. It has been already mentioned that the Communist extremists, under the leadership of Stalin, held to the Marxian doctrines based on the dogma of the necessity to overthrow Capitalism by force, violence, and revolution, since

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it is an inferior, unjust, and a contradictory system of exploitation of the working classes of the world. Karl Marx himself stated that the internally contradictory tendencies of Capitalism must inevitably cause its downfall; however, the Capitalists may prolong the existence of that "inefficient" system, using the government and the state organizations as instruments of oppression and exploitation. Consequently, the working proletariat cannot count on peaceful measures and the somewhat "natural" death of economic individualism (Capitalism). It must use force in order to break the force of the "bourgeoisie".⁷

This idea of world revolution has inspired the Communist leaders and has affirmed their conviction that the Soviet Union and the Soviet society are morally obligated to help the workers of all countries to overthrow the yoke of Capitalism and of "capitalistic" democracy. This idea also immensely influenced the economic situation in the Soviet Union.

Since the first days of Russian Communism in general, and since the collapse of the NEP in particular, the Soviet economy has had to carry the material burden of financing the tremendous machinery of Communist propaganda, the organization of Communist movements abroad, and the maintenance of a vast espionage system in foreign countries. In order to adhere to the doctrinal dictates, it has been necessary to help the world's proletariat and to aid its struggle in preparing for the world revolution and the victorious advent of Communism. Furthermore,

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it has been necessary for the Soviet Union constantly to maintain a proportionately large military force ready for every incident.

No country in the world during any time of its history kept and maintained such a tremendous machinery abroad and at home to disrupt the economies of foreign nations as the Soviet Union has done up to now. This fact could not, of course, favorably affect the economic situation of the U.S.S.R. A very large portion of the Soviet national income must be used to finance subversive activities abroad, and a very large portion of Soviet resources must be used to maintain Soviet war preparedness for the eventuality of the breakdown of Capitalism and world revolution. This obligation must normally result in a continuously rising taxation, imposed on the Soviet citizens and the Soviet economy. All Soviet citizens have the compulsion to buy currently the constantly issued and never redeemable government bonds designed to finance all these, almost insane, purposes. Thus, the lowering labor efficiency, an increasing passive opposition, the declining standard of living of broad masses of the population, and therefore a depressed economic situation, resulting in severe shortages in all economic fields, seem to be a normal and logical consequence of Communist political doctrine.

However, this doctrine of world revolution has had still another side which has violently affected the Soviet economy and its consumer market. The continued subversive and aggressively harassing activi-

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ties of Communists throughout the world by Moscow either directly or indirectly by use of such agencies as the Comintern or Cominform, naturally has produced a reaction in the non-Communist countries and has induced them to defend themselves. A hostile attitude by the free world toward the Soviet Union has continuously spread. This has resulted in rising nationalistic parties, sharp declarations by foreign political leaders and statesmen branding and attacking the Soviet Union for her disruptive and internationally dangerous activities, increasing military defense programs, and other similar actions. These developments have finally culminated in a deep cleavage between the Communist and non-Communist world. This cleavage, in its turn, has frightened the Soviet rulers who do not relish a powerful, determined, and prepared-for-any-attack "capitalistic" rival. The unjustifiable fear on the part of the U.S.S.R., for which she alone is responsible since she was not willing to be friendly toward other nations, has produced a further increase in Soviet armaments. These armaments have attained an unheard-of degree in history. It is the consequence of its political doctrine that the Soviet government has lost the confidence and trust of its own citizens and of all neighboring countries, has started it to believe in the aggressive plans of the democratic countries, and has produced a complete lack of any feeling of international security.^a

Mining, heavy industries, production or producer

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and war goods have become the only economic phases in which the Soviet economy has been interested, because they could increase her war potentiality. To produce a proper amount of consumer goods has been without the willingness or capacity of the Communist government. In other words, the Soviet Union has put extreme emphasis on war production and has completely neglected to care for an adequate output of living necessities, simply because she has lived, since the proclamation of the First Five Year Plan, under the conditions of a war economy. But war preparations and the conditions of the war economy are always characterized by more or less drastic scarcities of consumer goods. This is thus far a partial explanation of the shortage of living necessities in the Soviet Union.

However, it seems to be certain, on the other hand, that a proper amount of consumer goods for the entire population of a country under war conditions is not less important than a stock of airplanes and weapons to carry out military operations. This is the reason why nations in war undertake various measures to mitigate in some way the scarcities of necessities and to avoid severe shortages. Nevertheless, Stalin and his supporters in the Politburo held that this principle applied only in the democratic countries; under conditions of Soviet totalitarian government, this concern for consumer necessities, they believed, could be dismissed and be replaced by totalitarian measures proper for the Soviet regime. In the long

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run, however, these measures caused further cumulative troubles for the Soviet society and gravely lowered the economic and productive efficiency of the national economy of the U.S.S.R.

What are these measures? First, it is the division of the whole population of the Soviet Union into four main social classes. Second, it is the constant "improvement" of the system of economic planning. Third, it is forcing the Russian-dominated countries after the First and Second World Wars to work and to produce for the Russian war machine.

7. Unjust Distribution

The Soviet regime moved far away from the Marxian ideal of a communistic classless society and instead fostered class distinctions of a nature that presently are much more radical and insurmountable than those that previously existed under the aristocratic Tsars. At the top of the Soviet social pyramid there is the class of high Party and Government officials, military leaders, and members of the MVD formations. They are economically well situated and even enjoy a high standard of living. This class does not suffer any shortage of consumer goods. It has been arranged in this way in order to increase the fidelity of those elements to the Soviet system, to make them a subject of hatred of lower and exploited groups, and consequently to establish them as a blind and reckless instrumentality of terror for the execution of political discipline.

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The second class consists of common Party members, officers of the armed forces, members of the intelligentsia, and the higher officers of administration, directors of collective and state farms, directors of cooperative and state plants, and similarly appointed individuals. This class represents another instrumentality of the Soviet totalitarian control and enjoys a somewhat adequate social and material level of living. It is inevitably necessary for the Soviet system to grant to certain selected minorities a fair economic standing in order to make them loyal; otherwise, the Government would not have any hope of controlling the dissatisfied masses.

The third class is the largest and amounts to some 80 percent of the whole Soviet society. It consists of ordinary physical and mental workers of all economic and administrative fields. This 80 percent is forced to suffer poor living conditions and is exposed frequently to a drastic shortage of consumer necessities.

The fourth group is represented by about 20 million concentration camp workers who are compelled to live at a decaying level of living characteristic of creatures destined for early extermination.

The Soviet Union's inefficiently planned war economy cannot physically produce a sufficient amount of consumer goods for the entire 200 million population. Nevertheless, consumer goods must be available for the controlling Communist minority in order to enable it to force the broad classes of workers to turn out the producer goods and war goods necessary for

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raising the military potentiality of the Union of Soviet Socialist Republics. These consumer goods, therefore, must be available for the ruling class even at the expense of the masses. This unjust distribution of consumer goods is distinctly manifested by the marketing organization of the Soviet Union.

The retail market in the U.S.S.R. is composed of various types of stores: open stores, closed stores, high-priced department stores, factory stores, retail cooperative stores, and so forth. In the cooperative, open, and factory stores the Soviet proletariat eventually gets low-priced goods, which are regularly short and always of a low quality. In the high-priced department stores the Soviet "aristocracy" gets for a very high price everything it needs, including luxuries. The Second World War produced in the Soviet Union the abnormality of the so-called "commercial" stores, which, being very high-priced, were exempted even from the over-all rationing system and represented somewhat the "official black market" for the Soviet privileged class.*

No doubt that these injustices of distribution hurt deeply and that they must result in the dissatisfaction, disappointment, and lowering labor efficiency of the Soviet citizen. Such a situation cannot exist without a direct or indirect consequence on the supply of the consumer market. Thus, causes of the shortage of consumer necessities in the Soviet Union are sometimes very much immediate; but, sometimes, they are so far removed that it is hard to find any cause-and-effect relationship.

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8. *Complete Destruction of Private Initiative*

The constant "improvement" of economic planning and the complete destruction of private initiative represent other totalitarian measures to overcome the economic difficulties of the Soviet Union. The Russian economy becomes more and more planned. Numerous planning staffs are involved in planning activities to raise the efficiency and productivity of the Soviet economy and, incidentally, to liquidate the tiny residues of individual initiative and individual working enthusiasm. It is normal that an over-all economic plan cannot be flexible enough, the more so, because of the rigid bureaucracy of the huge machine that administers the Soviet state collectivism.

Executives of the individual business establishments have to manage strictly according to the plan or orders coming from far-distant Government agencies. However, local economic and market conditions rarely can be correctly appraised by the over-all national planning or control authorities. Thus, the failure to reconcile local circumstances with national planning inevitably results in economic deficiencies in industrial fields and in losses of individual business establishments. The top executives of these failing establishments may be easily charged with responsibility for failures, declared to be saboteurs, and punished, without regard to the fact that they may have strictly complied with the state economic plan. If,

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however, individual executives and economic directors attempted to adjust to local requirements in order to secure a proper degree of efficiency, they would be declared saboteurs of economic planning and collectivism and eventually liquidated as enemies of the Soviet Union. It is to be expected, then, that working enthusiasm and initiative must fade under such circumstances and any progress considerably retarded.

Even to try improvements and innovations has been dangerous in the Soviet Union.¹⁰ Inventions, improvements, and innovations require, first of all, initiative and working enthusiasm, which are lacking in Russia. They also require a great deal of experimentation and money. Frequently nine experiments may fail before the tenth trial is successful. Sometimes methods of experimentation must be entirely changed, because the previous experiments were found to be based on a wrong assumption or theory and approached from a wrong point of departure. Early phases of technological and organizational experimentation are always accompanied by heavy expense and losses. That is what an over-all economic plan cannot foresee and appreciate, because it may disrupt its efficient working. Consequently, failures in experiments are frequently attacked by the Soviet authorities as sabotage of Soviet economic collectivism, and the experimenters are punished by imprisonment, deportation, or death.

Thus the Soviet mental or physical worker, in order

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to save himself, refrains from experimenting and trying improvements. As a result, there is a considerable retarding of any technological and organizational progress because of the worker's discouraged initiative.

Exploitation, terror, poor living conditions, lack of efficiency, absence of initiative and productive enthusiasm—all these result inevitably in under-fulfillment of production plans. Failures to meet production goals, however, cannot always be frankly stated by any executive, director, or common laborer, if he wants to avoid persecution, because, in the Soviet Union, everything has to be fulfilled 100 percent. Business executives order their workers to work faster and longer and raise the "norms" of production in order to have at least approximately planned results. Under these conditions the "piecework" system in Russia has been distorted to monstrous forms, killing men and economic efficiency. The exploited worker produces fast and large quantities of products, but according to newspaper reports some 60 to 80 percent of this output is frequently of inferior quality unusable for any purpose."

Here we can see the other reason for curtailment of production of Soviet consumer goods. The high percentage of unusable output of producer goods and war materials must be compensated in some way because of the basic political philosophy of the Soviet system. Thus the Communist leaders of the Soviet Union decided to expand investments in the field of heavy industry and armaments so as to compensate

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for deficiencies, and to shift more and more production resources (capital and labor) to those fields. This shift has taken place only by a harmful neglect and at the expense of consumer goods production. The totalitarian Soviet Government can afford to risk starvation of a sizable part of her population, but it cannot afford to lower its war capacity and war preparedness.

9. Economic Exploitation of Satellites

Economic exploitation of the satellites is the third of the measures mentioned previously that have been applied by Russia to repair her poor economic situation, especially in the consumer market. The economic imperialism of the U.S.S.R. after the First and Second World Wars succeeded in seizing control of many countries and in making them Moscow's economic satellites, working and producing for the Soviet Union and its war machine.¹²

According to numerous news items and reports, all the satellite countries suffer a strangling shortage of consumer goods, a shortage due to the same reasons that cause the terrible consumer market situation in the Soviet Union. In addition, the satellites are forced to export all eventual "surplus" of raw materials and living necessities to Russia. Nevertheless, the Politburo has probably been disappointed regarding the economic gains expected from over-running Eastern and South-Eastern Europe. Communist oppression

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of satellite countries necessitates the expansion of the military and police forces of the U.S.S.R. herself in order to prevent any possible counter-revolutionary anti-Communist and anti-Russian movements and activities in the newly acquired areas. As a consequence, this added "police" burden frustrates any relief in the Russian consumer market from the imports from the controlled countries. The events in East Germany in the summer of 1953, and the open opposition of the East German population to the Communist regime illustrate the situation very distinctly. Increased military and police forces consume much of this import without leaving enough for the common proletarian Soviet consumer.

Further along this vicious circle, the Russian-dominated satellites are forced to maintain in their own way large military and police forces, the maintenance of which is expensive and strains the satellite economies. Moreover, the forced collectivist measures lower the economic efficiency of those countries. Because of all these reasons the Soviet economy has not received the expected economic gains from the exploitation of Poland, Hungary, Rumania, Bulgaria, and others. Eventual military, political, and propaganda gains realized by the Soviet Union because of her domination of Eastern Europe are naturally outside the economic scope of the problem. Thus, the Soviet consumer market has not been appreciably relieved by seizing the economies of other nations. On the other hand, the overrun satellites have

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sacrificed entirely their economic well-being and the needs of their citizens and consumers to the cause of Communism and Russia's political ambitions.

10. *Inefficient International Economic Cooperation*

As a normal development, a wise international economic policy of cooperation tends to increase a country's economic welfare. If, however, a country abandons rational economic policies of cooperation with other nations, the result must be a rise in her domestic costs of production and domestic prices, and also a decline in her national standard of living and economic efficiency due to the progressively active operation of the economic law of diminishing returns. The Soviet Union has chosen a policy of the greatest possible reduction of economic cooperation with foreign national economies—if they are non-Communist. By this course, it must accept all the automatic negative consequences of such an international policy—negative especially for the Soviet general consumption.

The Soviet tendency to self-sufficiency is not the only responsible factor for the poor economic situation of the Soviet consumer, because of the specific Soviet international policy. The Russian Red Government has always chosen to apply in the sphere of international economics a policy of dumping and discrimination in order to undermine the health of

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foreign economies, to stimulate economic disaster abroad, and thus to prepare the way for the Communist revolution, supported, *nota bene*, at the proper time by the huge Red Army. Economic discrimination against foreign nations by Soviet Russia has frequently put them into a troublesome situation, which they tried to solve during the inter-war period by means of the League of Nations. Discrimination and predatory dumping resulted in heavy economic losses to the Soviet national economy, but this did not bother the Communist leaders in the Kremlin at all. They were satisfied with aggravating the economic and political evils in the non-Communist countries.

Although the Soviet consumer has always been very badly off, the Soviet government has not hesitated to export huge amounts of consumer necessities to foreign markets at very low dumping prices in order to cut the throat of foreign national economies and foreign producers who were not able to compete with the low-priced Soviet product. The Soviets expected by these means, as usual, to cause unemployment and economic disaster abroad, thus encouraging the breakdown of Capitalism and the advent of Communist revolution.

The same policy is being continued by the Soviet government today. It expects to aggravate the economic situation in the free world by pushing it into an over-all severe depression by such means as Russian self-sufficiency tendencies, boycott of the Marshall Plan and of the International Monetary Fund, inter-

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national dumping, and the so-called direct relief aid to India and other countries by sending them grain of which there is such an acute shortage in the Soviet Union and the Soviet satellite markets.¹³ The recent attempts of Russia to increase her economic cooperation with England and other West-European countries represent first of all a political maneuver to impair the position of the United States. Their basic idea is to aggravate the international situation, and not to help the Russian domestic market.

11. *Willful Shortage*

The immense military and political goals of the Soviet Union have inevitably resulted in the considerable shortage of consumer goods and raw materials for private purposes. However, this shortage could be reduced and the situation of the consumer market improved considerably, if it were so desired by the Soviet government. Even a slight improvement would probably result in a higher labor efficiency and a slow but continuous economic revival. But the Soviet government certainly had not desired, until recently, any improvement. What is the basic philosophy of such an attitude?

The Soviet government was and is fully aware of the fact that it itself and its Communist collectivism are not very popular among the Soviet citizens. Ruthless terror and an excellent espionage system alone cannot guarantee full suppression and prevention of

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any resolute opposition and revolutionary movements. The best evidence of the physical limitations of terror is the continuous and active resistance of the Ukrainian Insurgent Army in the forest sections of the Ukraine as late as December 1952. It is necessary to control every motion of each citizen in order to be sure that he does not participate in any anti-Red activity. Such exact control is possible during actual working hours in offices, plants, and collective farms, but it is very incomplete during the leisure time of the Soviet worker. The Soviet system attempts to reduce the uncontrolled leisure time of its citizen as much as possible by forcing him to take part in obligatory public meetings, manifestations, mass rallies, parades, and various other extracurricular activities, where the supervising eye of the Communist Party and MVD may control individuals and their behavior almost in detail.

Nevertheless, a few hours of a citizen's time still remain free from such over-all control and may be used for conspiring and plotting against the Soviet Union and the Russian predominance therein. Thus, daily material troubles, the feverish search for consumer necessities in the short market in order to survive, and "black market" activities have been found by the Soviet Government to be excellent distractions that absorb the entire leisure time of the average man in the U.S.S.R. and keep him removed from any plotting activity. The Soviet government intentionally has kept, has maintained, and has intensified the

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drastic shortage of consumer goods until recently and never seriously has undertaken to liquidate the "black market." Both the shortage of consumer necessities and the "black market" are necessary requisites of the Soviet system.¹⁴

It is important to mention that the shortage of necessities has always been more drastic in the various Union Republics than in the Russian S.S.R., since the control of leisure time of the non-Russian citizens of the Soviet Union has always been a more urgent problem for the Kremlin because of the intensive anti-Russian and anti-Red tendencies in those areas.

12. Prospects for the Future

The Soviet Government could not afford, and did not want, to relieve the catastrophic situation of the consumer market until recently. However, has the situation changed since the death of Stalin? Are Malenkov and Khrushchov, and other Soviet leaders, sincere when they talk about relief for the consumer and the necessity to produce more consumer goods? Are they really willing to give up their Communist ideology and grant concessions to farmers and some opportunity to private initiative in order to encourage more production? There are some grave reasons to doubt the sincerity of the Soviet Government professions on this problem.

First of all, Malenkov's and Khrushchov's declarations would be more worthy of belief if they were

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made at some other time, and if they were made for the first time in the history of the U.S.S.R. But it appears that this partial retreat resembles all too much the NEP experiment. History repeats itself. Exactly thirty-two years ago, during the turbulent period of the initial days of Communism, the uncertain rulers of Russia, Lenin and Trotzky, also attempted to lull the Soviet peoples by the New Economic Policy in order to establish themselves. Today, Malenkov and his comrades are repeating the same experiment because of their uncertainty. These new U.S.S.R. rulers need a long, relatively peaceful era on the internal and external fronts in order to strengthen their position. Through this so-called "peaceful" offensive, they are trying to mislead the Free World. In duplicating the NEP measures they are hoping to lull some and to gain the confidence of others in the Soviet Union who are naive enough to believe them and grant support to these new lords in expectation of a better tomorrow. Similar tactics were employed by Joseph Stalin between 1924 and 1928, until he was fully able to grasp Lenin's heritage. Then, he returned to the idea of realizing Communism in full. Now Malenkov, following the footsteps of his predecessors, is striving to appease his subjects until he also gains the full omnipotency to rule them. This is one of the primary reasons why experts on the Russian situation distrust the recent measures proclaimed to be undertaken in the internal economic life of the Soviet Union.

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Secondly, despite the "peaceful" maneuvers and offensives of the Soviet Government, the practical policies of deep hatred toward the "capitalistic" nations and the desire to dominate the world have undergone no changes. Subversive Communist activities throughout the world continue, actively sponsored by the Kremlin; the tremendous war potentiality of the U.S.S.R. has not been reduced (according to recent reports of refugees); the new waves of purges indicate that the basic methods of Bolshevik "government by terror" have not altered. Hence, basically nothing has changed in the structure and purposes of the Soviet economy, and minor concessions will be repealed as soon as the new rulers find it convenient to do so.

The basic trends and principles of Russian politics have been, finally, manifested quite clearly by the four weeks of futile talks engaged in by the ministers of the four leading powers in the world at the Berlin conference in January and February of 1954. Mr. Molotov, representing the interests of the U.S.S.R., was not inclined to accept any compromisory suggestions offered by the Western allies; a basic imperialistic attitude was maintained by him, no different than during the rule of Marshal Stalin. Russia did not show openly in Berlin any weakening political position under the new regime, nor any readiness to fulfill the obligations of Yalta to grant freedom to Germany or Austria or any other East-European country. A territory once conquered by the Com-

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munists must remain Communist, and there the political and economic interests of the Soviet Union must be secured.¹⁵ Is it, therefore, not possible to expect any notable improvement in the Soviet consumer market as well as in the Soviet living standards under the conditions of a "war economy"? The political obligations of Soviet ideology to disrupt the community of free nations and to bring them complete domination of the world by a Communist "Third Rome" must obviate any adequate attention to the purposes of providing a decent existence and standard of living for the broad classes of the Soviet society.

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APPENDIX I

Statistical Illustration of the Standard of Living of the Russian Worker

The low standard of living of the Russian worker due to high prices and the low purchasing power of the Soviet ruble (Soviet monetary unit) is quite evident after making even only some introductory statistical comparisons with the United States or any other country of the capitalistic or quasi-capitalistic system. Let us analyze first the average diet of the Soviet citizen.

TABLE I^a

FOOD RATIONS IN MOSCOW, JANUARY 1947 (pounds per month)

Bread	36
Grits	4
Meats and fish	3
Fats	1.2
Sugar	1.5
Salt	0.9
Tea	0.1

The statistics of Table I indicate clearly that the food consumption of the Soviet citizen predominantly consists of bread and other grain products. Meat,

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milk, and dairy products constitute a very inconsiderable fraction of his basic diet, marking in this way his low standard of living.

Table II compares consumption per capita of meat and milk in four different countries and distinctly shows the unfavorable position of the Soviet workman. According to the personal opinion of the author, however, the statistics seem to be too optimistic regarding the situation of the Russian consumer market.

TABLE II '7

CONSUMPTION OF MEAT AND MILK
PER CAPITA, 1935-36
(in pounds)

	<u>Meat</u>	<u>Milk</u>
U.S.A.	131	—
England	131	888
Germany	106	788
U.S.S.R.	46	377

The Soviet consumer is considerably behind the consumers of other industrialized nations. *The New York Times*, on December 4, 1950, reported "that Soviet Russia has made no progress in producing goods and services for its peoples." (No progress in fifteen years distinctly shows the special features of the economic policy of the U.S.S.R.)

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The low consumption level in the U.S.S.R. can be best explained by the following statistics of the Statistical Research Department of *The New York Times*, comparing the number of hours the worker in the Soviet Union and the worker in the United States have to work in order to buy certain basic commodities.

TABLE III¹⁰

<i>Goods</i>	<i>Soviet Union</i>		<i>United States</i>	
	<i>Hrs.</i>	<i>Min.</i>	<i>Hrs.</i>	<i>Min.</i>
Bread (1 pound)		19		6
Milk (1 quart)		52		7
Butter (1 pound)	6			28
Tea (1 pound)	22			40
Woman's cotton dress	23		1	57
Woman's shoes (1 pr.)	72		3	30
Man's wool suit	376		24	24
Man's shoes (1 pr.) . . .	112		5	20

The comparison is startling. The Russian worker cannot maintain a higher standard of living, because of the very high prices of necessities, in proportion to his hourly wages, and poor purchasing power. He cannot work 24 hours daily to get enough money in his hands to purchase goods for decent consumption, and this is his tragedy under the system.

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Finally, one more table, this time from a Russian source, illustrating the clothing situation of the young Soviet worker. (Statistics taken in nine Soviet cities during January 1936.)

TABLE IV 10

<u>Item</u>	<u>Average number of items</u>
Overcoats and topcoats	1.3
Suits	0.9
Trousers	2.1
Leather shoes . . .	1.5
Shirts	3.9

The Soviet worker's stock of clothing and footwear compares very unfavorably to the average stock of those items in the possession of an average American worker.

Further study of statistical data can be obtained by consulting the references listed in Note 20.

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APPENDIX II

Notes

1. About the initial bankruptcy of the Communist measures: H. Schwartz, "Russia's Soviet Economy," 1951, New York, pp. 100-103; and C. J. Hayes, M. W. Baldwin, Ch. W. Cole, "History of Europe," 1949, New York, p. 941.
2. The slogan of the advent of full Communism as a desirable and perfect form of social and economic organization has been quoted repeatedly and without any criticism by various Soviet leaders in accordance with the Marxian doctrines announced in *Das Kapital* and the *Communist Manifesto*.
3. The purge was presented in an excellent way by Alexander Orlov (former high official of the NKVD formations) in a series of articles in *Life Magazine* for the weeks of April 6, 13, 20, and 27, 1953, titled: "Stalin's Secrets."
4. C. J. Hayes, M. W. Baldwin, and Ch. W. Cole: "History of Europe," 1949, New York, p. 999. It is stated here that it was sometimes difficult during the post-war period to separate Russian imperialism from international Communism. Truly, this is not possible any more.
5. Praising the Russian Army and the Russian people as a most valuable element of the U.S.S.R. (Banquet at Kremlin on May 24, 1945.)
6. The reader should read in this regard: "My Testimony on the Genocide in Ukraine," by M. Mishchenko, in *Ukrainian Quarterly*, Vol. VI, New York, 1950, pp. 256-264. By the same author: "Hunger as a Method of Terror and Rule in the Soviet Union," *Ukrainian Quarterly*, Vol. V, New York, 1949, pp. 219-225.
7. *Communist Manifesto*, by Karl Marx and Friedrich Engels, 1848.
8. The predominantly warlike character of the Russian economy is well illustrated by the Budget of the U.S.S.R. for a number of years, starting even with the first Five-Year Plan.

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In analyzing, however, the Soviet budget, the reader should always keep in mind that it means something quite different from the state budget of any democratic-capitalistic country, where the revenues and expenditures of private enterprise businesses do not enter into the budgetary structure of the respective countries in the way they do under conditions of the Soviet state capitalism, where actually everything is owned and run by the State. The ratio between the national income and defense expenditures would supply a good comparative factor, but exact magnitudes in that regard for various countries are, so far, fractional and largely lacking. Let us compare expenditure budgets of the United States and the Soviet Union for 1938 and 1948, having the above structural difference in mind.

	<u>1938</u>	<u>1948</u>
U.S.A. Total	100	100
Defense	6	28
U.S.S.R. Total	100	100
Defense	40	45

The expenditure budget of the Soviet Union was corrected by deducting about 50% for direct "economic budget" to run the Soviet business establishments. In America this is done by free enterprise. Then, such a corrected budget has been taken as a comparable magnitude. In both the U.S. and the U.S.S.R. budgets, total expenditures are expressed using 100 as a base, and the war expenditures are presented in relative index numbers of the base. Figures in terms of dollars and rubles taken from the *Bulletin of the Treasury Department of the U.S. for 1948*, and K. N. Plotnikov, *Byudzet Sovetskovo Gosudarstva; Entsyklopedia*; 50% as allowance for the pure economic budget—according to the estimation of Loucks, W. N., Hoot, J. W., *Comparative Economic Systems*, New York, 1948, pp.583-584. The huge military forces maintained currently by the Soviets are reported by numerous refugees and returning German war prisoners; compare the West-European press for 1953-54.

9. The marketing system in the Soviet Union: cf. R. H. Blodgett, *Comparative Systems*, 1947, New York, pp. 289-304.

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In general, there is a very comprehensive literature available in this field of studies on the Russian economy.

10. cf. The Research Institute of America: "If you worked in Soviet Russia," *Bulletin*, New York, 1950. Former Soviet citizens state the general fear in Russia of trying improvements and innovations in order not to be blamed for the lack of success.
11. Reports about the inferior quality of the production output have been too numerous and very frequent. To quote some: *Pravda*, from September 13, 1949; *Izvestia*, from August 4, 1949. Further, compare B. Brutzkus, *Planning in Soviet Russia*, 1935, London, pp. 205, about the very high percentage of inferior products. On the working conditions: F. Utley, "The Dream We Lost," N.Y., 1940, pp. 175-176; *New York Times*, for December 11, 1948; August 25, 1950; May 21, 1949.
12. On exploitation of satellites: A. Gerschenkron, "Russia's Trade in Post-war Years," *The Annals of the American Academy of Political and Social Science*, May, 1949, pp. 94-96; *The New York Times*, October 8, 1949; and the *New York Herald-Tribune*, April 1, 1949. Also, N. Czyrowski, *American Trade and Russian-dominated Countries*, 1953, New York, pp. 48-49.
13. The Soviet self-sufficient tendencies: cf. S. Enke and V. Salera, *International Economics*, New York, 1947, pp. 466-479; Harry Schwartz, *Russia's Soviet Economy*, New York, 1951. This basic feature of Russian foreign trade is always restated by all works objectively discussing the Soviet role in the pattern of the world's international economy. Further, compare: "Stalin's Plans for U.S.A.," *The Saturday Evening Post*, Philadelphia, 1951.; N. Czyrowski, *American Trade and Russian-dominated Countries*, New York, 1953.
14. Black markets as an indispensable weapon of the Soviet economy, and the Government's attitude: I. Zamsha, *Black Market in the U.S.S.R.*, lecture, delivered at the Congress of the Ukrainian Free Academy of Arts and Sciences and of the Shevchenko Scientific Society in New York, Columbia University, December 26-28, 1953. Furthermore, the per-

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sonal interviews of the author with the refugees from the Soviet Union, coming from various social and professional classes.

15. John F. Dulles, Secretary of State, Message to the Nation on Behalf of the Berlin Conference, February 24, 1954.
16. Selected from *Monthly Labor Review*, July, 1947, p. 29.
17. R. H. Blodgett, *Comparative Economic Systems*, New York, 1947, p. 437.
18. *New York Times* for July 4, 1950.
19. Selected from the *Planovoye Khazyastvo (Planned Economy)*, No. 5 (1938), pp. 84-85.
20. Various aspects of the state economy of the U.S.S.R. have been discussed comprehensively. Some suggested readings: Baykov, A., *The Development of the Soviet Economic System*, London, 1946; Baykov, A., *Soviet Foreign Trade*, Princeton, 1946; Dobb, M., *Soviet Economy and the War*, New York, 1943; Dobb, M., *Soviet Planning and Labor in Peace and War*, New York, 1943; Hubbard, L. E., *Soviet Trade and Distribution*, London, 1938; Schwartz, H., *Russia's Soviet Economy*, New York, 1951.

