

The Russian revolution: some economic notes

by Michael Roberts

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It's almost exactly 100 years to the day (on the modern calendar) since the revolutionary insurrection in St Petersburg that led to the Bolshevik wing of the Russian Social Democrats gaining control of the major organs of power and establishing the rule of workers Soviets.

There has been much written about the 'Russian revolution' since and in past few weeks and months. As this is a blog about economics, I shall just make a few notes about the economic foundations of the revolution and the 'experiment' of a planned, non-capitalist economy in a poor country amid the world of capital.

In hindsight, that the Russian people decided to end the 370-year rule of the Ivanov monarchy in 1917 was no surprise. The world was changing: capitalism was becoming dominant and, with it, industrialisation. An absolute monarchy sitting on a peasant country that was industrialising in the cities was an anachronism. What was unique was that the Russian people went on to establish a republic and eventually a state where capitalism and imperialism had no control within just a few months.

The objective conditions for change were ripe. Russia was a poor country. It had great resources but these were 'locked in' by the vast size of the country and the extreme climate. Even in 1914, 85 per cent of the population were still peasants. Peasants had to practise subsistence farming. Economically, the vast majority of the population contributed very little to Russian society. Rural peasants had been emancipated from serfdom in 1861, but the land was still owned by a few: 1.5% of the population owned 25% of it.

Workers too had good reasons for discontent: overcrowded housing, long hours at work—usually as much as 10 hours a day, six days a week—very poor safety and sanitary conditions, harsh disciplines, and maybe worst of all, inadequate wages with concurrently rising inflation; a recipe for economic turmoil. In one 1904 survey, it was found that an average of 16 people shared each apartment in St Petersburg, with as many as 6 people in each room.

But from the 1890s, under a succession of Tsarist ministers railways were built, foreign investment attracted and landholdings partially reformed. Economic growth rates averaged 9 per cent from 1894–1900. These were huge rates of change, even though most industrial investment was wasted on armaments because Tsar Nicholas II wanted to protect Russia's position as a great power in competition with Japan in the east and Germany in the west.

The Witte years of economic reform from 1890-1905 brought some certain modernization and industrialization with them, but this expansion was uneven and depended on foreign capital, mainly French bank loans. Then there were five consecutive years of bad harvests from 1901-1905. And the defeat by Japan in the 1906 war was the straw that broke the camel's back and sparked the 1905 revolution – the dress rehearsal for 1917.

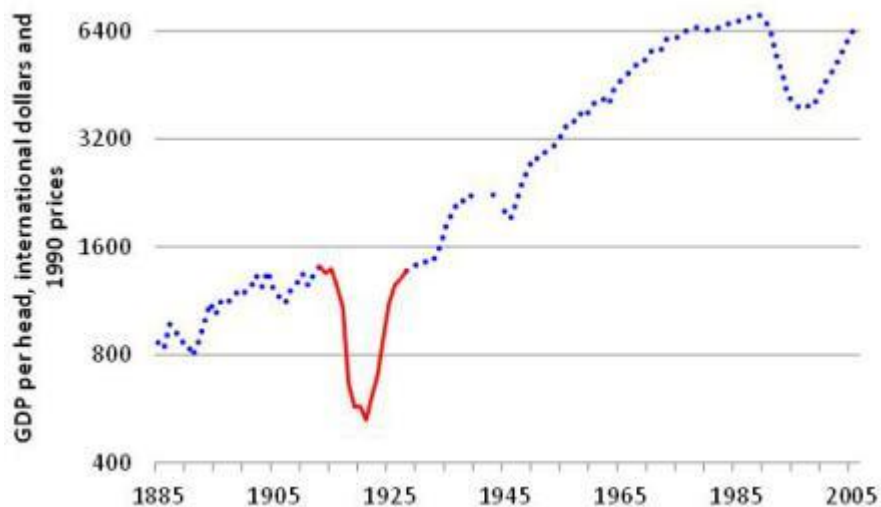
From 1905-1914, the economy grew at an annual rate of growth of 6%. Between 1890 and 1910, the population of St Petersburg doubled from just over a million and Moscow experienced similar growth. This created a new proletariat, a much more dangerous threat to Tsarism than the peasantry had been. From 1911 to 1914, political discontent grew.

The First World War only added to the chaos; the vast demand for war supplies and workers caused more strikes, at the same time as conscription stripped skilled workers from the cities, and had to be replaced by unskilled peasants. The war brought famine due to the poor infrastructure of the railways and the need for supplying soldiers at the front. Ultimately, the soldiers themselves turned against the Tsar, bringing him down and with the formation of a republic eventually under the Bolsheviks the war was ended through an agreement on harsh terms with the Germans.

In the two years following the Revolution, there was an economic catastrophe. By 1919, average incomes in Soviet Russia fell by half that of 1913, a fall that had not been seen in Eastern Europe since the 17th century (Maddison 2001).

Worse was to come. After another run of disastrous harvests, famine conditions began to appear in the summer of 1920. An average worker's daily intake fell to 1,600 calories, about half the level before the war. Spreading hunger coincided with a wave of deaths from typhus, typhoid, dysentery and cholera. In 1921, the grain harvest collapsed further, particularly in the southern and eastern grain-farming regions. More than five million people may have died prematurely from hunger and disease. Russia suffered 13 million premature deaths from conflict and famine. This was one in ten of the population living within the future Soviet borders in 1913. And all this while a savage civil war raged as invading foreign armies and reactionary domestic forces tried to displace Soviet rule.

Eventually, after the victory of the Soviet government in the civil war and the stabilisation of the regime, economic performance, particularly after the New Economic Policy reforms from 1924, began to pick up.



And then during the period up to 1945, there was a dramatic rise in GDP per capita with industrialisation under the planned economy. That accelerated after 1945 and up to the

1970s. Indeed, from 1928-1970, the USSR was the fastest growing economy except for Japan!

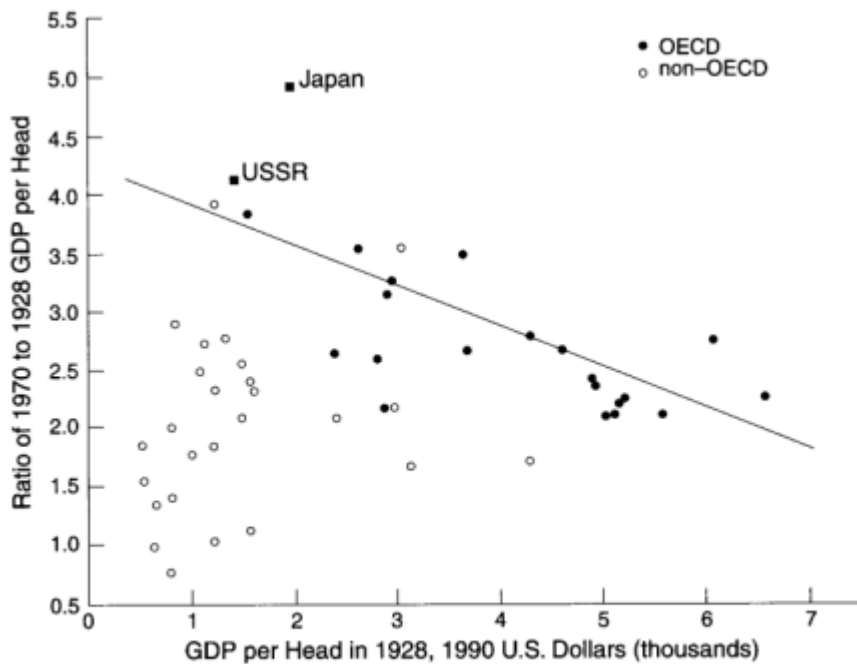


Fig. 1.1. Economic Growth, 1928–70. *Source:* Maddison (1995). Turkey is classified as a non-OECD country.

And even compared to the Third World, its performance was remarkable.

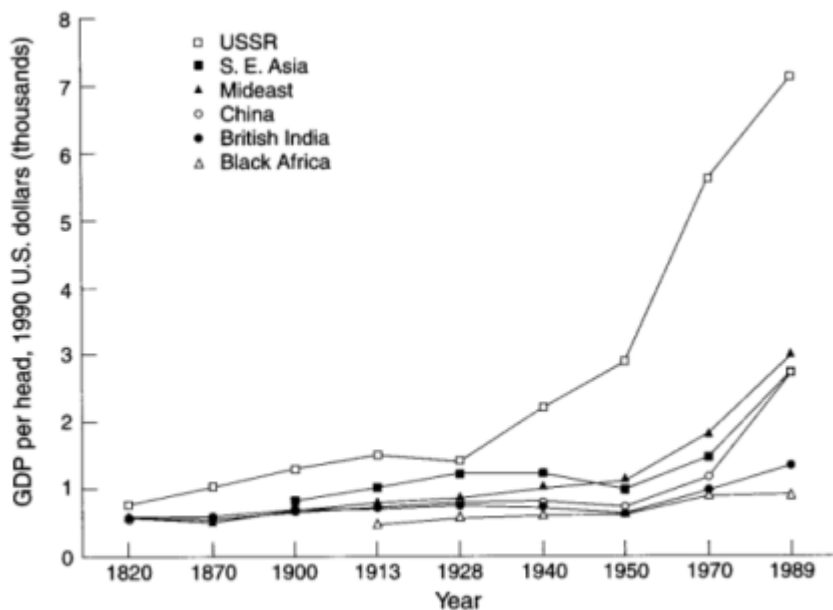


Fig. 1.5. USSR versus the Rest of the World. *Source:* Table 1.1.

In 1952, the Soviet Union was only behind Ireland and Western Europe as a whole. By 1975, the USSR had a higher GDP per capita than Mexico, Latin America, Colombia, South Korea and Taiwan.

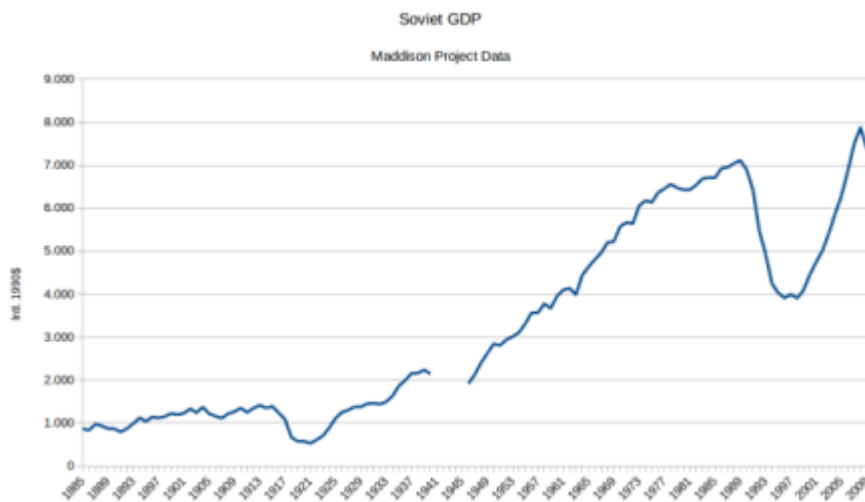
The success of the Soviet extensive growth model in the 1950s and 1960s was undeniable. But a phase of economic stagnation began in the 1970s. The attempt to move to a new regime of intensive accumulation to one based on high productivity growth failed. And the

militarization of the economy because of the cold war used up valuable productive investment potential. The Russian elite tried to alter the economic model to one relying on the export of resources, rather than develop industry and technology. The economy became a one trick pony.

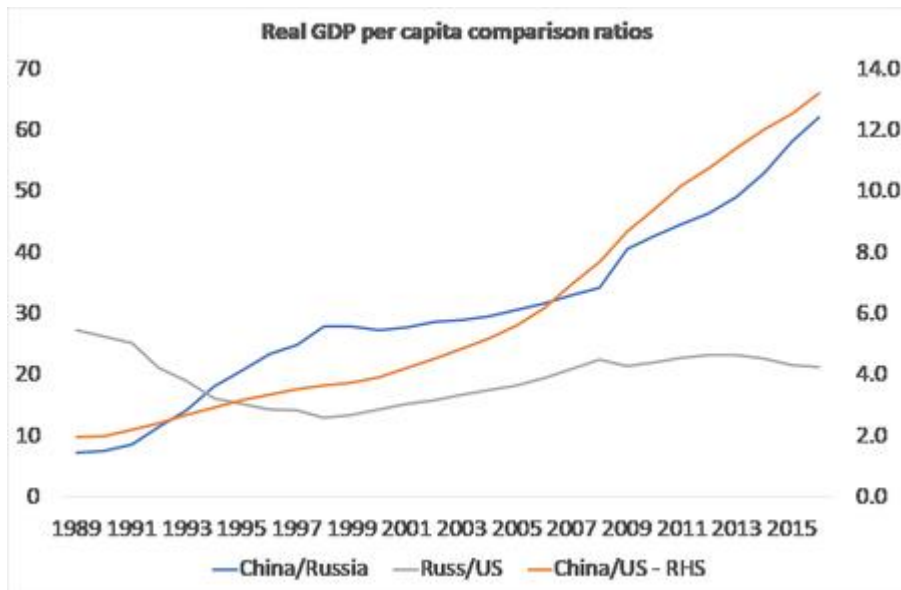
The attempt of Perestroika to build 'market socialism' and dismantle the plan was the final straw. Gorbachev's reforms disrupted the system of planning and distribution and provoked chronic excess domestic demand and in the need for foreign imports.

With the collapse of the Soviet state, the wealth acquired by Soviet state managers during the Perestroika allowed them to take advantage of the 'shock therapy' reforms in the 1990s, turning themselves into what we now call the Russian oligarchs.

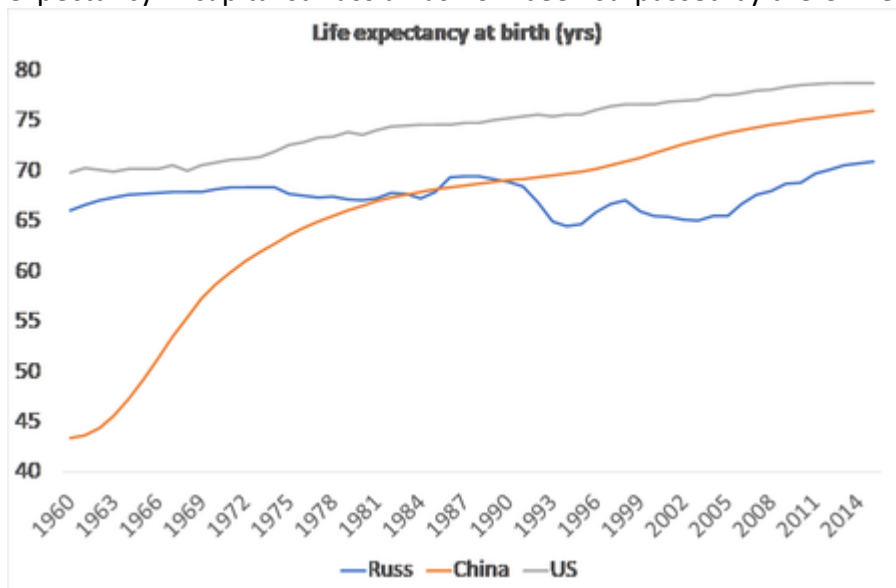
The 'shock therapy' introduction of capitalism led to the worst peacetime collapse in a major economy since the Industrial Revolution. By 1998, Russia's GDP was 39% below its 1991 level.



As the Russian economy imploded, the opposite was happening in China, where the relaxation of restrictions on private capital development was combined with state control and planned and state-led heavy investment. In the subsequent 16 years China has enjoyed the greatest economic growth ever seen in human history.



The Russian capitalist economy eventually recovered with global commodity price boom after 1998, but by 2014, Russia's average annual GDP growth was still only 1.0%. Life expectancy in capitalist Russia has now been surpassed by the Chinese economic model.



One key lesson that we can draw from the Russian experiment is that it could not succeed indefinitely in the face of world capital. Marx and Engels remarkably anticipated the eventual failure of the Russian Revolution. Marx thought that successful communist revolution presupposed the existence of an integrated world economy.

*“The proper task of bourgeois society is the creation of the **world market** ... the colonisation of California and Australia and the opening up of China and Japan would seem to have completed this process. For us, the difficult QUESTION is this: on the Continent revolution is imminent and will, moreover, instantly assume a socialist character. Will it not necessarily be CRUSHED in **this little corner of the earth**, since the MOVEMENT of bourgeois society is still in the ASCENDANT over a far greater area?”*

And yet Marx also saw that the socialist transformation would not have to wait for each national capitalist economy to ‘mature’. As he wrote, *“If the Russian Revolution becomes*

the signal for a proletarian revolution in the West, so that the two complement each other, the present common ownership of land may serve as the starting point for communist development.”

Unfortunately, the revolution in the West did not materialise. While the planned economy succeeded in transforming the lives of millions, Russia was isolated, surrounded and very quickly the regime itself degenerated into a totalitarian dictatorship and finally into a corrupt capitalist autocracy far from the aims of the revolution of 1917.

These are just a few notes. For a comprehensive description of how a socialist society might operate based on a commonly owned and controlled economy, see Ernest Mandel's treatise, [In defence of socialist planning](#). And for a compelling arguments on the feasibility of a planned economy delivering the needs of people, see Cottrell and Cockshott's paper, [Socialist planning after the collapse of the Soviet Union](#).