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Two agricultural shocks in the former USSR, 60 years apart

Thomas Lines

Besides wars and revolution, Russia and its neighbours suffered two major agricultural shocks in the last century: the collectivisation crisis of 1929–33 and the collapse of the collective farms in the 1990s. Both were in some sense policy-induced and linked with sharp declines in agricultural terms of trade. The crises were connected by the historical coincidence of the formation and collapse of the collectives, and the political and philosophical bases of Communist rule. This article investigates relative price changes, the consequences for rural people, and the political backgrounds of the crises. It draws attention to international aspects which many studies neglect.

Deux chocs agricoles dans l'ex-URSS, à 60 années d'intervalle

Outre des guerres et des révolutions, la Russie et ses voisins ont subi deux chocs agricoles d'envergure durant le siècle dernier ; la crise de la collectivisation de 1929-1933 et l'effondrement des exploitations collectives durant les années 1990. Les deux étaient en un sens induites par les politiques générales et liées à des déclinés marqués des termes de l'échange agricoles. Ces crises étaient liées à la coïncidence de la formation et de l'effondrement des collectifs, et aux bases politiques et philosophiques du régime communiste. Cet article examine les changements relatifs des prix, les conséquences pour les populations rurales et les toiles de fond politiques des crises. Il attire l'attention sur les aspects internationaux, qui sont négligés par de nombreuses études.

Dois choques agrícolas na antiga URSS, 60 anos de intervalo

Além das guerras e revolução, a Rússia e seus vizinhos sofreram dois grandes choques agrícolas no século passado: a crise da coletivização de 1929–33 e o colapso das fazendas coletivas na década de 1990. Ambos foram, de certa forma, induzidos por política e estavam ligados aos acentuados declínios nos termos de comércio agrícola. As crises conectam-se pela coincidência histórica da formação e colapso dos sistemas coletivos e das bases políticas e filosóficas do preceito comunista. Este artigo investiga as mudanças de preços relativos, as consequências para a população rural e a base política das crises. Ele chama atenção para os aspectos internacionais que muitos estudos negligenciam.

Dos desajustes agrícolas en la ex URSS, uno a 60 años del otro

Además de guerras y revoluciones, Rusia y sus vecinos sufrieron dos grandes crisis agrícolas en el siglo XX: la crisis de la colectivización de 1929-1933 y el desplome de las granjas colectivas en los años 90. En cierto sentido las dos se debieron a cambios políticos y coincidieron con cambios bruscos en los modos de intercambio agrícolas. Ambas crisis tienen en común históricamente la formación y caída de las granjas colectivas y de las bases políticas y filosóficas del régimen comu-

nista. Este ensayo investiga los cambios en los precios relativos, sus consecuencias para el campesinado y los antecedentes políticos de las crisis. También destaca los aspectos internacionales que muchos estudios suelen eludir.

KEY WORDS: Governance and Public Policy; Central and Eastern Europe and the CIS

Introduction

Agricultural markets are always prone to instability. All developing countries see this on the export side of their foreign trade, and farmers know it from their own experience. So the international food price shock of 2007–08 was actually nothing new. Nor was the experience of disorientation associated with sharp changes in the price relationship between agriculture and the rest of the economy.

It is interesting to compare what happened at two critical points in the eventful history of Russia and the USSR in the twentieth century: the crisis of 1929–33, in which the country's peasant farms were turned into large collective units, and the state of agriculture in the years after the USSR broke up in 1991. There is not room to describe either episode in detail, but this article will look at particular issues that they illustrate. The most important of these are the role of international trade and some of the basic dilemmas of development, especially foreign-exchange constraints. These aspects have been underplayed in the literature on the collectivisation crisis, which usually emphasises internal Soviet factors.

Collectivisation

The transformation of Soviet domestic policy between the late 1920s and early 1930s has been called the 'Second Revolution', with reference to the 1917 Revolution. Central economic planning was introduced with the first Five-Year Plan for industrialisation, and agriculture was collectivised. This was as big an economic experiment as has ever occurred, but its extreme harshness has always seemed puzzling. How could a socialist party pursue a policy that led to vast loss of life among the country's own poorest citizens?

The background is well known. After the Civil War ended in late 1920, the Bolshevik government was quickly faced with a series of new revolts, several of them among peasants but the most explosive being a mutiny at the Kronstadt naval base near Petrograd, which had provided firm support for the Bolsheviks in 1917. Lenin retreated by announcing that private farming and trade would again be permitted, in order to rescue the economy from the wreckage of seven years of wars, revolution, and hyperinflation. The initiative was called the New Economic Policy, or NEP, and the petty traders who benefited from it became known as 'Nepmen'.

It is worth pausing to consider the ideological scale of this retreat. The Bolsheviks had seized power in November 1917 as the most extreme of the revolutionary parties.¹ They had a rigid interpretation of Marx, according to which the most progressive force in society had to be the urban proletariat, even in an agrarian country like Russia. During the Civil War the Bolsheviks attempted to install a socialist order at once, so the decision to allow petty trade again was a total change of position. However, the decline in agricultural production was prolonged by a drought, the 1921 grain harvest fell to just 43 per cent of the 1909–13 average, and a famine occurred. Earlier in the year there were peasant uprisings in Russia, the Ukraine, and elsewhere, reported in February 1921 to number 118. In the following month Robert Conquest quotes Lenin as saying, '*We are barely holding on*' (Conquest 1988: 52–3).

According to one interpretation, the NEP was a policy of restoration in line with the rest of Europe at the time. In a chapter called 'Conservative 20s, Revolutionary 30s', Karl Polanyi wrote:

The Central and Eastern European upheavals and counter-upheavals of 1917–20... were merely roundabout ways of recasting the regimes that had succumbed on the battlefields... Russia, in this respect, formed no exception... Not only Hindenburg and Wilson, but also Lenin and Trotzky (sic) were, in this broad sense, in the line of Western tradition. (Polanyi 1957: 23)²

By 1925 production across the Soviet economy had returned to the levels of 1913, but Lenin had died, so the Party had to make decisions without him. Thoughts turned in some quarters to industrialisation, to be planned on behalf of the people rather than using private investment and accumulation, and accompanied by large-scale mechanised agriculture. The farms must grow enough both to feed a growing urban population and to provide an export surplus enabling capital-goods imports, and it was thought that the transformation of agriculture would increase production accordingly.³ Cereal exports were then minimal, at 2.1 million tons in 1926–27 and just 300,000 tons in 1927–28, compared with 12 million tons in 1913 (Nove 1989: 102). According to the great historian of the Soviet economy, Alec Nove, the best theorist of this case was Yevgeni Preobrazhensky, who concluded that it would only happen if revolutions in more advanced countries came to the USSR's aid. Nove comments that Preobrazhensky 'never faced up to the possibility of resolving the dilemmas through coercion, through expropriating the peasantry' (Nove 1989: 115–18).

In the second half of the 1920s the peasants were hit by a double price blow, known as the 'scissors crisis'. It was partly attributable to government policy. The prices of goods produced by state-owned industry were kept low, partly with a view to making them affordable to peasants, and shortages developed. The Nepmen bought goods in the cities and sold them with large mark-ups in the villages. So the actual prices paid by peasants went up. In the meantime, state procurement prices for agriculture were also reduced, to the extent of 20–25 per cent for grain in 1926–27; this led to greater difficulty for the government in procuring grain, both to supply the cities and for export.

By this time Stalin was consolidating his position as the man in charge, and he responded in the winter of 1927–28 with a proposal to combine the small peasant farms into large collective units, to benefit from economies of scale and create something akin to a proletarian workforce. He also supported the forced confiscation of grain in the Urals and Western Siberia, where there had been a good harvest. After this, a downward spiral began. A year later, rationing was introduced in the cities, and in the second half of 1929 the Communist Party went on the offensive, ordering the requisitioning of grain by force with compulsory collectivisation of farms in the same action, including confiscation of property such as livestock. The Party arranged for bands of activists to go into the villages, seek out as much grain as they could to fill the quotas, persuade the villagers to merge their land into collective farms, and arrest, confiscate, and deport the *kulaks*. Notionally this word meant 'rich' peasants, but in practice it soon meant almost anyone who showed any resistance. It is still not clear how much this was a decision of principle, and how much an ideological cover for the repression of peasant uprisings. In practice it probably makes little difference.

There is not room to describe the horrors of the collectivisation campaign in any detail. That was done exhaustively more than 20 years ago (Conquest 1988). However, in 1928, 97.3 per cent of the USSR's sown area was in the hands of individual peasants, but as much as 67.8 per cent was collective by 1931, and 94.1 per cent by 1935 (Nove 1989: 102,163). So in terms of its stated aim it should be called a success.

But the decision to move the campaign into top gear in the second half of 1929 coincided with the Wall Street crash, when the USSR's dependence on western countries for capital goods was 'very great indeed', according to Nove: 'In 1932–33, 338 million roubles' worth of machine tools were imported, and this represented 78 per cent of all machine tools installed in that year' (Nove 1989: 220). All that it had to export were primary goods, mainly wheat, timber, and coal. The markets for them were weak because of the crisis in the West, and the USSR's sales led to accusations that it was 'dumping' them, or selling them at less than cost price. However, the *Wall Street Journal* dismissed this threat and said that the USSR should be allowed to 'buy American machinery, hire American brains, and use American banking credit' to build its industry. 'Our refusal . . . will merely transfer her commercial relations to other countries' (News from 1930, 2009). This is how the transactions were understood by a shrewd US observer, the young economist, Charles Kindleberger:

Soviet policy was directed at changing from grain to industrial exports. Difficulties in breaking into markets for finished goods and in obtaining credit for needed imports of capital equipment led to a decision in 1927 and 1928 to force wheat exports. . . In 1930 a bumper crop made it possible to expand exports from 100,000 metric tons in 1929 by twenty-three times to 2,290,000 tons in 1930. But prices were falling, and the value of exports increased only ten times from \$15 million to \$150 million. . . [In 1931] exports doubled to 5,220,000 metric tons, but the value of exports failed to rise. (Kindleberger 1987: 80–81, emphasis added)

In other words, the Soviet government procured an extra 5 million tons of wheat for export, but this earned only \$135 million or so in further export revenue per year. This was a price shock at the national level. The bare fact, as seen in Moscow, was that in 1931 the capitalists paid less than one-quarter of the 1928 price for the USSR's wheat. However, in 1932 and 1933 the collectivisation campaign was stepped up, especially in the fertile wheat areas of the Ukraine and southern Russia. Conquest makes it clear that the ensuing famine was not a by-product of a zealous initiative which went badly wrong, but an act of policy itself. The famine of 1932–33 was a repetition of experience in Kazakhstan in 1929–30, after the collectivisation of the nomads. The Kazakh steppe was transformed: in 1926 nearly 80 per cent of the Kazakh population earned their living through livestock, but by the summer of 1930 only 27.4 per cent did so (Conquest 1988: 195). However, Conquest reports:

The 1926 census showed 3,963,300 Kazakhs in the Soviet Union; the 1939 census (itself inflated) showed 3,100,900. . . actual death [from famine and general repression] must have been at least a million. . . These terrible figures were matched by, indeed were caused by, a catastrophic decline in the livestock population. The number of cattle, which had been 7,442,000 in 1929, had shrunk to 1,600,000 in 1933; of sheep from 21,943,000 to 1,727,000. (Conquest 1988: 190)

So by 1932 the authorities knew what to expect from forced collectivisation. Conquest reports that the Ukrainian–Russian border was in effect blockaded to prevent the entry of grain into the Ukraine:

People 'tried extraordinary tricks, used fictitious stories, merely to travel' to Russia, 'to buy a little of something edible in exchange for the last fur coats, for carpets and linen, to bring it home and so save their children from dying of hunger'. For over in Russia, as became widely known, things were different. 'One had only to cross the border and outside Ukraine the conditions were right away better.' (Conquest 1988: 327)

Conquest's book quotes dozens of first-hand accounts of the famine, but just one is sufficient for our purposes. One of the activists in the campaign recalled:

'I heard the children . . . choking, coughing with screams. And I saw the looks of the men: frightened, pleading, hateful, dully impassive, extinguished with despair or flaring up with half-mad, daring ferocity.

"Take it. Take everything away. There's still a pot of borscht on the stove. It's plain, got no meat. But still it's got beets, taters 'n' cabbage. And it's salted! Better take it, comrade citizens! Here, hang on. I'll take off my shoes. They're patched and repatched, but maybe they'll have some use for the proletariat, for our dear Soviet power." . . .

In the terrible spring of 1933 I saw people dying from hunger. I saw women and children with distended bellies, turning blue, still breathing but with vacant, lifeless eyes. And corpses – corpses in ragged sheepskin coats and cheap felt boots; corpses in peasant huts, in the melting snow of the old Vologda, under the bridges of Kharkov . . . I saw all this and did not go out of my mind or commit suicide. Nor did I curse those who had sent me out to take away the peasants' grain in the winter, and in the spring to persuade the barely walking, skeleton-thin or sickly-swollen people to go into the fields in order to "fulfil the bolshevik sowing plan in shock-worker style".

Nor did I lose my faith. As before, I believed because I wanted to believe.' (Conquest 1988: 232–3)

Stalin's own attitude is revealed in the suicide of his wife, Nadezhda Alliluyeva:

Stalin had allowed her to go to a technical school, taking a course in textile production. Students . . . told her of the mass terror, in the hope that she could do something about it. They described the bands of orphaned children begging for bread, the famine in the Ukraine. . . Finally two students described cannibalism there, and how they themselves had taken part in the arrest of two brothers who were selling corpses.

When she told this to Stalin, he . . . had Pauker, head of his bodyguard, arrest the offending students, and ordered. . . a special purge of the students in all colleges who had taken part in the collectivization. The quarrel which led to Nadezhda Alliluyeva's suicide on 5 November 1932 seems to have taken place on this very issue. (Conquest 1988: 325–26)

One can only guess at the psychological impact on Stalin of his wife's suicide in such circumstances.

Malcolm Muggeridge, a British journalist, described the famine in military terms in the early summer of 1933:

'On a recent visit to the Northern Caucasus and the Ukraine, I saw something of the battle that is going on between the government and the peasants. . . On the one side, millions of starving peasants, their bodies often swollen from lack of food; on the other, soldier members of the GPU [secret police] carrying out the instructions of the dictatorship of the proletariat. They had gone over the country like a swarm of locusts and taken away everything edible; they had shot or exiled thousands of peasants, sometimes whole villages; they had reduced some of the most fertile land in the world to a melancholy desert.' (Conquest 1988: 260)⁴

Mendel Khatayevich, a leading Ukrainian Communist, used similar terms:

'A ruthless struggle is going on between the peasantry and our regime. It's a struggle to the death. This year was a test of our strength and their endurance. It took a famine to show

them who is master here. It has cost millions of lives, but the collective farm system is here to stay. We've won the war.' (Conquest 1988: 261)

And the human cost of this war? According to Conquest's calculation in 1986, the death toll across the USSR was 14.5 million people, including 11 million peasant dead between 1930 and 1937, and 3.5 million arrested in that period and dying in camps later. Of the deaths, 6.5 million were a result of 'dekulakisation', one million resulted from the Kazakh catastrophe, and 7 million from the 1932–33 famine, including 5 million in the Ukraine. He estimates the Ukrainian dead at 18.8 per cent of the republic's people and about a quarter of its rural population (Conquest 1988: 306).

This appears to be the highest estimate of deaths. Nove estimated the deaths from the collectivisation and famine at 8.1 million people, while Rosefielde calculated 8.6 million unexplained deaths between 1930 and 1938, of which 2.8 million were directly attributed to the 1933 famine. Whichever number is correct, it substantially exceeds the numbers killed in the Great Terror of 1937–38 (Rosefielde 1996: Tables 1 and 7, and *passim*).

It is tempting, and not altogether unreasonable, to speculate on the impact that all this had on Stalin. After years of manoeuvring, he had finally achieved supreme power above men who were regarded as more experienced and intellectually superior: not just Trotsky but Bukharin, Preobrazhensky, and numerous others. Then his first decisive act led to the starvation of millions of fellow citizens, for the sake of a limited gain in foreign-currency earnings. Did this sow the seed for his turning on his 'Old Bolshevik' colleagues with accusations of capitalist plots? As early as 1931 the whole directing personnel of the Commissariat of Agriculture was arrested, being composed of men who advocated a return to small peasant property.

Two years later, in March 1933, their successors are shot, two Under-Commissars of the People, several influential communists (Connor-Poleschuk, Wolfe, Kovarsky), thirty-five persons in all, on vague accusations of sabotage and of intelligence with countries abroad. (Serge 1996:174)

This presaged wider events four years later.

What we see is a sharp divide between the cautious, almost backward-looking NEP of the 1920s and reckless experimentation in the 1930s. Again, we are indebted to Polanyi for this insight:

In the early thirties, change set in with abruptness. Its landmarks were the abandonment of the gold standard in Great Britain; the Five-Year Plans in Russia; the launching of the New Deal; the National Socialist Revolution in Germany; the collapse of the League [of Nations] in favor of autarchist empires. . . The root cause of the crisis, we submit, was the threatening collapse of the international economic system. (Polanyi 1957: 23)

When we look at the collectivisation drive more closely, it appears more like a Second Civil War than a Second Revolution. Historians differ as to which part of society the war was directed

Table 1: Livestock numbers in the USSR (millions of heads)

| | 1928 | 1933 | 1935 |
|-----------------|--------------|-------------|------|
| Cattle | 70.5 | 38.4 | 49.3 |
| Pigs | 26.0 | 11.6 (1932) | 22.6 |
| Sheep and goats | 147.0 (1929) | 50.2 | 61.1 |

Source: Nove 1989: 176

against. Was it a class campaign, directed against peasants, or an ethnic campaign designed to bring the recalcitrant Ukrainians into line? If it was the latter, fought against the second largest ethnic group in the USSR, it leads to another troubling question: was it an act of genocide? And should it be called genocide if it was directed against a social class? And which group of society was behind the offensive? Was it done for the benefit of the proletariat, with the Communists as a guiding force, as official histories used to have it? Or was it a desperate act of self-preservation by an insecure ruling bureaucracy?

Such remains the perplexing character of the collectivisation drive, some 80 years after the event. One of the reasons for perplexity lies in the shortage of direct evidence, especially as regards the protagonists' motives. Of one thing we can be sure. While economic factors weighed heavily in it, the collectivisation was about much more than the agricultural economy. Nor was it exactly a response to a price shock, although the 'scissors crisis' preceded it, and other price changes were among the many rude shocks which came with it.

Agriculture in the Soviet economy

Collectivisation was meant to put Soviet agriculture on a new, more advanced and productive path. But one of the most famous academic articles about the Soviet economy, written just 20 years later, was called 'Kolkhozy, the Achilles Heel of the Soviet Regime' (Jasny 1951).⁵ A strong case can be made that the failure of food production was central to the long-term weaknesses and eventual failure of the Soviet system itself, due to its impact on trade and foreign payments. If, as some argue, that failure amounted to a kind of national bankruptcy, the inadequacies of agriculture and domestic food supply were a large part of its cause.

The *kolkhozy* started unpropitiously. Even where there was no famine, the peasants accepted the change of status only grudgingly; there was no trained management to run agricultural units of this scale and complexity;⁶ and equipment was lacking: 7.2 million horses were lost in the five years from 1929, while tractor horsepower increased by only 3 million (Nove 1989: 231). Livestock and seeds had been eaten by the peasants, either because of the famine or because they did not want the state to expropriate their productive assets. Table 1 shows Nove's figures of the fall and partial recovery in livestock numbers over these years.

In 1932 agricultural trade, a mainstay of the NEP, was outlawed, but peasants were permitted to sell their own surpluses, a practice which survived for as long as the USSR did. By 1935 the peasants' right to small plots of their own was written into a model statute for the collective farms. Each household was permitted a quarter to half a hectare of land with one cow and calves, one sow and piglets, up to four sheep, and rabbits and poultry. The livestock could be pastured on collective land (Nove 1989: 233). Depending on the place and the period, these private plots had access to some inputs from the collectives, but not to the capital equipment. As seen in Table 2, most farm animals were in private hands as their numbers increased in the later 1930s. So a large part of Soviet agriculture remained in private hands, its produce sold at market prices. This remained the most productive part of Soviet agriculture throughout.

Table 2: Livestock ownership in January 1938 (millions of heads)

| | Private | State and collective |
|-----------------|---------|----------------------|
| Cows | 17.2 | 5.5 |
| Sheep and goats | 37.3 | 29.3 |
| Pigs | 16.9 | 8.8 |

Source: Nove 1989: 230

Nevertheless, food supplies remained short. One researcher reported her belief, based on a rough tally of starvation incidents, that ‘the only years between 1916 and 1949 in which no swath of the population starved were 1926, 1927 and – excluding prisoners and deportees – 1938’ (Hessler 2001: 445–6). The form of agriculture chosen was badly suited to a country where capital was scarce but land and labour were in abundance. Technically it imitated the highly capitalised, large-scale agriculture of the USA, but in circumstances where this did not fit. Socially, it was an attempt to force rural people into an industrial mode of production with specialised jobs (as tractor drivers, milkmaids, agronomists, and so on, rather than general labourers), turning them from peasants into rural proletarians.

But the *kolkhoz* served more than agricultural purposes. It often covered several villages, with a central area including an administrative building, the main barns and sheds, a shop or two, a school, a clinic, and a cultural centre. Many of these services came from the farm’s budget, as did housing for the collective. In this respect the *kolkhoz* resembled industrial enterprises under central planning, but it probably played an even bigger role, because in rural areas there was no other employment. It was not just a farm or a business, but a community. It also provided a kind of holding camp to prevent a spontaneous drift to the cities. Internal identity documents, called ‘passports’ in the USSR, were re-established in 1932, largely in order to control travel; but they were not issued to peasants until 1976–81. So their second-class status persisted. This might have helped the planning of industry and limited social problems arising from any lack of housing and employment in the cities, but it pushed up agricultural costs, exacerbated rural underemployment, and hardly encouraged good working practices on the farms.

After Stalin’s death in 1953, the prices paid by the state for farm produce were increased, and farm workers’ standards of living somewhat improved. Although the collectivisation was carried out partly to earn foreign exchange, the agricultural system eventually became a massive drain on resources. In 1963 the USSR bought 12 million tons of US grain for the first time, spending one-third of its gold reserves to do so. The humiliation felt over this was a major factor in the replacement of Nikita Khrushchev the following year. The Brezhnev government which succeeded him tried to ameliorate the situation with investment, and agriculture’s share of total investments increased from 19.6 per cent in 1961–65 to 23.2 per cent in 1966–70 and 26.2 per cent in 1971–75 (Nove 1989: 363). However, throwing money at the problem did not solve it, and in 1971 the USSR signed a US\$ 750 million credit for grain purchases over three years from the USA. By 1984–85 grain imports reached a peak of 55 million tons, and it has been estimated that over 25 years the USSR transferred about 9000 tonnes of gold to Western banks to purchase agricultural products. This country, which was the world’s second largest gold producer, gradually spent all of its gold reserves on the import of food (Volkogonov 1995: 339). When the price of oil, which by then was the main export, fell in the late 1980s, Mikhail Gorbachev’s government begged for foreign loans. The Soviet Union’s final crisis was upon it, and in 1991 the political system collapsed under the strain.

After the fall

Much less studied than the collectivisation drive, and only part of the chaos that followed the collapse of the USSR, the story of agriculture in post-Soviet countries during the 1990s nevertheless had its share of drama. Given the diverse roles played by the collective farms, it would have been difficult to convert them to a commercial basis even in the best of circumstances; and the circumstances were far from the best. The former supply chains broke down, for example that of food going to Russia from more southerly republics such as the Ukraine, Azerbaijan, and Moldova, and cotton from Uzbekistan and Turkmenistan. There was a massive reverse

in the terms of trade between agriculture and the rest of the economy. According to a contemporary British government report, 'The tone of agriculture in Nizhny Novgorod oblast [region] in 1997 is one of deep depression, with few signs of any major upturn' (Know How Fund 1997: 3).

Five factors needed to be taken into account in order to establish an effective market basis for agriculture. They were the following.

1. *Farm size.* In some countries (mostly smaller, more southerly and agrarian ones such as Moldova and Armenia), the *kolkhozy* were divided into small individual farms. However, without proper support this created new problems of its own. One of them lay in how to divide up large fields, orchards, and cattle sheds; another was who would get big items of equipment such as tractors and combines – and whether they would get any land to go with them. In Russia many farms were privatised without genuine division, which ignored one of the main lessons of collectivisation: that the expected economies of scale did not materialise. Abundant evidence in other countries suggests that this was not just because of overstaffing or lack of competitive pressures; it is one of many ways in which agriculture differs from finance and industry, at least in places where capital is scarce. A project report in Nizhny Novgorod in 1998 stated that 'Small and medium-sized farms (typically, those with five to 30 workers) are found to have advantages by virtue of their lower overheads and greater flexibility in production' (Know How Fund 1998: 18).⁷

2. *Investment.* A great deal of investment was needed to break up the farms and make commercially viable businesses out of them. It was needed, for example, to provide machinery of the right size, since all Soviet equipment was designed for use on very large farms. Some agricultural practices would have to change, for example increasing the use of pasture rather than growing fodder in distant fields. A great deal of training was required, since most *kolkhoz* members were not farmers in the sense of knowing how to run a complete farm, but specialised workers. Usually the only ones with a broad overview were the agronomists, accountants, and directors.

However, investment collapsed while the farms lost much of their previous subsidies, which ranged from 14 per cent on sugar to 79 per cent on mutton and lamb in 1989 (IEPPP 1998: 565, Table 15.1). Both the farms and the governments were out of money. Mechanical equipment deteriorated and within a few years much of it was unusable, but little replacement was possible. Tractor factories and repair shops ran out of orders and spread economic distress further.

In Moldova, a republic which relied on specialised fruit, vegetable, and herbal crops, this author saw no glasshouses in use in 1999, because the glass had been shattered and not replaced. The lack of funds encouraged pillage. A typical herd would have 100 or more head of cattle in one shed, and in many cases it was sold by whoever could lay their hands on it. Within ten years the sheds themselves were either derelict or demolished.

3. *Number of workers.* The farms had very large staffs, to regulate migration. Because of this, worker productivity was low. Wage costs made it very difficult for new farms to make profits, whatever their size or structure. This posed a formidable challenge for any commercially minded management, as this author observed from his work in the late 1990s in Nizhny Novgorod.

Since a commercial system required a large reduction in agricultural employment, new jobs were required elsewhere. This raised the question of where redundant farm workers should live during the transition: still in the villages, or in the towns and cities? In either case, what should the new jobs be, and who would provide their housing?

4. *Commercial network.* A commercial system is based on much more than private ownership. In agriculture, it requires the commercial distribution and provision of inputs such as seeds, fuel, and chemicals. Wholesalers, fuel companies, and supply companies need their own warehouses and distribution points, independent of the state-run system. And the farms need working capital to pay for these inputs. Where all this was not established, private farms remained almost as dependent on state agencies as before.
5. *Prices.* Last, but far from least, it was necessary to ensure that agricultural prices were sufficient to enable reasonably well run farms to cover their costs, including during the transition period.

Few of these conditions were satisfied during the 1990s, and in many countries, including Russia, few of them are even now. But the other ‘shock therapy’ reforms quickly made an impact. The biggest was the removal of price controls, carried out in Russia at the beginning of 1992. Price liberalisation led to rapid inflation, but not all prices inflated at the same rate, and agriculture suffered from a ‘price scissors’ as in the earlier era. As shown in Table 3, the changes in relative prices were far bigger than in the 1920s. The cost of fertilisers increased by 500 per cent with respect to grain prices over two years. Not surprisingly, fertiliser use declined by 91 per cent between 1990 and 1995. Oil prices also went up much faster than agricultural prices, and fuel use declined sharply (IEPPP 1998: 642–3, Table 15.15). Soviet agriculture was very dependent on oil, as fuel for machinery and feedstock for chemicals.

Agricultural production declined by about 35 per cent over 1990–95, as seen in Table 4. Although the whole economy was in freefall, agriculture’s share of it fell steeply, from 15.4 per cent of gross domestic product in 1990 to 5.8 per cent in 1994. Over the same four years, agricultural value added fell by three-quarters – a collapse matched only by research and development – while from 1990 to 1996 the share of Russian investment going to agriculture fell from 15.8 per cent to just 3.3 per cent. The decline in livestock numbers was comparable with the collectivisation period:

On large farms in the Yeltsin period the number of beef cattle declined by 60 percent and the number of pigs contracted by 64 percent from January 1, 1992 to the end of December 1999... national animal stocks in 1999 were smaller than herds in the late 1950s. (Wegren 2008: 2)

This was, above all, a crisis of large farms. Between 1991 and 1996, the contribution to domestic food production of farm workers’ private plots, collective gardens, and peri-urban *dacha* plots increased from 28 per cent to 46 per cent, as Table 4 shows. In 1996 they produced 90 per

Table 3: Ratios of input prices to output prices in Russian agriculture

| | 1992 | 1994 | 1994 ratio as multiple of 1992 |
|--------------------------|-------|--------|--------------------------------|
| Tractor/grain | 29–34 | 91–135 | 3.1–4.0 |
| Goods vehicle/grain | 36 | 107 | 3.0 |
| Mineral fertiliser/grain | 0.2 | 1.2 | 6.0 |
| Diesel fuel/grain | 0.7 | 2.4 | 3.4 |
| Petrol/grain | 0.9 | 2.7 | 3.0 |
| Petrol/beef | 0.3 | 0.4 | 1.3 |

Source: IEPPP 1998: 637, Table 15.13, citing Ministry of Agriculture and Food data

Note: The source does not specify the units used in these comparisons

Table 4: Some indicators of the decline in Russian agriculture, 1990-96

| | Gross agricultural output | Real value added in agriculture | Agriculture's share in GDP | Agricultural investment | Tractors supplied | Combine harvesters supplied | Share of private plots in output |
|------|---------------------------|---------------------------------|----------------------------|-------------------------|-------------------|-----------------------------|----------------------------------|
| | % change | Index | % | Blns of 1991 roubles | '000s | '000s | % of total value |
| 1990 | -3.6 | 100 | 15.4 | - | - | - | - |
| 1991 | -4.5 | 84.4 | 13.7 | 37.4 | 131.4 | 31.7 | 28 |
| 1992 | -9.4 | 37.9 | 7.2 | 13.0 | 65.4 | 17.3 | 33 |
| 1993 | -4.4 | 35.6 | 7.4 | 8.1 | 39.5 | 14.3 | - |
| 1994 | -12 | 24.5 | 5.8 | 3.9 | 22.1 | 9.1 | 38.3 |
| 1995 | -8 | 28.6 | 7.1 | - | 9.7 | 4.4 | 43.0 |
| 1996 | - | 26.2 | 6.7 | - | 12.9 | 3.3 | 46.0 |

Sources: IEPPP 1998: 573, Table 15.4; 620, Table 15.11; 583, Table 15.7; Tikhomirov 2000: 215, Table 4

cent of Russia's potato output, 77 per cent of vegetables, 51 per cent of meat, 45 per cent of milk, and 31 per cent of eggs (IEPPP 1998: 583, Table 15.7). Many urban workers acquired *dacha* plots to grow food for themselves as a survival strategy. This form of production is very hard work for owners of the plots and not available to everyone. Agricultural imports remained high at 24–28 per cent of all imports in 1994–97, while exports were negligible, and by January 1998 food imports were estimated to account for more than 40 per cent of Russian food supplies (IEPPP 1998: 816, Table 19.4; Wegren 2000: 243). There was a sharp decline in imports of grain, but meat imports increased, reflecting the decline in livestock. Domestic suppliers regained ground when many imports were priced out Russian food markets after the rouble devaluation in August 1998.

The crisis was scarcely addressed by the Yeltsin government. The main attempts at reform were the legalisation of small individual farms and an experiment in full-scale privatisation centred on the Nizhny Novgorod region in the mid-1990s.⁸ The latter was undertaken by foreign legal consultants with British government finance, without any apparent consideration of political or economic factors. Thus, although nominally each *kolkhoz* member was granted a share in the assets, few of them took this ownership seriously and before long most of the farms were effectively owned by one or two former managers, and run less democratically than before. Few of the new businesses were able to make a profit. A basic mistake was that they 'inherited' their predecessors' debts. An analysis in 1997 revealed that the Nizhny Novgorod region's large farm sector (containing 775 farms) 'was insolvent according to Russian legal norms in each year from 1993–96; its aggregate losses in 1996 amounted to almost US\$100m' (Know How Fund 1997: 21).⁹ The situation was illustrated in a subsequent report by a 2000 hectare farm which recorded a post-tax loss of 545,000 roubles in 1997 against sales of 325,000 roubles. Its external liabilities amounted to 339 per cent of turnover. The report concluded that 'although private, the farms are scarcely more independent of government than they were before reorganisation'; and of the farm described above, 'The members of this former collective have . . . been turned into shareholders in a severely loss-making business for which, just one year on [from privatisation], the only feasible future probably lies in liquidation' (Know How Fund 1998: 6).

Conclusions

At one level the collectivisation and post-Soviet crises were at opposite extremes: we see an overzealous state in the first, and government neglect in the second. However, even in the closed economy of the USSR, international factors played a part, and the price shocks were important by any standards. A fall of 75 per cent in the international price of wheat from 1928 to 1931 played havoc with expected foreign-currency receipts; while between 1992 and 1994 the relative price of petrol increased by 200 per cent against grain, tractors by 210–300 per cent, and mineral fertilisers by 500 per cent. However, in each case these issues were overwhelmed by political factors, and ultimately by the predisposition in favour of industry and the cities and against rural interests – even in a country which in 1930 was predominantly agrarian.

It is no exaggeration to say that the whole Soviet system was undermined by its inability to produce enough food for its people, and the spending of scarce foreign exchange on food imports. That is a very important lesson for all developing countries to learn. One can only hope that their donors will also learn it, by enabling countries to strengthen their economies and bolster their effective independence through domestic food security. However, the history since the 1980s leads one to doubt many donors' good will.

In the USSR, the Bolsheviks' attitude towards rural people must bear much of the blame. Both Lenin and Stalin personally exhibited contempt. Lenin showed a harsh, instrumental view of starvation early in his life when, during the great Volga famine of 1891–92, he commented: 'Psychologically, this talk of feeding the starving is nothing but an expression of the saccharine-sweet sentimentality so characteristic of our intelligentsia' (Conquest 1986: 234). And Khrushchev is reported to have said, '*For Stalin, peasants were scum*' (Conquest 1986: 20). Perhaps more than anything it is those attitudes, at the heart of Bolshevism, that led to the destruction of millions of rural lives in famine, and ultimately assisted the failure of the whole Communist experiment.

Notes

1. The 'October' Revolution took place in October 1917 under the Julian calendar, which was still used in Russia. According to the Gregorian calendar, used today, it was in November.
2. In the 1990s I acquired some old 10-kopeck coins dated 1905 and 1923, and 15-kopeck coins dated 1873, 1915, and 1922. For both denominations, the size, colour, and weight of the pre- and post-revolutionary coins are identical, and the reverses are almost identical too. Few things carry more overt symbolism than coins, and the message of the 1922–23 coins seems clear: a return to the familiar world before 1917.
3. These are now understood to be central dilemmas of development. As Nove commented, 'Development economics could be said to have been born here' (Nove 1989: 119).
4. Citing *Fortnightly Review*, 1 May 1933.
5. *Kolkhozy* is the plural of *kolkhoz*, the Russian acronym for 'collective farm'.
6. Some 25,000 urban activists were sent to act as supervisors, farm chairmen, and political officers (Nove 1989: 172).
7. The report added that 'the greatest influence on farms' success lies in the economic situation, followed by the quality of a farm's management'. This unpublished report was written by the present author and is available on request.
8. The author worked in Nizhny for the British aid programme in 1997–99 on the successor to the privatisation project.
9. This was in a chapter headed 'The Nizhny Novgorod Agriculture Sector,' written by this author. The page numbers are those in the chapter itself, which is available at www.tomlines.org.uk/page2.htm.

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