

## Notes for Topic 2: The Russian Revolution

### 1 Amateur History

1. Prior to 1917, Russia was ruled by a series of Tsars who held nearly absolute power. By the late nineteenth century, Tsarist Russia remained one of the most authoritarian states in Europe. The last Tsar was Nicholas II, a weak inbred who ended up participating in history's least successful family photo. Today, the U.S. government honors the memory of the Tsar by appointing various "tsars" (*e.g.* a car tsar, a drug tsar...) when it wants to look like it is doing something but has no real ideas.

2. Under Nicholas II, Russia suffered a series of military disasters. It was soundly defeated in the Russia-Japan War of 1905. Its large, but poorly equipped, army suffered horrific casualties in World War 1. This was the catalyst for the Revolutions of 1917.

3. In February 1917, Nicholas II was overthrown and replaced by a provisional government. The provisional government decided to continue Russian participation in World War 1, a decision that proved disastrous.

4. In October 1917, the Bolsheviks, a revolutionary group led by Vladimir Lenin, seized power in a second revolution. Their aims were not just political but economic. Specifically, they sought to implement the world's first communist government.

5. The Bolsheviks won the Russian Civil War between 1917 and 1924 against a hodgepodge of anti-Bolsheviks known as "White Russians."<sup>1</sup> Afterwards, the Soviet Union was formed which included Russia and eleven, now independent countries. During World War 2, the USSR would overrun and annex the three Baltic states. The Soviet Union would then continue until its collapse in 1991. From 1945-1988, many Eastern European economies (and some others, such as Mongolia) were effectively Soviet satellites.

### 2 Core Concepts for this Topic

1. **Planned vs. Market Based Economies:** Most economies, like the United States, are market based. This means that the government does not determine how much of each

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<sup>1</sup>Not to be confused with a White Russian cocktail, a nasty mix of vodka, Kahlua, and creme.

good is produced by who (there are exceptions, like nuclear weapons). Markets, decentralized collections of buyers and sellers, instead determine what we make, where we work, etc.

In a planned economy, the government makes most of the decisions about what is produced. The Soviet Union and other communistic economies are the most prominent examples.

Although planned economies have usually performed poorly, it is not obvious that they must perform worse than market based economies. Market based economies can lead to bad outcomes. They may produce too much pollution, too much poverty, etc. A planned economy can theoretically fix these issues. Doing so, however, has proven to be intractably difficult.

2. **Poverty vs. inequality.** Poverty refers to the part of the population that lacks access to an acceptable amounts of food, shelter, clothing, and other necessities. Inequality is the difference between the rich and the poor. These concepts are related, but they are not the same.

Consider an economy where half the population are worth \$100 billion and the other half are worth \$100 million. There is no poverty in this economy because even the poorest person can afford luxuries like private jets and Limited Edition Hot Pockets. It is, however, quite unequal because the rich are 100 times wealthier than the poor.

Now consider another economy where the rich half are worth \$1000 and the poor are worth \$999. Poverty is high because all members of society will likely struggle to acquire necessities. It is, however, a highly equal economy.

Whether you care about poverty more than inequality is a value judgment. To help you think about which matters to you consider the following exercise:

Policy A: I am magically going to double the income of all poor members of society. There are no other consequences to consider (*e.g.* the environment is unaffected, there is no inflation, etc.) Would you support such a policy? It reduces both poverty and inequality. Almost all students say yes.

Policy B: Now I am going to magically double the income of all members of society, rich and poor. This policy reduces poverty but has no effect on inequality. Would you support such a policy?

Policy C: finally, I am going to double the income of the rich but increase the income of the poor by only 10%. Poverty is reduced, but inequality increases. Would you support such a policy?

3. **Incentives.** An incentive is anything that influences peoples' behavior or choices. When deciding how much to work, a worker is incentivized by many things: taxes, their level of wealth, their salary, etc. When deciding how much to study, students are motivated by the usefulness of the material, the "opportunity cost" of missing out on partying, their grade, etc.

If incentives change, then we should expect people's choices and behavior will as well. This may seem obvious, but policy mistakes occur all the time because policy makers misjudge or underestimate the role of incentives.

Think about everything that is produced in an economy: services like haircuts, entertainment, etc., and goods like bacon, computers, etc. The amount of these goods and services is not set in stone. Rather, it depends on the incentives that firms and workers (among others) face). This was a great failure of the Russian Revolution. The revolution caused workers to have less incentive to work and producers to have less incentive to produce.

### 3 Big Questions

1. The October (second) Revolution was not an ordinary political revolution. the Bolsheviks who seized power sought to remake the economic system, initially by transitioning from capitalism to socialism but eventually to a utopian communist system. What was the plan and how did the Soviets pursue it?

Socialism is an economic system where the government controls the means of production. Private property may, however, exist. In the modern world, the government controls at least some of the means of production. In the United States, national parks, the post office, etc. are public. Nevertheless, the economy is mostly private and the U.S. economy is typically categorized as capitalist. Other economies (*e.g.* the Nordic Model) have much larger public sectors and these economies are often described as mixed. It is reasonable to think of capitalism and socialism as endpoints on a spectrum.

The early Soviet state was stricken by Civil War between the Reds (Bolsheviks and their supporters) and Whites, a ragtag collection that agreed on little besides hating the Reds. This Civil War would last until 1924 when the Reds one and the Whites were crushed.

The Bolsheviks saw socialism as a stepping stone to the more extreme system of communism. In its purist form, communism not only barred private production but most private

property as well. Marx theorized that eventually the state would fade away under communism and the economy would evolve into some weird and creepy version of the Share Bears. The initial economic system was known as “war communism” and blended elements of socialism and communism.

War communism began with a grain monopoly. But it broadened to include a comprehensive range of state controls on the economy. It aimed to abolish private trade, to nationalize all large-scale industry, to militarize labour in essential industries, and at its height, in 1920, to replace money with universal rationing by the state. Because it was a model for the Stalinist economy it is important to explain its origins and decide where it fits in with the revolution’s history.

-Figs, Chapter 7, page 111

After the Russian Civil War ended, Lenin relaxed war communism in favor of the New Economic Policy (NEP). We can view the NEP as an attempt to relax some of the communistic elements of war communism in favor of a, still extreme, version of socialism. Workers were given more ability to own private property. The NEP was necessary due to the poor results of war communism. It led to what Figs describes as the “golden age” of the revolution although it is important to note that while economic performance was better, this was relative to war communism, and political terror, while not as bad as under Stalin, was still severe.

Equally important was the second landmark resolution of the congress, the replacement of food rationing by a tax in kind. This abandoned the Central plank of War Communism and laid the foundations of the New Economic policy (NEP) by allowing peasants to sell their surplus on the free market once the tax in kind was paid. Fearful that the delegates would denounce the NEP as a restoration of capitalist, Lenin insisted that it was needed to quell the peasant uprisings.

-Figs, Chapter 8, page 123

The restoration of the market brought back life to the Soviet economy. Private trade responded instantly to the chronic shortages that had built up over seven years of war, revolution, and the Civil War. By 1921 everyone was living in patched-up clothes and shoes, cooking with broken utensils. People set up booths and stalls; flea-markets flourished; peasants sold their foodstuffs in town markets...

-Figs, Chapter 9, page 123

2. Today, the Soviet Union is best remembered for political repression, a dismal human rights record, and for producing outstanding cinematic villains and submarine captains with suspiciously Scottish accents. What is the connection between the economic goals of the revolution and the political disaster of the Soviet Union.

Figs provides some insight:

The totalitarian state had its origins in War Communism, which attempted to control every aspect of the economy and society. For this reason the Soviet bureaucracy ballooned spectacularly during the Civil War. The old problem of the Tsarist state- its inability to impose itself on a majority of the country- was not shared by the Soviet regime. By 1920, 5.4 million people worked for the government. There were twice as many officials as there were workers in Soviet Russia.

The Soviet Union was a centrally planned economy where the government, rather than private markets, made decisions about what was produced in what amount, and who was to consume the production. This required a severe concentration of power in the government. Communist governments almost invariably extended this power from the economic sphere into the political arena.

Figs also notes the incentive problem. Central planning required a bloated state, but officials' personal incentives did always match those of the state. A Soviet official might make choices that advance their career over those that benefited the economy as a whole. This, of course, can happen in any system. But the size of the Soviet state made it especially damaging to the USSR economy.

The scale of the resulting human rights disaster cannot be understated. Death counts rival those of Nazi Germany. Agricultural collectivization, where independent farmers were pushed onto large, state-owned farms, was especially disastrous.

The collective farms were a dismal failure. They never really worked. In the early years, few had tractors to replace the horses slaughtered by the peasantry (human draught was used). they were badly run by managers appointed for their loyalty to the state rather than their agricultural expertise.....

The outcome of this wholesale seizure of the harvest- encouraged by exaggerated surplus estimates from local officials eager to win favour from Moscow- was widespread

famine in 1932-3. The number of deaths is impossible to calculate accurately, but demographer suggest that up to 8.5 million people died of starvation or disease. The worst-affected areas were in Ukraine, where peasant resistance to collectivization was particularly strong and grain levies were excessively high. This has prompted some historians to argue that the 'terror-famine' was a calculated policy of genocide against Ukrainians.

-Figes, Chapter 10, page 155.

3. The Soviet state collapsed in 1991. Although political factors, including Rocky Balboa's shocking victory over Ivan Drago in Moscow on Christmas Day 1985 played a part, the main reason was decades of economic stagnation. Why did it fail?

It is doubtful that Lenin's NEP would have produced great results in the long-term. After Lenin's death in 1924, however, Stalin assumed power and returned to a stricter form of communism. The NEP was replaced with a series of five-year plans where the state set production goals five-years ahead with the promise of a workers' paradise at the end.

But when the [first] Five year plan had been completed, this paradise had not been reached, and another plan was introduced. by the carrot and the stick the Soviet people were driven by the state to go on working for the Communist utopia that was always imminent but never came. The Five year Plan became the basic model of Soviet development. It was Stalin's legacy.

The 'great break' began with collectivization, the foundation of the Five Year Plan. Far more than the events of 1917-1921, the collectivization of agriculture was the real revolution in the countryside. It destroyed a way of life that had developed over many centuries- a life based on the family farm, the peasant commune, the village and its church, all of which were to be swept away as legacies of 'backwardness.' Millions of people were uprooted from their homes and dispersed across the Soviet Union.

-Figes, Chapter 10, page 150

Figes describes the Soviet failure simply as "the Soviet population had forgotten how to work."<sup>2</sup> In other words, the Soviets, and other centrally planned economies, never solved the

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<sup>2</sup>Introduction, page 6. He also states that "Russia is no longer an aggressive state. It does not start foreign wars." Oops.

incentive problem. If a worker is not allowed to keep most of the output that they produce, they have little incentive to work. The state can monitor them and punish them if they do not work hard. but this is easier said then done. The Bolsheviks hoped that workers would evolve to value the collective and nit the individual. they seem to have fundamentally misjudged human nature.