

ROUTLEDGE REVIVALS

Ideology and Rationality in the Soviet Model

A legacy for Gorbachev

Kristian Gerner and Stefan Hedlund



Ideology and Rationality in the Soviet Model

First published in 1989, *Ideology and Rationality in the Soviet Model* assumes that since the October Revolution the development of the Soviet Union has essentially been a process of trial and error. Economic rationality has been sacrificed to political expedients, and the cultural sphere has been put to use as a legitimating and rationalizing device. This book analyses the internal logic of this process from the 1917 Bolshevik Revolution to Gorbachev's 'revolution from above', including coverage of the Stalin, Khrushchev and Brezhnev eras. The book focuses on the structural determinants of the Soviet Model, thus seeking to reveal the specific rationalities that characterizes 'Soviet man'. Its conclusion casts serious doubt on the likelihood of new policies defeating seven decades of Bolshevik rule and social indoctrination. It will be of interest to students of economics, political science and history.



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Stefan Hedlund



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Dedication

This book is dedicated to those Soviet citizens, of great moral integrity, who are able to face Gorbachev's policy of glasnost without hesitation about their own past words and actions. They may be few and far between, but they are worthy of all our respect.



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Preface

This is not just another history of the USSR. Nor is it an attempt to provide an exposé over the economic, political and cultural development of the Soviet Union. Such works already exist, written by eminent scholars in their respective fields. Our endeavour is rather to attempt a synthesis of the main trends in these developments, seeking to explore the internal logic of the 'Soviet model'. With this ambition in mind, it is obviously necessary to incorporate into the presentation a good deal of material that is largely descriptive in nature. The contents of these sections have been chosen in order to give a factual background to the main points of our overriding argument. Consequently, they are not intended to be either exhaustive or all-embracing. In particular, they are not concerned with any specific policy issues. Two classic topics, foreign policy and the military, have been deliberately and entirely omitted. Both of these are certainly important in the sense that the Soviet leadership – as any government – can be safely assumed to take a keen interest in its own power and security *vis-à-vis* the rest of the world. Nevertheless, we shall maintain, first, that issues in relation to the interplay between the foreign and the domestic spheres form a largely separate problem area, and, second, that this is not where the *differentia specifica* of the Soviet model can be found.

Work on the book was begun in early 1984, when General Secretary Andropov was still alive. The original intention was to summarize and synthesize Soviet experience primarily against the background of the processes of fossilization and ritualization that increasingly had come to mark the Brezhnev era. There lay a challenge in finding out how stagnation came about and what it might lead to. With the entry of General Secretary Mikhail Gorbachev on the stage, these original plans and intentions have acquired a new significance. It is now probably safe to say that irrespective of the ultimate fate of *perestroika*, the Soviet Union will never again be the same. The ideological impact of events during the past 2–3 years has quite simp-

ly been too profound. In this sense, the present situation offers an excellent historical vantage point for retrospection. As Gorbachev himself likes to say, the very fate of socialism in the world is at stake. If *perestroika* fails, the implication is that socialism will be hopelessly discredited. If, on the other hand, it should succeed, that will also mean the end of (Soviet) socialism – as we know it. The time would thus seem ripe for a balance sheet to be drawn up.

The approach used is based on methodological individualism. The presentation concentrates on the behaviour of individuals, as actors in different situations and at different positions in Soviet society. Their actions are analysed within a loose game-theoretic framework which incorporates elements of Albert Hirschman's work on *Exit, Voice and Loyalty* and of the discussions of various interpretations of rationality that have been offered by Jon Elster and others. The approach is also structural, in the sense that Hirschman's concepts are used heuristically, in order to reveal the structural determinants of the Soviet model, those that condition and constrain the actions of individuals.

With the onset of *glasnost*, the new policy of openness, the situation of Western Sovietologists has been transformed more or less overnight. The present book bears a clear imprint of this change. It is no longer the case, as it was to some considerable extent under Brezhnev, that each and every scholar in the field of Soviet studies is familiar with the bulk of the hard evidence that appears in the Soviet mass media and in scholarly journals. The task has suddenly become the frustrating one of trying to keep up with the veritable flood of information, regarding most spheres of Soviet society, that is now continuously being published. On balance, this flow of information is, of course, for the better. Nevertheless, certain new problems do arise.

One immediate effect concerns the problem of evaluating the significance of various sources of information, in the entirely new environment of *glasnost*. It is no longer justified to accept everything that appears in Soviet media as expressions of a strictly monitored Party line. If *glasnost* is allowed to continue, one might even think that the very rationale for 'Sovietology' as a separate discipline should vanish. Not only will the sheer quantity of available information make it impossible to be a 'Sovietologist', 'specializing' in all aspects of Soviet affairs. The highly specific skills of the profession may also be rendered obsolete. With the new attitudes towards information and the freedom of expression that are associated with *glasnost*, Soviet sources can increasingly be accepted as colleagues putting forward arguments rather than as simple 'archaeological' evidence, as it were. It shall be a main point of the concluding chap-

Preface

ter, however, to demonstrate that things may not work out to be that simple. If we assume that Soviet citizens in general are not able to shrug off at will the psychological imprints of decades of manipulated realities, it may then actually turn out to be even more difficult to sort out the significance of events that take place in the post-*glasnost* and post-*perestroika* environment.

Research for this book has been made possible by a generous grant from the Bank of Sweden Tercentenary Foundation. This is gratefully acknowledged. Apart from the undersigned, the original research team also included Lena Jonson. She has undertaken background research for Chapters 3, 7 and 11, and has also provided a draft for large parts of Chapter 3. Her assistance has been of great value and is hereby given due credit. All views expressed and conclusions drawn are, however, the joint responsibility solely of the authors. Finally, a word of thanks should be directed to Alan Harkess, whose skilful eye has purged the text of a multitude of linguistic infelicities.

Lund, August 1988,

Kristian Gerner
Stefan Hedlund

Part one

Introduction



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Chapter one

Setting the stage

Economic stagnation and social decline were prominent features of Soviet development during the late Brezhnev era and during the period of interregnum under Andropov and Chernenko. Before the introduction of Gorbachev's policy of *glasnost*, or openness, this proposition would have been subject to some considerable controversy. Since then, however, the new General Secretary and his top economic advisors, together with leading representatives of the cultural intelligentsia, have presented us with a picture of past development which in many respects is even gloomier than most Western 'crisis-mongers' had suspected. At the June 1987 plenum of the Central Committee, for example, which launched a broad package of economic reform measures, Gorbachev presented his audience with a picture of emergency that was without parallel since the Civil War and since the Great Patriotic War against Germany. In order to understand the needs for *perestroika*, Gorbachev argued, one must realize that economic developments during the past decades had placed the country in a 'pre-crisis' situation (*predkrizisnoe sostoyanie*).¹ Less than a year later, at the February 1988 plenum of the Central Committee, he returned to explain the underlying causes of this development:

During a period of 70 years, our people and our Party have been inspired by the ideas of socialism and socialist construction. But due to external as well as internal reasons, we have not been able to fully realize Lenin's principles of constructing a new society. Serious obstacles have been the cult of personality, the establishment in the 1930s of the command-administrative system of management and control, bureaucratic, dogmatic and voluntaristic distortions, arbitrariness, and at the end of the 1970s and the beginning of the 1980s – brake mechanisms and a lack of initiative which served to produce stagnation.²

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Naturally, the present Soviet leadership, like any new political leadership, has a strong incentive to paint the past in dark colours, simply in order to denigrate its predecessors in office and to stress the need for substantial changes to be undertaken. In this context, it is important to note that some Soviet writers even go so far as to present a distinct impression of pending apocalypse.³ In the April 1988 issue of *Novyi Mir*, for example, the well known reform economist Nikolai Shmelev speaks of the 'dead-end situation that we find ourselves in after the years of stagnation (*gody zastoya*)',⁴ and in the same issue of that journal a certain Academician N.N. Moiseev goes even further. He starts by commenting on the fate of the world in general, saying that 'M.S. Gorbachev is certainly right in speaking of the need for a new global thinking. But we, the specialists, have an even deeper insight. We know that the previous stereotypes of thinking and behaviour inevitably must lead to disaster.' This, of course, has a certain familiarity with opinions being voiced in Western media. The interesting point comes when he goes on to say the following:

It is not only a matter of stagnation. The moral foundations of society have begun to wither away. People's norms and values are changing. Black turns into white and white into black. People are beginning to forget that there are other ways to live, that they are not there to serve the bureaucrats, that the bureaucracy is there to serve the workers. The motivation for good work disappears.⁵

Having read these and other similar statements, one is left with a distinct impression of *perestroika* actually being seen as the last chance of communism on earth.

The point of departure for this book is the rather peculiar fact that this so obviously dangerous process of deterioration has proceeded so quietly. From a Western perspective, we would most certainly expect to see political instability and perhaps even social upheaval follow in the steps of serious economic decline. The Polish case, moreover, serves as a reminder that the countries of 'real socialism' are not immune in this respect. Yet, in the 'good old days' of the late Brezhnev era, before Gorbachev's *glasnost* and *perestroika*, it was not only the case that all queries about mounting social and economic problems in the Soviet Union would be vehemently branded as 'anti-Soviet slander'. In addition, even initiated observers were struck by the rather remarkable stability of Soviet society at large.

In the social sphere, strikes, demonstrations and other such open manifestations of discontent were almost totally absent, and in the political sphere the surface was greyer and smoother than ever. To some extent, this apparent contradiction can of course be explained by the efficiency of the repressive organs. The achievements of the

KGB under the leadership of Yurii Andropov were no doubt quite impressive. At least, this is certainly the case in comparison with the record of some neighbouring countries. Such an explanation, however, is not sufficient. The ambition of this book is to investigate the nature of those economic, political and cultural forces that made this stability possible to achieve.

Having said this, we shall immediately backtrack somewhat, in order to recognize some important conceptual difficulties. *First* of all, the notion of a 'Soviet model' or a 'Soviet-type system', which is frequently encountered in the literature, raises important questions regarding the transferability of specifically Soviet – or indeed Russian – experience on to those other countries that are members of the family of 'real socialism'. To put it simply, the concept of a 'Soviet model' is of course no more than a convenient shorthand for a certain set of political ambitions, a certain structuring of the economic system, and a certain overall ideological framework. As such it will also be used below.

At the same time, we must also recognize that those highly specific – perhaps even unique – social and historical environments which characterize each of the countries in which this model has been introduced will necessarily, in a very broad sense, determine its degree of both acceptance and performance. Most important perhaps is the fact that in all cases but that of the Soviet Union proper regime legitimacy can be enhanced by referring to 'external restrictions', i.e. to the threat of Soviet intervention. Together with a number of other features, which will be referred to as we go along, this makes the Soviet Union a logical special case amongst the 'Soviet-type' systems. We shall certainly claim a general validity for those analytical tools that will be put to use below, but it should be made explicit right from the start that it is precisely this special case that is the focus of the present investigation. An application of the same tools to another 'Soviet-type' country might well present us with a highly different picture.⁶ In short, rather than pretending to present a general theory of 'real socialism', ours is a specific study of the Soviet case which hopefully will also have some general implications for the other members of the 'family'.

Our *second* conceptual difficulty concerns the very notion of 'stability', which of course is a rather elusive one. Our sole comfort at this point is that we would seem to be in good company in noting its elusiveness. The following, for example, is the opening line of a recent book by Alexander Motyl, on the threat to the stability of the Soviet Union that is implicit in the national minorities question:

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The concept of stability, so central to contemporary political science, enjoys a dubious distinction. Most scholars use the term without specifying what they mean by it; those who attempt to do so have yet to agree on a common definition.... Confusion reigns, for although all political scientists appear to have a gut feeling about stability, few can describe that sentiment with any degree of precision.⁷

Motyl is of course entirely correct in his observation as far as a definition of the word is concerned, and his subsequent discussion of the difficulties involved illustrates that he knows what he is talking about. For the purpose of our own study, however, we shall seek refuge behind the simple fact that, pending the finding of a broadly accepted definition, issues that are related to the problem of stability will still have to be discussed. As far as a *definition* is concerned, our strategy in this volume is to rely on our 'gut feeling'. It is by focusing on the *functional* aspects of stability that we hope to make a contribution to the understanding of the Soviet system. The same will apply to our use of the equally elusive concepts of 'ideology' and 'rationality', both of which shall figure prominently throughout the book.

Our *third* conceptual point concerns the *nature* of the alleged contradiction between political and social stability, on the one hand, and economic decline, on the other. Here the problem largely concerns the point of reference. At first glance, our comparison with a Western perspective serves little purpose other than drawing attention to an important distinguishing feature between those two systems that are sometimes known as East and West. Since the Soviet-type societies in general lack most of the social and political mechanisms that serve in Western societies to cushion and perhaps absorb popular discontent, stability in the former will – if achieved – necessarily be of a highly different nature from that in the latter.

From a Soviet perspective, the essentially pluralistic Western market economies no doubt render a rather chaotic impression, seemingly lacking in all forms of order and control. The causes for their stubborn refusals to submit to the Marxist predictions of eventually inevitable apocalypse are perhaps not always well understood. (Indeed they may not always be all that well understood in the West either.) It is a main contention of this book that we have at this very point an important *differentia specifica* between the two systems. It will be our task below to penetrate those mechanisms that serve, in the face of economic decline, to provide the Soviet system with a basic political and social stability.

Our deeper understanding of the problems at hand can thus actually be seen as the very opposite of the contradiction that was referred to above, between decline and stability. Even a cursory reading of current Soviet writings on the problems of *perestroika* give a distinct impression of serious forces being at play under the apparently placid surface,⁸ forces which harbour ominous threats to the stability of the Soviet system and which are most certainly taken seriously by the Soviet leadership. The following (1987) statement by Sergei Zalygin, editor of the prestigious journal *Novyi Mir*, is rather illustrative of the clearly apocalyptic atmosphere that marks the current Soviet debate:

And it is quite clear that if we do not manage to bring about order and democratization, within fifteen years we shall be reduced to one of the ... poorest countries, we shall once and for all have squandered our outstanding natural resources – nature itself – and will then ourselves perish.⁹

It should be emphasized, in this context, that we are not interested solely in analysing the process of decline as such. We shall also argue that measures taken by the successive Soviet leaderships that preceded Gorbachev, in order to counter the threats of destabilizing influences, became increasingly subtle and in the process also more successful. Our reference to an apparent 'contradiction' has been made in order to underline this latter point.

The legacy left to Gorbachev by his predecessors evidently harbours this success in promoting stability, but it is a main conclusion of our presentation below that it does so in a perhaps unfortunate dual sense. Many of the mechanisms that have served so successfully to promote political and social stability in the past may now actually emerge as formidable obstacles in the way of Gorbachev's policy of economic reform, or *perestroika*. In this sense, the Soviet rulers can be seen as prisoners of their own past successes. If, on the one hand, the old style prevails, the current 'pre-crisis' situation will most certainly develop into a real crisis, the outcome of which may be dire indeed. If, on the other hand, *glasnost* and *perestroika* should succeed in bringing about the desired changes, that will put in jeopardy some of the most basic mechanisms of stability in Soviet society. As recently phrased by Daniel Franklin, writing for *The Economist*: 'The stakes in the Gorbachev gamble could hardly be higher.'¹⁰

Since our focus will be on the broader aspects of the system as such, it is perhaps only logical that our approach is an interdisciplinary one. We shall approach the problems at hand in four different historical phases and from three different disciplinary perspectives, the latter representing those of the economic, political and cultural

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dimensions. The objective function of the process of Soviet historical development will be sought in the political sphere, in terms of ambitions of the rulers to achieve power and security. This means that the economy will to some extent be seen as a dependent variable and the cultural dimension as a compensating device, designed to attenuate conflicts between political ambitions and economic possibilities. This, however, is the overriding approach. Needless to say, we are quite conscious of various feedback mechanisms, from the economic and cultural spheres, which serve to constrain political ambitions. To penetrate and understand this mutual dependency will be an important task of our study.

Our presentation will be strongly focused at the level of the individual, as an actor within the system, and it will consciously seek to challenge a number of those features of the Soviet system that to a Western eye may appear irrational. One example of the latter is the all too frequent picture of an irrational ideology that stands in the way of rational economic action. Here we shall attempt to find explanations that are based on the non-economic objectives of the Soviet leadership and that explicitly recognize an active and instrumental function of ideology.

Much of the discussion will consequently focus on malfunctions in the economic system and on things that apparently 'go wrong', in the sense once given to that concept by Alec Nove.¹¹ One observation to be made here is that various apparently obvious sub-optimalities may not always be seen as such by the Soviets themselves, since a proper point of reference may be lacking. If the malfunctions are endemic they may not be as easily perceived as if they were localized. Our approach will be to identify and explain such macro-level problems by attempting to establish (a) that malfunctions are logical consequences of rational individuals acting according to given incentives, and (b) that these micro-level incentives, while perhaps irrational from a narrow economic point of view, may from a broader political and ideological point of view assume a quite distinct rationality, albeit of a very different nature. To investigate the latter is another important task undertaken below.

The question of whether or not certain incentives or policies are rational obviously hinges on what we take their goals to be, since mis-specified goals may put a false stamp of irrationality on measures that are actually highly rational. The real crux of this matter has been pinpointed by Alexander Yanov, in a book about the abortive 'link' reform in Soviet agriculture during the 1960s:

Inevitably the answer to the question 'Does the system work?' depends on what one means by 'work'. If it refers to political control,

then the *kolkhoz* system works very well; if it refers to food production, then the system does not work, for it was not designed to.¹²

Given this perception of the problems at hand, our analysis will of necessity be heavily geared to studying the behaviour of individuals and the attempts by the political leadership to influence and control that behaviour. Consequently, we shall make extensive use below of an implicit game-theoretic framework which views social and political processes as the outcome of actions taken by single individuals – or groups of individuals – who are ‘playing’ against each other. Two key concepts that figure prominently in this undertaking are ‘ideology’ and ‘rationality’, both of which also figure in the title of our book.

Given the nature of the Soviet system, ideology naturally plays a prominent role in all spheres of society and its function will thus be an important topic of study as well as a tool of analysis in the following chapters. The other key concept underlies the whole ambition of the book. By focusing on the distinctions between individual and collective rationality, on the one hand, and economic and political rationality, on the other, we hope to have found a suitable format for a study of the problems stated above. As we have already indicated, both of these key concepts suffer from the same problems of definition as does ‘stability’. Since, however, they will be operational in a sense that the stability concept will not, we shall discuss them in somewhat greater detail here, before proceeding with the study proper. Let us start with ‘rationality’.

Rationality

Rationality is a concept about which much has been written and it is certainly not our ambition here to add anything essentially new to these writings. On the contrary, by extracting those aspects of the discussion that may be conducive to our purposes, we shall to a large extent draw on the fruits of the mental labour of others. In this endeavour, we will tread gently, avoiding as far as possible the pitfalls of attempting to *define* rationality and rational action. The following excerpt from one of Jon Elster’s numerous books on the subject illustrates rather vividly that such an undertaking would constitute a research programme of its own:

There is a bewildering multitude of entities that are said to be rational or irrational: beliefs, preferences, choices or decisions, actions, behavioural patterns, persons, even collectives and in-

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stitutions. Also, the connotations of the term 'rational' range from the formal notions of efficiency and consistency to the substantive notions of autonomy or self-determination. And in the background of the notion lurks the formidable pair of 'Verstand' vs. 'Vernunft', be it in the Kantian or in the Hegelian senses.¹³

From Elster's above statement can be extracted the multitude of aspects of rationality that we shall *not* be concerned with here. One such set concerns the rationality of beliefs, ideas and ideological constructs. These certainly play an important role in our presentation below, but they do so primarily from the instrumental rather than the definitional end. We return to this issue in the following section of the present chapter, where our understanding of the concept of ideology at large will be discussed.

A somewhat more complicated issue is that of the rationality of the system as such. This, as we know, was the real centrepiece of the Socialist Controversy of the 1920s and the 1930s, the outcome of which was that Oskar Lange and Abba Lerner carried the day in theoretical terms while Ludwig von Mises and Friedrich von Hayek managed to cast some serious doubt on the practical feasibility of the proposed model of 'optimal' socialism.¹⁴ To engage further in this discussion would carry us far into the more narrow realm of the rationality of the Soviet *economic* system, an endeavour which would be of a rather technical nature and of limited relevance to the broader scope of the problems outlined above. Yet, there is implicit in this context also an issue which is of considerable relevance to our presentation, namely that of economic versus political rationality.

Since it is a main premise of this book that there is an important conflict between these two concepts, the question may need some elaboration. Let us start by listening to a definition of rationality that has been suggested by Nove:

All that is meant here by 'rationality' is the following rather simple proposition: that the economic purposes of society, whatever these may be *and* whoever decides them, are achieved with maximum economic efficiency – or alternatively, that maximum results are achieved at minimum real cost.¹⁵

Nove is quoted here from an article originally published in 1958 and the context is that of Khrushchev's de-Stalinization. After indicating a number of subsequently well established economic absurdities in the Soviet economic system, he proceeds to point at precisely that conflict between economic and political rationality which was just referred to. On the one hand, the 'leaders, and especially Khrushchev, like to be able to direct economic life, and do not take kindly to

limitations on the power of arbitrary decision on any issue', while on the other a 'rational use of resources is essential if the aims of the Party's own policies are to be effectively realized. Thus the Party has, in this connection, a split personality.' Rather than being 'attracted by rationality *per se*', the leaders 'now feel that they *need* economic rationality *because of* (not despite) their power ambitions.'¹⁶

Our aim throughout this book is to investigate the nature and consequences of the 'split personality', and we shall do so by directing our attention to the rationality of actions, or – to be more specific – to the rationality of *individual* actions. The sum total of those individuals who together make up the Soviet Union, or the Communist Party, will thus be dealt with only in so far as they form a larger group or entity *within* which the single individuals act according to their own preferences, be they Party chieftains, economic planners, rank-and-file workers, common peasants, or members of the intelligentsia. It is here that we shall deploy the game theoretic framework that was referred to above.

Our approach thus comes close to the toolbox end of the discussion of rationality. By using the concept of rationality as an instrument – or a framework – for the discussion, it is our hope that we shall be able to approach and shed some new light on some important aspects of the Soviet system. The starting point for this endeavour will be *strategic behaviour*, which is held by Elster to be the truly distinguishing feature between *homo sapiens* and other animals.¹⁷

In a market system, interest in the workings of institutions and the behaviour of individuals is diffused and sometimes even lost in the hazy concept of the 'market mechanism'. No doubt, the growth of bureaucracies and 'Big Government' has increasingly prompted Western economics to focus also on the importance of institutional analysis. In a centrally controlled system, however, such interest is not simply a valuable addition. It is of paramount importance. When individual behaviour can no longer be assumed to be guided by some abstract profit or utility maximizing concept, we must attempt to isolate what the real determinants of that behaviour might be.

Under a perfect market regime, Adam Smith's invisible hand sees to it that what is good for the individual is also good for society. Of course, such a perfect regime has never been encountered in real life, but it serves to illustrate that there is a broad spectrum of situations where administrative control, and all the associated problems, becomes increasingly visible towards one end of that spectrum. In such cases, which include hierarchies of Western bureaucracies as well as of the centrally planned economies, the single individual will increasingly need to take into account what action others may take

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when making his own plans. His behaviour will become *strategic*, to an extent and in a way that would not be warranted under a more anonymous market regime.

It is from this perspective that we shall address the problem of things that 'go wrong'. If we assume that all individuals behave rationally, according to some individually perceived utility function, may we then conclude that the global outcome will also be rational? Not necessarily, and here lies the very root of the dilemma of irrationality and things going wrong. Moreover, we also have here a very typical situation of a 'game' being played between the different actors, such as was referred to above.

Game situations can, however, arise in many different formulations, with different strategies and with different numbers of players. For the sake of illustration, we shall take a closer look at the Prisoner's Dilemma, the classic showpiece of game theory. In the original presentation by A.W. Tucker,¹⁸ two individuals have been apprehended following a serious crime. Evidence against them, however, is insufficient for a conviction and so the District Attorney puts each in a separate cell – with no means of communication – and proposes to each the following deal: 'If you confess and your partner does not, you will go free while he will receive a maximum sentence. If both confess, you will both receive a moderate sentence, whereas if nobody confesses, you will both get a light sentence on some petty charge.'

The outcome of the game in this case is given. For each individual – or player – there is a *dominant* strategy. Irrespective of what the other person does, you should confess. If the other does not – you will go free, whereas if he does you will get a moderate sentence. The fact that both would be better off *as a group* by not confessing is the core of the dilemma, since this outcome is unattainable without co-operation – or solidarity.

This example holds all those ingredients that are vital to our following presentation. It highlights the importance of *strategic behaviour*, since each individual must carefully consider what the other might do, and it highlights the importance of *communication* and *co-operation*, since it is the lack thereof that produces the inferior outcome. Most importantly, however, it highlights the difference between *individual* and *collective* rationality. For each individual it is clearly rational to confess, whereas for the group as a whole it would have been rational not to do so. Thus, as each individual pursues his own rational strategy, the attainment of collective rationality is blocked. It is from this perspective we shall discuss our initial claim, that things apparently going wrong (collective irrationality) are the results of rational (individual) action based on erroneous incentives,

only now we have to ask ourselves in which way incentives are 'erroneous'.

Let us use another example. During the Soviet reform attempts of the 1960s, Yanov wrote a series of articles in *Literaturnaya Gazeta*, on the needs and problems of reform in agriculture. In one of these,¹⁹ he used an example that has later become classic. The theme of the article is an engineer at an agricultural machinery testing station who, having developed new equipment that showed very good results at the experimental fields, was puzzled by the total lack of success in the *kolkhoz* fields. When visiting one of the *kolkhozy*, however, he soon found the reason. The new equipment required precise handling and should not be driven at speeds over 2.5 km per hour. The tractor, however, was capable of doing 24 km. As soon as the supervisor had left, that was also the speed that it would do, as the tractor driver's work norm was set in *hectares*. The fact that high speed would cause great damage to the coming harvest was irrelevant to him, as that cost would be shared equally by all members, while the benefit from getting the work done quickly would accrue to him alone. Many other examples in a similar vein could be quoted. Nove, for example, cites as 'a common saying among tractor-men' the caution to 'plough deeper: I see the director coming' (*zaglublyai, direktor edet*).²⁰ Shallow ploughing will of course render sowing impossible, but this is another thing that was irrelevant to the driver, whose only interest was to cover as many hectares as possible.

Yanov's example has been chosen partly because he has subsequently moved to the West, and written an admirable little book that elaborates on the theme,²¹ and partly because it holds all those features that are crucial to the Prisoner's Dilemma. From *his* point of view, the tractor driver does behave rationally in ploughing shallow and driving fast. As Yanov points out, for simply meeting the norm he would be paid three rubles, for three times the norm – nine rubles, and for five times the norm – twenty rubles. Thus the higher speed.²² Though it is obvious that the outcome of the labour of the entire collective of tractor drivers, combine operators, etc., is sub-optimal, are we right in drawing the conclusion that incentives are erroneous or irrational? The answer to that question will depend on what the incentive system is actually *supposed* to achieve, as was indicated above by Yanov.

That such incentives are erroneous in a perspective of aiming for macro-level economic efficiency is an obvious fact which is endemic to the entire process of Soviet economic planning. A classic textbook illustration is the nail factory which turns out minute size nails only when the plan is formulated in numbers but shifts into giant size nails when ordered to produce tons.²³ To a Western eye, this may appear

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to be a completely absurd situation and that is also the attitude taken in many Soviet books and articles condemning such practices (although of course they stop short of drawing conclusions as to the causes). Yet, in spite of decades of criticism, the problem has persisted and indeed become firmly entrenched in the practice of Soviet economic planning. Its root is the severe constraint on the amount of information that can be handled by the planners at the centre, a constraint which necessitates using aggregate targets. The latter in turn leaves plenty of scope for strategic behaviour by managers playing against the system, e.g. in deciding whether to produce large or small nails. The essence of this game has been analysed in the pioneering efforts of, among others, Joseph Berliner²⁴ and will not be discussed further here.

The situation depicted above is an obvious illustration of a Prisoner's Dilemma. All actors pursue their own individually rational strategies and the result is Berliner's play against the system and a sub-optimal final outcome. At the same time, there is a collectively rational strategy, which requires all players to give up their individually preferred strategies, in order to secure a better outcome for the group – and indeed for themselves too, as compared to the breakdown of the Prisoner's Dilemma. The problem is whether this collectively rational strategy can actually be implemented in practice, i.e. to make all tractor drivers plough deep and slow, thus increasing the harvest and making the total cake bigger.

From the discussion above it should be clear that there are only two ways to achieve this: by supervision or by co-operation. Let us put supervision on one side for a moment and concentrate on the prospects for successful co-operation. The problem of whether or not to co-operate (or, more properly perhaps, whether or not to be a free rider) is of course common to all forms of organization of work. As a *principle* it applies equally to East and West. Why is it then that problems of shirking and poor labour discipline appear to be more rampant in the Soviet bloc than in the Western countries? Moreover, why is it – as Anders Åslund has shown in his impressive study of private enterprise in Eastern Europe – that private entrepreneurs in Poland and in the GDR, respectively, exhibit such widely different patterns of behaviour?²⁵

In a formal sense, the root of the problem derives from the link (or absence thereof) between effort expended and reward received by the single individual. If a single member of a group decides to increase his contribution, his rewards will depend on whether or not the other members follow suit. If they do not, the fruits of his extra labour will be shared equally by all members and his own reward will amount to no more than $1/N$, with N members in the group. Such being the case,

the incentive for him to exert himself more than the minimum absolutely necessary will be small indeed. We have here the classic case against communes and co-operative enterprise.²⁶

If, however, other members decide to follow his example, the strength of the incentive will grow and in the limiting case the reward to the single individual will simply be equal to the result of his extra effort (assuming identical individuals). What then would make the others follow suit?²⁷ One glaring example of success in this respect is the Israeli *Kibbutz*, which functions according to the principle of full communism, often even to the point of communal dining. The absence of a wage nexus means that the individual's share of the total cake is independent of his contribution to production. Under such circumstances, rational action would prescribe to minimize that contribution. It is precisely this that has been the Achilles heel of many attempts at co-operation, but not so in the *kibbutz*.²⁸

The explanation is simple. If all members of the group have strong common interests, formal incentives to work will not be necessary. A personal moral code – or peer control in the form of community opprobrium – will simply rule out shirking. As the Israeli economist Haim Barkai has pointed out, an application of the classical case against communes to the *kibbutzim* is fallacious, precisely because the free rider problem will be an exception rather than the rule.²⁹ Although the explanation may be straightforward, the attainment in practice of this outcome is far from simple. In stark contrast to the *kolkhozy*, the *kibbutzim* have relied heavily on a voluntary and strongly selective recruitment of members with Zionist-socialist convictions and with strong preferences for the *kibbutz* way of life. This reduces the Israeli experience to a special case. The great emphasis that is placed by the *kibbutz* movement on matters of social tissue and group relations does, however, bring out quite clearly the crucial role that is played by such factors.

We have here a first step towards explaining the East-West dimension of shirking. Soviet beliefs in large rather than small scale, and in compulsion rather than choice, create a poor starting point for group solidarity and peer control to emerge. No doubt, the KGB informer system aggravates the problem, by its systematic fanning of distrust between people. Add to this a gradual degeneration of social tissue, caused by the sustained gap between promised and actual living standards, and we have a vicious downward spiral where the solidarity between individuals, and their interest in doing something for the group, become rapidly eroded. Hence, in this case, the situation of breakdown which is typical of the Prisoner's Dilemma will have particularly wide-reaching effects.

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If a co-operative solution cannot thus be achieved, supervision and control will have to step in and this is indeed precisely what has happened in the Soviet-type economies. This will be dealt with at length in the following chapters of our study. First, however, let us look at the prospects for achieving the co-operative solution by introducing an explicit ideology, as a moral code to promote co-operation. As with rationality, our ambition will not be to contribute any original ideas to the already substantial discussion on the nature, role and function of ideology. Rather, we shall attempt to shape it into an instrument, for use in our analysis below.

Ideology

As in the case of 'stability', and perhaps even more so, most people would probably claim to have a 'gut feeling' type of understanding of the concept of 'ideology'. It may be hard to define an elephant but you would surely know one if you saw one. Such an intuitive definition is of course not to much avail for any practical purpose. Yet, in spite of the fact that the concept has a long tradition, it still remains controversial: 'Surely by now some specific meaning [of ideology] should have developed out of common usage. And yet it has not. The word remains both descriptive and pejorative, both analytical and normative,' once wrote Daniel Bell.³⁰

In spite of this confusion, some form of a working definition is obviously needed and here Bell presents four different classes of interpretation. *First*, there is the one used by Marx in *Die deutsche Ideologie*, which views ideology as 'false consciousness' and derides the belief that ideas have the power to shape or determine reality. *Second*, there is the view that all ideas are socially determined, which has produced the sociology of knowledge. The *third* use is somewhat different, in that it sees ideologies as justifications which represent some specific set of interests. Here, the focus is not on the origin of ideas but on their consequences. *Last*, there is the use of ideology as a social formula, as a belief system to mobilize people into action. Revolutionary ideology would come under this heading.³¹

Other classifications would of course be possible, but that of Bell adequately serves our purpose. It illustrates the difference between looking at ideology for what it *is* and for what it *does*. The first two uses listed above deal with the origin and nature of ideas, while the latter two are concerned with their uses. Below we shall concentrate on the functions of ideology rather than on its origins or nature. For this purpose, Bell's definition will suffice: 'The function of an ideology, in its broadest context, is to concretize the values, the normative

judgements of society.³² A similar understanding can be found with Motyl, who argues that one function of Soviet ideology is 'to mould perceptions'.³³ This is not to say, of course, that there is some easily identifiable centre from which the ideological prescriptions emerge. Our understanding is rather that of a self-generating system, the inner dynamics of which shall be an important topic for study below.

Values and value-systems in a society are of course of great importance to any discussion of ideology. By approaching the problem from this angle, we may find a suitable starting point for identifying those aspects of ideology that we shall need below. One problem that immediately arises in this context, and which we shall have to deal with right away, is that of the East-West dimension of ideology. The following is written by Sidney Verba, in conclusion of a volume of papers on 'political culture' in different political systems: 'In fact, explicit political ideologies arise when one wants to create a political system that is not supported by the implicit primitive beliefs of the population. If one has the beliefs, one does not need the ideology.'³⁴

An immediate impression that might be gained from this statement is that ideology is something peculiar to revolutionary socialism. Verba is careful to guard against such an impression by using the word 'explicit', but the impression remains. Moreover, it is definitely the case that to a casual observer, it is the socialist systems that exhibit the most 'visible' ideology. Which American physicist, for example, would quote Abraham Lincoln in an article on quantum mechanics, in the way that Lenin's name is used by Soviet scientists across the board?

The problem at hand, however, is rather more complicated than one of simple visibility. As Motyl correctly points out, ideology in the democratic states differs from that of the authoritarian ones with respect to content, rather than function: 'American idealization of George Washington may not be so effusive as Soviet exaltation of Lenin, but it serves the same purpose – to provide a time-honoured, glorious reference point for the mass of citizens being socialized in the present.'³⁵ Having made this observation, we must also note that there does indeed remain two important distinguishing dimensions. *First*, we have the simple fact that the Soviet Union expends considerably more resources – human and others – on maintaining and propagating its ideology than do the Western democracies, a fact which Motyl ascribes 'not to some psychological quirk of Soviet leaders but to their appreciation of its indispensable role in the state's effective pursuit of survival'.³⁶ *Second*, we have the issue of visibility. Obviously, there are very special reasons for the strongly liturgical features that characterize Soviet ideology. These will be dealt with at length in our discussion below of problems of culture

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and legitimation. For the time being, however, we shall dwell on the function of ideology at a more general level.

The American economic historian Douglass North has offered an interesting approach to this complex issue by recognizing a built-in dilemma in the neo-classical economic model. On the one hand, he argues, all individuals are assumed to act so as to maximize their own personal welfare, while on the other they are simultaneously assumed to agree on a given set of rules for this behaviour, the latter being an obvious necessity for a viable political system. Rational action on the first count, however, implies irrationality on the second. As North points out, it is 'in the interests of the neo-classical actor to disobey those rules whenever an individualistic calculus of benefits and costs dictates such action.'³⁷

At the root of this dilemma lies the classic free rider problem. We would probably all agree that littering, for example, leads to a reduction in total welfare. For the single individual, however, there is a cost involved – in terms of effort – in not littering, while the impact on the environment of *his* littering is negligible. Since his loss in welfare is most likely larger on the former than on the latter count, the rational action would be to litter. North's pointed question becomes: 'How much additional cost will I bear before I become a free rider and throw the beer cans out the car window?'³⁸

In this narrow formulation, the answer is obvious and if all individuals act rationally we will end up in a Prisoner's Dilemma situation. If nobody would litter everybody would be better off, but given the rules of the game this outcome is blocked. The attraction to the individual of littering is simply too great. Enforcement would be one possible way out, but for most rules underlying a working society the cost of enforcement would be greater than the increased welfare that could be thus achieved. It is obvious that it pays to enforce rules against, say, murder, but what about jaywalking, or smoking in public? If all individuals were to act rationally, from their own points of view, we would expect very few of the rules that constrain their behaviour to be obeyed and thus society would break down. Yet, we observe that most people abide by most rules most of the time, although it is costly for them to do so. It is here that 'ideology' enters the picture.

The root of the evil in the free-rider problem is the attraction to the individual of increasing his own personal welfare at the expense of the others. To solve this problem, we must increase the costs he has to pay for doing so and, as we have noted above, legal and economic sanctions may not be a feasible way to achieve this. In such cases, we are left with imposing *moral* costs: 'Strong moral and ethical codes of a society is the cement of social stability which makes an

economic system viable.³⁹ Co-operation was also seen to be the solution to the Prisoner's Dilemma, as outlined above.

Only by explicitly recognizing this function of ideology can we explain the substantial investments that are made by societies in acquiring legitimacy. Above all, this explains much of the investment in the educational system that cannot be explained as investment in human capital in order to increase individual productivity. By instilling certain norms and values into people, certain decisions will be ruled out. Ideology thus helps simplify their decision-making processes. It also helps to socialize individuals within the given social system. If we take total and brutal repression to be the alternative, or the point of reference, ideology can thus actually be seen as a cost-saving device when attempting to build a society.⁴⁰

Now we are approaching the East-West dimension of ideology. 'Its [ideology's] fundamental aim is to energize groups to behave contrary to a simple, hedonistic, individual calculus of costs and benefits', writes North, and proceeds to point out that the necessary investment will depend on how much the new system deviates from the old: 'The costs of maintaining the existing order are inversely related to the perceived legitimacy of the existing system.'⁴¹

If we assume that any given population holds a set of values and beliefs on what is, in some sense, 'fair', then every attempt to impose an order that differs from these beliefs will have to be followed by an effort to bring beliefs and reality into line with each other. As Rousseau observed in his *Contrat social*, the 'strongest is never strong enough always to be master unless he transforms strength into right and obedience into duty.'⁴² Thus it follows that an attempt at making revolution and at maintaining the new order will be more dependent on an explicit and vigorous ideology than will a gradualist policy: 'To the extent that a society does not mobilize its people and becomes pluralistic and diverse, the ideology becomes more diffuse,' writes Bell.⁴³

Proceeding to compare developments in East and West, we find that the political systems of the Western world have evolved gradually, over a relatively long period of time. Beliefs and reality have thus had plenty of time to blend together and ideology is rather muffled, to some maybe not even perceptible.⁴⁴ In the Soviet case, on the other hand, the existing political system is very young and, moreover, when introduced it was – in some important respects – radically different from the old order. It is thus natural to ask the question of what has happened to the process of 'ideological realignment' and perhaps to assume – as we shall do below – that it may still be far from complete.

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This distinction between East and West may appear subtle but it is definitely not harmless. In a society such as the Soviet, where explicit ideological constructs serve important legitimating purposes, a diffusion of that ideology will have important implications for the political stability of the regime. We shall consequently have much to say below about this process of realignment. It is an interesting question, for example, to ask *what* is to be aligned? How are beliefs adjusted to the new structure? Is it perhaps possible to influence this process in such a way that continuity with the old structure of beliefs and reality come to dominate the revolutionary change? However this may be, it will remain of crucial importance whether a convergence between beliefs and reality will actually take place. Alfred Meyer once observed that 'convincing the Soviet citizens that theirs was the best of all possible worlds was difficult':

Hence the ideology became implausible. The effect of this was not only increased rigidity, but the further intensification of the indoctrination effort.... The intensity of indoctrination and the rigidity of official dogma are inversely proportional to the credibility of the doctrine. Moreover, these elements mutually reinforce each other.⁴⁵

We certainly do not agree with Meyer's sweeping generalization about *the* Soviet citizen. On the contrary, we shall have repeated call below to return to differences in perception between the Russian and the non-Russian elements of the Soviet population as one highly important aspect of the constant search for legitimacy. What Meyer does capture, however, is the dynamic interaction between popular beliefs and official policy, in the ideological sense. This is clearly an important aspect of the realignment process. As North points out, individuals 'alter their ideological perspectives when their experiences are inconsistent with their ideology. In effect, they attempt to develop a new set of rationalizations that are a better "fit" with their experiences.'⁴⁶ In the case of a *utopian* ideology, by which we mean one whose promises relate to the future, it is of crucial importance that reality should at least develop in the right direction.⁴⁷ If this does not happen, it will be necessary either to revise the ideology or to face the fact that individuals will alter their ideological beliefs, away from the desired course.

While thus agreeing with Meyer that the plausibility of ideology is an important – perhaps even crucial – aspect of legitimization, we shall challenge his view that in the Soviet case it had become implausible. At this point it may be useful to distinguish between the respective functions of *legitimation* and *socialization*.⁴⁸ In the former case, ideology is used to make the citizen accept the system as a whole, in the

latter to accustom him with his place within it. Although both tunes will have to be played at the same time, the difference is of some considerable importance. In order to legitimate the system, a clearly perceivable but at the same time carefully screened link with the past will need to be maintained, in terms of doctrine as well as national values and rituals. To socialize the subjects, on the other hand, the promises of the revolution must be kept alive and somehow at the same time be aligned with observable reality.

Here we should note the importance of the gap between utopia and reality, which explains the very different challenges faced by Western and Soviet ideologies. Since there can hardly be a *Weltanschauung* that provides consistent answers to all possible questions, any ideology will by necessity contain a number of inconsistencies and contradictions. The consequences, however, will depend on the challenge that the ideology is called upon to face. In the Western world, democracy has evolved over centuries without ever being closely codified. A process of pragmatic give and take has been sufficient to solve problems that have appeared along the road.

In the Soviet bloc the reverse is true. Having never had the time to settle down, Marxism-Leninism has been presented from the very outset as a scientifically correct body of thought that provides the only (correct) answer to all questions. Although Western democracy has certainly been ascribed certain philosophical foundations, this has happened *ex post* and is a far cry from the *a priori* claims that are laid to the scientific and philosophical nature of Marxism-Leninism.⁴⁹ Against the background of such claims, it is obvious that any inconsistencies will be quite serious, threatening the general acceptance of the ideology. Much energy has consequently gone into writings attempting to reconcile the various parts with each other.

As David Comey once observed, this situation may produce a vicious circle.⁵⁰ Every attempt at more detailed codification will highlight further inconsistencies, which in turn demand yet more detailed codification, etc. These constant interpretations of doctrine that occupy so many Soviet officials and which give rise to incomprehension on the part of so many Westerners are thus not to be taken lightly. Although many may realize that the search for logical coherence is a hopeless enterprise, it is not possible to abandon since that would mean admitting the existence of inconsistencies in the 'scientifically correct' theory.

The rigidity of Soviet ideology is also reflected in the demands placed upon Soviet citizens in general and on Party members and officials in particular. Marxist-Leninist thought must not only be accepted but also studied and digested extensively. This necessity of actually practising the ideology is reflected in the important prin-

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ciple of *partiinnost* (Party-mindedness), which grants the Party a monopoly on interpreting the creed and which also guarantees that it is the truth that is spoken, much in the same way as for the Pope when speaking *ex cathedra*. As Meyer notes:

The cohesiveness of the Party apparatus places a premium on the constant interpretation of the doctrine. When such demands are made in the name of 'rational, scientific' thought, the consistency of the doctrine becomes imperative, for to the extent that glaring inconsistencies are tolerated, the complete acceptance of the doctrine is endangered.⁵¹

Bell even takes *partiinnost* to the point where 'it is not the creed but the insistence on the infallibility of the interpreters that becomes the necessary mechanism of social control.... Only in this way can the Party rationalize the abandonment of once-hallowed doctrines and adopt new doctrines that may have little justification in old dogma.'⁵² He also goes on to pin-point the importance of the ideology in moulding together the officials selected to interpret it:

An *official* ideology is both a principle of inclusion and a principle of exclusion. It defines the official creed and it identifies the enemy or heretic against whom sentiments must be mobilized. By its very formulation of a public creed it requires an overt statement of allegiance from those who occupy responsible positions in the society.⁵³

So far we have dealt with the general aspects of the concept of ideology. In this brief introduction, there are three things that we wish to bring out. *First*, that ideology is not a particular feature of the Soviet system, or indeed of socialism, although there are reasons why these cases may exhibit the most visible manifestations of ideology. In the general sense, it is at work everywhere – East and West. *Second*, in the value-belief dimension, the process of ideological realignment can act as a brake as well as an energizing force on a regime's attempt to change societal order. The dynamic feedback effects are thus important here. *Third*, status as an official ideology creates rather special circumstances of inclusion/exclusion, heretics, etc. This is of particular importance for our purposes below, since it means that both explicit and covert elements of ideology may be used by the regime as a tool, in a way for which there is no parallel in the West.

This concludes our general remarks on ideology and rationality. Before we turn to our study proper, however, we shall look briefly at one more tool in our box. Since our investigation is an interdisciplinary one, aiming to blend strands of evidence as seen from three different disciplinary perspectives, it is obvious that we shall need a

tool that spans over the three disciplines involved. Moreover, given the strong emphasis that has been placed above on strategic behaviour by individuals, our tool must also be geared into analysing the behaviour and reactions of individuals to changes in their environment. Precisely such a theoretical framework can be found in the concepts of *Exit, Voice and Loyalty* (EVL) that have been developed by Albert Hirschman.⁵⁴

Exit, Voice and Loyalty

The main ambition of EVL can be illustrated by the sub-title of Hirschman's seminal work on the topic: 'Responses to Decline in Firms, Organizations and States.' Briefly put, we are dealing here with situations where an individual is faced with deterioration in the quality of goods he normally purchases, or in the performance of organizations to which he belongs, and it is assumed that he can choose either to protest (Voice) or to leave (Exit). The point made by EVL is that the choice made between these two options will be of crucial importance for the prospects of eventual recuperation.

A vital assumption in this context is that of 'repairable lapse',⁵⁵ i.e. that decline in the performance of a firm or an organization need not be intentional but may rather be the result of 'organizational slack'.⁵⁶ In such a case, the decline may well be reversible, if brought to the attention of management. To an economist, this assumption may be slightly surprising, as it is generally assumed that if one firm goes bankrupt (due to reasons other than falling demand) its place in the market will be taken over by another, and no difference will be seen. If we grant, however, that recovery is possible, then various feedback mechanisms become of interest, as signals to management that something is amiss. It is here that Exit and Voice differ in their respective functions.

Signals to management in the form of Exit are generally assumed to be weaker than those emitted in the form of Voice, as Exit will normally occur in the form of a slow seepage. Indeed, in the special case where customers simply move between different producers in the same market, Exit and Entry may actually cancel each other out.⁵⁷ If there are many producers on the market, such movements may serve to prevent management from absorbing any signals until the problem has assumed serious proportions. In contrast, even a few outspoken individuals may create quite a lot of noise by using the Voice option and thus perhaps also succeed in transmitting a powerful message.

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The ideal situation would thus be to achieve a sufficient delay in Exit for the discontent of the individuals concerned to be channelled into Voice, which in turn sets in motion the desired process of recuperation. It is here that Loyalty – the third ingredient in the EVL triad – enters the picture. Hirschman assumes that individuals who are possessed with a certain Loyalty to the firm or organization in question will be prepared to put up with decline longer, in the hope that by resorting to Voice they may actually succeed in promoting recuperation, and thus incidentally also in justifying their delay in Exit.⁵⁸ This use of the concept of Loyalty is obviously somewhat different from the everyday understanding of that word, and harsh criticism has been directed at this part of Hirschman's theory. As we shall argue below, however, the special nature of our application succeeds in avoiding much of this critique.

An important advantage of EVL lies in the fact that it is an unusually successful example of an interdisciplinary approach, combining economics and political science.⁵⁹ The Exit option, with its clean dichotomy, comes naturally to the economist, who is accustomed to thinking in binary terms (purchase or no purchase), while the Voice option, with its drawn-out and often inconclusive perspective, comes equally naturally to the political scientist, who is used to thinking in terms of processes *per se* rather than focusing on the results of those processes. In his original book on the subject, however, Hirschman argues that EVL is equally applicable *in toto* to both disciplines. He also expresses a 'hope to demonstrate to political scientists the usefulness of economic concepts and to economists the usefulness of political concepts'.⁶⁰

Our approach is to use EVL as a tool with which to analyse those mechanisms of stabilization that were referred to above. Methodologically, the approach is heuristic and the model will be used as a loose analytical framework, rather than as a Procrustean bed of rigid definitions. In the present context, it might be argued that the tool is ill chosen for the problems at hand. Political repression and censorship may be argued to inhibit the use of Voice. Closed borders and a general absence of competition can be seen to preclude the use of Exit. The diffuse nature of the concept of Loyalty makes it hard to operationalize and interpret, and the long-term nature of social processes invalidates the essentially short-run nature of Hirschman's framework. Yet, it is precisely by bringing up objections of this kind that we hope to demonstrate the usefulness of the EVL paradigm to the case at hand.

If we start with the problem of 'response to decline', it may actually be seen as a strength that we are *not* dealing with short-term adjustment processes. As we have indicated above, the concept of

Loyalty is that part of Hirschman's theory which has drawn perhaps the harshest criticism from reviewers. A.H. Birch, for example, has argued that Hirschman has the wrong correlation between Voice and Loyalty. To Birch's way of thinking, Loyalty ought to mean a 'disposition to accept rather than a disposition to criticize'.⁶¹ In a further critique, Michael Laver sees the concept of Loyalty as 'probably the most self-contradictory part' of the whole theory.⁶² Perhaps one of the most serious criticisms that has been directed at the EVL theory, however, has been voiced by Brian Barry, who has argued that Loyalty in Hirschman's use is no more than an '*ad hoc* equation filler', with no independent theoretical role to play.⁶³

Barry's main objection is that Loyalty does not capture a 'real social phenomenon', and it is here that we shall present our application as largely escaping those criticisms that have been directed at EVL in its original formulation.⁶⁴ While the perspective used by Hirschman is essentially one of short-term utility maximizing adjustments, ours is that of a more long-term process of socialization of individuals within the sphere that is controlled by government policy. Their 'response' should thus be seen not as short-term adjustments in behaviour, but rather as a more long-term formation of attitudes and a corresponding conditioning and adaptation of actions.

What we are dealing with here is something very similar to the 'real social phenomenon' that was originally found lacking by Barry. The long-term nature of this process illustrates the importance of the time dimension and highlights the role of the process of ideological 'alignment'. Most importantly, however, it emphasizes the sluggish nature of social change. Even if there were a favourable change in official policy, in order to arrest a perceived 'decline', it might be quite some time before a corresponding transformation occurs of those popular values and beliefs which make up our concept of Loyalty, and which determine how the change in policy will be received.

Although this illustrates the difficulties that may face a policy which relies on incentives and encouragement, there are of course also corresponding problems connected with a policy that relies on repression. In order to elaborate on the latter point, we shall need to make a distinction between *vertical* and *horizontal* Voice. Hirschman has been rightly criticized for failing to realize that Voice has characteristics of a public good, i.e. that if some people get together and organize a protest against some public problem – say poor educational standards – this will benefit all, while the costs of Voice will be borne by the activists alone. Consequently, the single individual may be expected to hope that others will perform the service for him.⁶⁵ In essence, this amounts to the problem that is described in Mancur Olson's book on *The Logic of Collective Action*.⁶⁶

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This line of reasoning is clearly valid in relation to Voice in Hirschman's original formulation, i.e. protests or complaints raised by citizens – or their organizations – against authorities or enterprises. The formation of such Voice – which we shall refer to as vertical – will suffer from precisely those problems of collective action that have been outlined by Olson and will consequently be rather easy to suppress. The crux of the matter is that there is also another form of Voice, one which operates on the horizontal level. *Horizontal Voice* – as defined by the Argentinian economist Guillermo O'Donnell – represents the daily exchange of opinions – approval or disgruntlement – *between* people and as such it represents a phenomenon altogether different from its vertical counterpart.⁶⁷ In the West, sentiments of the latter kind are regularly surveyed, for example via opinion polls regarding political preferences, consumer satisfaction with various goods, etc. Such surveys are of course carried out in the Soviet bloc countries as well, but they are sparsely publicized and rather differently handled.

An illustration of how such polls can be used is provided in an article in the Soviet Party journal *Kommunist*, where the Polish Party chief Jaruzelski speaks about the need for polls in the following terms: 'We see in this a mechanism for early warning and a timely prevention of situations of potential conflict.'⁶⁸ In late 1982, Jaruzelski established a Centre for the Study of Public Opinion. According to the head of this institute, Colonel Stanislaw Kwiatkowski, its purpose was to 'aid the government in adopting correct decisions and in improving the style and method of using power.'⁶⁹ Significantly, however, expressing his views to a Soviet audience, Jaruzelski was careful to declare that 'socialist pluralism must serve to promote a creative and constructive emergence and application of a variety of ideas, opinions, values and suggestions, all on the foundations of socialist construction.' Furthermore, in 'order to move ahead, we must defend the reform process from subversive actions of the class enemies and limit or remove the influence of anti-socialist slogans and concepts'.⁷⁰ In other words, public opinion should be surveyed simply in order for the regime better to control and influence it.

An important difference of principle between opinion research in East and West lies in the fact that, in the former case, the single individual will never learn the full picture. Information gained in this way will thus, on the one hand, serve as a more powerful tool for *manipulation* in the hands of the Soviet leaders than it will in the hands of their Western colleagues. On the other hand, however, it will be a more important source of *information* for the latter. Forgoing this information can be seen as a price paid for the use of opinion polls as a tool of manipulation.

The importance of the horizontal type of Voice must be underlined. Not only is it virtually immune to all forms of collective action problems, since there is little cost and probably quite substantial individual benefits *per se* involved in communicating with your fellow citizens. It is also a prerequisite for the formation of vertical Voice. The real challenge to a repressive regime is thus not so much to suppress the open manifestations of popular discontent, which is a relatively simple question of expenditure on censorship, police and the military. In order to be successful, repression must also be directed at suppressing horizontal Voice, which is where the real trouble starts. Before proceeding to examine how this crucial issue has been addressed, let us briefly outline how the remainder of our book is organized.

Plan of the Study

In the following section we deal with the foundations of the 'Soviet model', as they were laid down under Stalin. The initial step is to show that the development of economic policy had political rather than economic motivations. In particular, this will be seen to hold for mass collectivization and the introduction of five-year planning. Secondly, we will show how relative political pluralism and debate *within* the Party was gradually suppressed and replaced by the Stalinist dictatorship *over* the Party. Finally, attention will be directed to how the regime increasingly came to seek its legitimacy in selected traditional Russian values. The conclusion from this section will attempt to demonstrate the supremacy of politics over economics and the resultant need to seek legitimacy in non-economic terms.

The third section is devoted to an investigation of Khrushchev's attempts to change the basic Stalinist model. The main focus is first directed at the failure of changing growth strategy – i.e. the failure of intensification – and at the search for a new *format* for old policy rather than for a new policy. Then we investigate the political effects of de-Stalinization, and the attempts made at changing and revitalizing the Party state. Finally, we discuss the impact of Khrushchev's cultural policy on the rigid Soviet ideological universe of the late Stalin period. The conclusion from this section is that Khrushchev represents an 'aberration', a partial break with a number of ingrained structural continuities and restraints.

Section four deals with Brezhnev's increasingly stagnant leadership, the *period zastoya*. Particular emphasis is placed on the reforms that 'never were', and at the increasing fossilization of the economy,

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where each new attempt at 'reform' produced smaller and smaller effects. The political dimension exhibits a similar pattern of fossilization in the political leadership – with its associated consequences for the running of the economy, on the one hand, and for the emergence of competing interests and opinion groups, on the other. Finally, we show how a gradual return was made to the traditional values and how these came to be increasingly ritualized in the search for legitimacy. This section emphasizes the interrelation between economic and ideological development on the one hand, and demographic trends and nationality problems on the other.

In the concluding section of the book, we outline a 'Legacy for Gorbachev'. After a brief perusal of the interregnum under Andropov and Chernenko, we examine the contents of Gorbachev's attempted 'revolution from above'. The prospects for successful reforms are discussed against the background of current developments in the natural environment, and in the spheres of demographic change and tensions between nationalities. The real obstacle to reform will be sought in terms of the impact on the psychology of Soviet Man of seven decades of Bolshevik rule.

Part two

Foundations of the Soviet model



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Chapter two

Searching for the economics of early Soviet planning

The title of this chapter has quite deliberately been chosen in a somewhat provocative manner, seeking to indicate our intention to penetrate the *rationale* behind, rather than the practice and system of, economic planning as it emerged during the early stages of Bolshevik rule. The assumption underlying this endeavour is that the emergence of the vast planning apparatus, and of the tasks placed before it, had an essentially political rather than economic rationale. Hopefully, the ensuing discussion will live up to the expectations that are implied by this introduction.

As a starting point, we shall invoke the support of two independent observers, both reflecting on the problem of the economics of the 'Soviet model'. Upon returning to Harvard from a visit to the Soviet Union, in 1960, Professor Vasily Leontief, one of the founding fathers of input-output techniques, is reported to have made the following remark: 'Western economists have often tried to discover the "principle" of the Soviet technique of planning. They have never succeeded since, up to now, there has been no such thing'.¹ This puzzlement, moreover, can be found not only in the West. During the campaign of the 'hundred flowers' in China in 1957, a Chinese economist trained by the Soviet Gosplan, summed up the same problem in the following, rather blunt manner: 'The theory of the political economy of socialism does not exist. This chapter is essentially empty.... We are moving blindly, fumbling and just imitating the Soviet pattern. Our economic planning represents a mixture of dogmatism and empiricism'.²

It is against this background that we shall discuss the concept of economic versus political rationality. When confronted with some of the apparent absurdities of the Soviet economic system, it may certainly be tempting for a Western observer to condemn it as 'irrational'. It is our hope here, however, that by introducing political and ideological objectives into the analysis of the more narrow 'econ-

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omic' system, it will be possible to demonstrate that the logic of the system we are observing may indeed be quite rational, albeit according to criteria different from those of Western economics.

We shall start our inquiry by looking at the periods of War Communism, in 1918–21, and of the New Economic Policy (NEP), in 1921–28, as two lessons in 'feasible socialism'.³ The main assumption here is that the Soviet model was built in an *ad hoc* fashion, with few premeditated plans or concepts. The cornerstones of the model came into being as responses to urgent political and/or economic problems. Only *ex post* did the Soviet leaders realize that certain policy measures carried highly palatable side effects. These were then adopted as logical parts of the model of 'scientific socialism'. Ideology served an important legitimating function in this process, by masking what was actually happening, and by presenting a series of *ad hoc* emergency measures as a logical sequence of premeditated steps.⁴

We will then move on to see how the foundations of the centrally planned model were laid, during the First Five Year Plan (FFYP) in 1928–32. By focusing on the suppression of economics, and the promotion of politically motivated policy measures, we will seek to show the limited value of searching for a narrowly defined economic rationality. This approach will also allow us to present the model of 'extensive' growth as the very antithesis to the much vaunted 'intensive' growth model, which has been heralded by the Soviets for decades. We will argue that the establishment of the former model required the suppression of the main ingredients necessary for the latter to work. This will cast serious doubts on the possibility of a gradual transition from one to the other.

In the concluding section we will pull together the threads of an argument that attempts to explain the apparent economic irrationality of the Soviet model by presenting it as politically rational and ideologically in conformity with the Russian intellectual tradition.

Two lessons in feasible socialism

First lesson: a taste of power

We have knowledge of socialism, but as for knowledge of organization on a scale of millions, knowledge of the organization and distribution of commodities – that we have not. This the old Bolshevik leaders did not teach us.... Nothing has been written about this yet in Bolshevik text-books, and there is nothing in Menshevik text-books either.⁵