True reality of socialist countries

IP 336

David Lipka, Ph.D.
„Successes“ of Socialism

- high rates of economic growth
- no economic crises
- zero (low) unemployment
- social/income equality
- true welfare state (health, education, ... )
Reality of central planning

Central Planning Board:
  • List of goods and services
  • technical coefficients (historical IN-OUT relations)

→ inputs needed
  S (production, stocks, imports) and D (interindustry, final)
  must equal for all items

If not → administrative steps: increase S, reduce D

→ material balance (in 1934 – 2nd 5year plan - in Soviet Russia for only 105 commodities)
# Material Balance

<table>
<thead>
<tr>
<th>Sources</th>
<th>Output</th>
<th>Stocks</th>
<th>Imports</th>
<th>Intermediate Inputs Required by</th>
<th>Final Uses</th>
<th>Domestic Uses</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Coal Industry</td>
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<td>Steel Industry</td>
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<td></td>
<td></td>
<td>Machinery Industry</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>Consumer Goods Industry</td>
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<tr>
<td>Coal (tons)</td>
<td>1,000</td>
<td>10</td>
<td>0</td>
<td>100</td>
<td>50</td>
<td>50</td>
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<tr>
<td>Steel (tons)</td>
<td>2,000</td>
<td>0</td>
<td>20</td>
<td>200</td>
<td>400</td>
<td>1,000</td>
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<tr>
<td>Machinery (units)</td>
<td>100</td>
<td>5</td>
<td>5</td>
<td>20</td>
<td>40</td>
<td>10</td>
</tr>
<tr>
<td>Consumer goods (units)</td>
<td>400</td>
<td>10</td>
<td>20</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
</tbody>
</table>

Demonstration that a balance exists:

- Sources of coal: 1,010 tons = uses of coal: 1,010 tons
- Sources of steel: 2,020 tons = uses of steel: 2,020 tons
- Sources of machinery: 110 units = uses of machinery: 110 units
- Sources of consumer goods: 430 units = uses of consumer goods: 430 units

Reality of socialist economies

MB elaborated into 5 year plans

Quantitatively stated goals (quotas)
  • unwanted production
  • waste of resources (capital)
  • underutilization of resources
  • Malinvestment
2 problems:

- knowledge
- incentives (mobilization of effort)
  "They pretend to pay us and we pretend to work."

→ Shortage economy – permanent shortage

- Forced substitution
- Forced savings
- Suppressed inflation

"I heard there was meat in Moscow. Shall we expect it in Leningrad, too? Yes, it is a travelling show..."
Soviet Russia

War Communism 1918 – 1921

- Near universal nationalization of manufacturing; widespread nationalization of retailing
- Hyperinflation
- Stringent price controls upon and forced requisitioning of agricultural products; state monopoly on grain purchases
Forced labor for civilians as well as the military

„...throughout 1919 labor conscription continued to extend to all categories of labor until it was declared by the State Council on Defense that leaving one’s job would be considered desertion.“

Richard Pipes

Contradiction?

"Compulsory labour under capitalism, was quite the reverse of compulsory labour under the dictatorship of the proletariat: the first was 'the enslavement of the working class,' the second the 'self-organization of the working class'."

Bukharin

The punishment for illegal trading of food was either confiscation of all foodstuffs or immediate death.
Collectivization

- 1921 - 1930, 1,500,000 “kulaks” killed or deported
- 1932/1933 famine – final collectivization
  71,4% farms, 11 mil dead people
- Private tiny farms (3% arable land) produced one third of agricultural output
- In 1958-1965 private farms produces 77% eggs, 64,4% potatoes, 46% milk and
  44% meat.

1970s (under Brezhnev) Increased infant mortality, alcoholism, decreased life
expectancy (68 → 64)
White Sea-Baltic Canal 1931

- Length 227 km
- 160,000 prisoners; 100,000 died
- Greatly underused
  - 44% of its projected capacity in 1940
  
  ""the shallow depth of the canal prevented the passage of any vessel from the Baltic fleet, and large cargo shipments had to be reloaded onto smaller craft."

C. Joyce, The Gulag in Karelia
Khrushchev receives an urgent cable from Mao:

DEAR COMRADE KHRUSHCHEV. CHINESE PEOPLE STARVING. SEND FOOD.

Khrushchev cables back:

DEAR COMRADE MAO. REGRET STARVING CHINESE. HAVE NO SURPLUS FOOD. TIGHTEN BELTS.

To which he receives the following reply from Mao:

SEND BELTS.

Is it true that the American capital people are on the edge of the abyss?

Yes, they are on the edge of the abyss, looking down to see how we live.
Cambodia under Pol Pot 1975-1979

4-year plans
5 vanguard standpoint everyone must accept:

- Independence, mastery, self-reliance, control of one’s future,
- Revolutionary patriotism, revolutionary pride in one’s revolution, people, and Part
- Believe totally it the Party, the revolution, the people the workers, the peasants and the army;
- Let the great revolutionary movement of the people spring up with the speed of a super great leap forward;
- Save up, improve, and think up new ideas to win the fight, and spring forward bravely. Use little capital, which is the nation’s natural resource, but produce many high quality results

• Three categories of people: full-rights; candidates, depositees (marked for destruction)
• Religious practices were banned.
• Every one was forced to wear cotton made pajamas as formerly peasants wore
• Money was banned, banks were closed
• No markets, no currency, no independent exchange
• Communal cooking, eating
• Moving outside the basic unit was forbidden without written authorization
• Individual was allowed to have 2 basic possessions: a bowl and a spoon

1978 invaded by Vietnamese communist army, end of pure communism
• As many as 3,000,000 died (The killing fields)

• April 4, 1975 Few days after seizing power people were said to leave the capital (2-3 million people) to seek refuge from an impending US bombing. Thousands of people died on the march especially children and the elderly. People forced to take up rural work (abolition of differences between city and countryside).
China Great Leap Forward 1958 -

- Increase production of steel (15% more than US in 3 years)
- 25,000 communes with 5,000 households each.
- Collectivization
- Local furnaces
- In 1958 40% increase in steel production. In 1964 at the same level as in 1958
- GSP per capita 1961 14% bellow 1958

→ One of the greatest famines in history 38,000,000 deaths

- The aim was to “smash the four olds”: old ideas, old culture, old customs, and old habits; to eliminate the contradiction between intellectual and manual labor.
- Chaos ensued as Red Guards destroyed temples, artwork, books, and anything associated with traditional or foreign cultures.
- 350.000.000 Quotations from Chairman Mao
- Radical leaders and Red Guards also persecuted artists, writers, and those with foreign connections. Victims were subjected to public criticism, humiliation, and physical abuse in meetings known as struggle sessions.
• Attacks of teachers by students, teachers beaten to death
• Destruction of 56 ethnic minorities

Ghana - Kwame Nkrumah 1957 - 1966

• 1957 independence; 10% of world production of gold, biggest exporter of cocoa

• „Big push“ industrialization program:
  The sugar plant at Asuatuare was built without a water system and remained idle for a year before this flaw was corrected. A tomato and mango canning plant was built at Wenchi (in western Ghana) with a capacity to process 5,000 tons of tomatoes and 7,000 tons of mangoes each year. After it was built at a cost 80 percent above budget and ready to begin operations the authorities discovered there were hardly any mango trees in the area of the plant and it would take seven years for newly planted mango trees to start bearing. Ghana Airways chose Soviet Ilyushin planes which could only be serviced in the Soviet Union. Ghana Airways had to maintain service from North Africa to the Soviet Union to accommodate this servicing requirement. Those lines had hardly any passengers at all and most of the ones they did have were government passengers flying for free.

GDP in 1965: 17.5% below 1957
Non-Soviet (national) Socialism

Friends or foes?

the State shall make it its primary duty

- to provide a livelihood for its citizens...
- the abolition of all incomes unearned by work...
- the nationalization of all businesses which have been formed into corporations...
- profit-sharing in large enterprises...
- extensive development of insurance for old-age...
- land reform suitable to our national requirements...

Lee, Stephen J. (1996), Weimar and Nazi Germany, Harcourt Heinemann, page 28
Planning:

- 4 year plans
- Nominal ownership
- Long term „contracts“ at fixed prices

- Central allocation of investments
- Central allocation of labor (changing job only with permission from a local labor bureau)
- General price controls
- Monopolization (easier command over industry)
Democide

Democide means for government what murder means for an individual under municipal law.

E.g. famines, forced labor that kills people, imprisonment that kills people (deadly conditions), extrajudicial executions, deaths by torture, government massacres.

Not: judicial executions (for murder, treason), killing enemy soldier in combat...

R. J. Rummel, DEATH BY GOVERNMENT
### Table 1: Communist Democide [a]

<table>
<thead>
<tr>
<th>Regime</th>
<th>Years</th>
<th>Democide (000)</th>
<th>Annual Rate %</th>
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<tbody>
<tr>
<td>Afghanistan</td>
<td>1978-87</td>
<td>228</td>
<td>.157</td>
</tr>
<tr>
<td>Albania</td>
<td>1944-87</td>
<td>100</td>
<td>.118</td>
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<td>Angola</td>
<td>1975-87</td>
<td>125</td>
<td>.302</td>
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<td>Bulgaria</td>
<td>1944-87</td>
<td>222</td>
<td>.062</td>
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<tr>
<td>Cambodia (Khmer Rouge)</td>
<td>1975-79</td>
<td>2,035</td>
<td>8.161</td>
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<td>Cambodia (Samrin)</td>
<td>1979-87</td>
<td>230</td>
<td>.398</td>
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<tr>
<td>China</td>
<td>1949-87</td>
<td>35,236</td>
<td>.120</td>
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<td>Cuba</td>
<td>1959-87</td>
<td>73</td>
<td>.028</td>
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<td>Czechoslovakia</td>
<td>1948-68</td>
<td>65</td>
<td>.024</td>
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<td>Ethiopia</td>
<td>1974-87</td>
<td>725</td>
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<td>Germany (East)</td>
<td>1948-87</td>
<td>70</td>
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<td>Grenada (Coup)</td>
<td>1983</td>
<td>0.106</td>
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<td>Hungary</td>
<td>1948-87</td>
<td>27</td>
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<td>Korea, North</td>
<td>1948-87</td>
<td>1,663</td>
<td>.250</td>
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<tr>
<td>Laos (PDR)</td>
<td>1975-87</td>
<td>56</td>
<td>.124</td>
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<tr>
<td>Mongolia</td>
<td>1926-87</td>
<td>100</td>
<td>.187</td>
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<td>Mozambique</td>
<td>1975-87</td>
<td>198</td>
<td>.123</td>
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<td>Nicaragua (Sandinistas)</td>
<td>1979-87</td>
<td>5</td>
<td>.020</td>
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<td>Poland</td>
<td>1948-87</td>
<td>22</td>
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<td>Rumania</td>
<td>1948-87</td>
<td>435</td>
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<td>USSR</td>
<td>1917-87</td>
<td>61,911</td>
<td>.422</td>
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<td>Vietnam (Hanoi)</td>
<td>1945-87</td>
<td>1,670</td>
<td>.105</td>
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<td>Yemen, South</td>
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<td>Yugoslavia</td>
<td>1944-87</td>
<td>1,072</td>
<td>.118</td>
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<td><strong>SUBTOTAL</strong></td>
<td>1900-87</td>
<td>106,267</td>
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<td><strong>COMMUNIST GUERRILLAS</strong></td>
<td>1900-87</td>
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<td>NA</td>
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<td><strong>COMMUNIST TOTAL</strong></td>
<td>1900-87</td>
<td>110,286</td>
<td>.477</td>
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<tr>
<td><strong>WORLD TOTAL</strong></td>
<td>1900-87</td>
<td>169,199</td>
<td>.235</td>
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[b] Average.
Total democide in 20th century

### Table 1.2

#### 20th Century Democide

<table>
<thead>
<tr>
<th>REGIMES</th>
<th>YEARS</th>
<th>DEMOCIDE (OOO)</th>
<th>DOMESTIC</th>
<th>GENOCIDE</th>
<th>ANNUAL RATE %</th>
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<tbody>
<tr>
<td>MEGAMURDERERS</td>
<td>1900-87</td>
<td>151,491</td>
<td>116,380</td>
<td>33,476</td>
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<td>U.S.S.R.</td>
<td>1917-87</td>
<td>61,911</td>
<td>54,769</td>
<td>10,000</td>
<td>0.42</td>
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<td>China (PRC)</td>
<td>1949-87</td>
<td>35,236</td>
<td>35,236</td>
<td>755</td>
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<td>Germany</td>
<td>1933-45</td>
<td>20,946</td>
<td>762</td>
<td>16,184</td>
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<td>China (KMT)</td>
<td>1928-49</td>
<td>10,075</td>
<td>10,075</td>
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<td>DEKA-MEGAMURDERERS</td>
<td>1900-87</td>
<td>128,168</td>
<td>100,842</td>
<td>26,326</td>
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<td>Japan</td>
<td>1936-45</td>
<td>5,864</td>
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<td>China (Mao Soviets) [3]</td>
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<td>3,466</td>
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<td>Cambodia</td>
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<td>2,000</td>
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<td>1909-18</td>
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<td>1,670</td>
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<td>Poland</td>
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<td>Pakistan</td>
<td>1958-87</td>
<td>1,503</td>
<td>1,503</td>
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<td>Yugoslavia (Tito)</td>
<td>1944-87</td>
<td>1,072</td>
<td>987</td>
<td>675</td>
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<td>LESSER MEGAMURDERS</td>
<td>1900-87</td>
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<td>12,237</td>
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<td>1.63</td>
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<td>1,663</td>
<td>1,293</td>
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<td>Mexico</td>
<td>1900-20</td>
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<td>Russia</td>
<td>1900-17</td>
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<td>591</td>
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<td>SUSPECTED MEGAMURDER</td>
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<td>4,145</td>
<td>3,301</td>
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<td>China (Warlords)</td>
<td>1917-49</td>
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<td>Turkey (Atatürk)</td>
<td>1919-23</td>
<td>878</td>
<td>703</td>
<td>175</td>
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<td>United Kingdom</td>
<td>1900-87</td>
<td>816</td>
<td>816</td>
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<tr>
<td>Portugal (Dictatorship)</td>
<td>1926-82</td>
<td>741</td>
<td>741</td>
<td>0</td>
<td>0.03</td>
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<tr>
<td>Indonesia</td>
<td>1965-87</td>
<td>729</td>
<td>579</td>
<td>150</td>
<td>0.02</td>
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<tr>
<td>CENTI-KILOMURDERERS</td>
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<td>14,918</td>
<td>10,812</td>
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<td>China (Warlords)</td>
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<td>910</td>
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<tr>
<td>Turkey (Atatürk)</td>
<td>1919-23</td>
<td>878</td>
<td>703</td>
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<td>1900-87</td>
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<td>Portugal (Dictatorship)</td>
<td>1926-82</td>
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<td>1965-87</td>
<td>729</td>
<td>579</td>
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<tr>
<td>LESSER MURDERERS</td>
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<td>2,792</td>
<td>2,355</td>
<td>1,019</td>
<td>0.1</td>
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<td>WORLD TOTAL</td>
<td>1900-87</td>
<td>169,202</td>
<td>129,547</td>
<td>38,656</td>
<td>0.1</td>
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</table>

1. Includes genocide, politicide, and mass murder; excludes war-dead.
   These are most probable mid-estimates in low to high ranges.
   Figures may not sum due to round-off.
2. The percent of a population killed in democide per year of the regime
5. The rate is the average of that for three successive periods.
6. The world annual rate is calculated for the 1944 global population.
Summary:
“I am not only the conqueror, but also the executor of Marxism--of that part that is essential and justified, stripped of its Jewish Talmudic dogma.”

Hitler, in Kuehnelt-Leddihn: 
*Leftism Revisited, p. 158*

“National socialism is socialism in evolution, a socialism in everlasting change. There is more that unites us than divides us from bolshevism . . . above all the genuine revolutionary mentality. I was always aware of this and have given the order that former Communists should be admitted to the party immediately.”

Hitler, in Kuehnelt-Leddihn: 
*Leftism Revisited*
"We are socialists, we are enemies of today's capitalistic economic system for the exploitation of the economically weak, with its unfair salaries, with its unseemly evaluation of a human being according to wealth and property instead of responsibility and performance."

„...factory directors had an interest in stockpiling raw materials and equipment (the famous “hidden stocks”) as an insurance against difficulties in securing supplies in time or the unavailability of spare parts for making essential repairs; since investment expenses had no bearing on planning performances (the enterprises did not figure interest on invested funds as part of their cost price), an increase in production of 2 or 3%, secured even at an exorbitant cost, would earn bonuses!“

„...directors of enterprises had an interest in systematically under-evaluating the productive capacity of “their” plants, because target goals of the plan were set in accordance with declared capacities, and the bonuses received by the directors were proportional to the amounts by which they surpassed these target goals; the lower the capacities set, the easier it was to earn larger bonuses.“

„At the beginning of 1964, unsaleable stocks of ready-made clothing in Soviet shops exceeded 500 million rubles (Sovietskaia Torgovlia, No.1, 1964).“

„On January 1, 1964, the total value of unplanned stocks (that is to say, of unsaleable products) had reached 2 billion rubles;“

„Each year between 1958 and 1963, additional billions of rubles were “frozen” without any kind of “return” whatsoever; their total amount reached 25 billion rubles by 1961 and passed the 27 billion figure by 1963 (these two figures represent 75% of the respective total investment expenditures for the two years in question).“

„...in the chemical industry, a lack of machines and equipment caused the volume of uncompleted investments in 1964 to rise to 1½ times the volume of annual investments... In 1963, for example, the USRR produced 206 million tons of crude oil, but the total annual capacity of Soviet oil refineries reached only 50% (!) of this level of production.“

„There are cases where these delays in completing investment projects reach the proportions of a real scandal. Thus, the chemical combine of Gurjec has been under construction for ten (!) years. Seven large wood and cellulose combines in Siberia have been under construction for thirteen (!) years; machinery imported from Great Britain in 1952 was never used and has by now become obsolete and gone to rust, etc., etc.“

„An analysis of modernization investments in 39 enterprises manufacturing machinery showed that in 10 of these enterprises, the ruble cost of merchandise produced had increased after modernization, while production per ruble of invested funds had decreased (Pravda, March 15, 1964).“