

Midterm Exam: Answer Sheet

1. (8 points each) *True, False, Uncertain, and Explain. Explain whether the statement is true, false, or uncertain.*

- a) "Emancipation of the serfs in 1861 solved the problems of the peasantry and of Russian agriculture."

False. Emancipation solved some problems for the peasants, but not all the problems of Russian agriculture. It freed them from having to work for the lords, and eliminated the ratchet effect. But the repartition commune remained, and they had to pay off debts incurred to pay off the lords for their lost serfs. That is why the Stolypin reforms were important in 1906-11.

- b) "Russian economic development in the early part of the 20th century solved all the problems facing the Russian Empire."

False. Russian economic development did not solve the problems of autocracy, lack of representation etc. It did not solve the problems of poverty in the countryside. It was a positive development, but still many unsolved problems.

- c) "The essential feature of the Soviet industrialization drive was investing in low capital intensive techniques to economize on scarce capital and employ abundant labor."

False. The essential feature of Soviet industrialization was emphasis on heavy industry. Build up sector A so that sector B can grow fast in the future, ala Fel'dman. Or emphasis on heavy industry for defense ala Stalin.

- d) "The failure to create a Soviet person was the critical reason why War Communism failed."

False. War Communism failed primarily because of prodrazverstka, too-much centralization and nationalization, and hyperinflation. A real Soviet person might have made people work harder for no pay, but would not have solved these problems.

- e) "NEP was the brilliant solution Lenin found to solve the problems created by the multicultural population the Bolsheviks inherited."

False. NEP was the solution Lenin found to solve the problems created by War Communism. The Federal system was the solution to the problems of a multicultural population.

2. (20 points) Collectivization of agriculture was a critical event in the development of the Stalinist system. Explain the fundamental features of collectivization. What motivated the drive for collectivization? In what sense could it be considered a success? In what sense was it a failure? Explain.

*Fundamental features of collectivization include de-kulakization, forced entry into collective farms, mandatory quotas for the collective farm with members as the residual claimant, delivery to the collective farm of all livestock save a cow, and the machine tractor stations to extract the surplus. The main motivation was Stalin's belief (claim) that NEP was not producing sufficient government grain procurement. It was a success in the sense that the peasants were no longer the main headache for the government anymore, exports increased and the cities were fed. It was a failure in the sense that there was a catastrophic fall in livestock, the peasants' consumption was much lower, the margin to protect from famine was much lower. It also failed to extract large surpluses from agriculture to finance industrialization, since large resource flows and industrial output had to go **to** the agricultural sector in terms of the MTS to make up for lost animal power.*

3. (20 points) From 1928 to 1937 Russian GNP was estimated to have grown at 11.9% when measured at 1928 prices, and at 5.5% when measured at 1938 prices. Why is there such a large discrepancy between the use of 1928 and 1937 prices? Is this a fluke? Why might this large difference be due to the nature of industrialization? Explain. Is this the only uncertainty associated with the measurement of Soviet growth rates?

Growth rates always look larger with base-weighted prices than with current-year weights. Things that were scarce in the base year are less scarce in the current year, so if you weight by the base year you are valuing the less scarce things more. If you use current year weighting, you are valuing the things that have become less scarce less than with the base weights. This is compounded by the Gerschenkron effect, that says that (to steal directly from the answers to the review questions) in economies undergoing rapid structural change, such as developing economies (as well as in our example) the sectors that grow most rapidly are those that were scarce before the changes started; that is goods with rapid production growth become relatively cheaper (like machinery) and goods with slow production growth become relatively more expensive (like wheat). So using earlier prices gives more credit to goods with higher production growth thus increasing the index. Soviet industrialization was exactly this pattern, as heavy industry grew very fast relative to other goods. This is not the only uncertainty since prices do not clear markets we cannot be sure if we are valuing goods correctly, hidden inflation may overstate growth, and the pressure for rapid industrialization (and thus plan fulfillment) might lead

to output that is produced that is really not worth anything yet is valued as if it is.

4. (20 points) By the early to mid-1930s, it had become obvious that many of the quotas set for collectivization and plan targets for industrial production were unreachable as envisioned. How did Soviet officials react to such shortcomings? How did they explain production inadequacies? What were the consequences for those held responsible for these shortcomings?

They did not react by reducing plan targets (there was a temporary stop in collectivization – "dizzy with success" – but then it immediately was ended and continued apace). Rather officials reacted by blaming "wreckers." There were show trials of wreckers, then purges. Production inadequacies were explained by failure to execute not by failure of the plans themselves. It was the fault of those responsible. Purges had the benefit of intensifying the pressure on executives, but it had very negative consequences for those held responsible. Many of those purged were shot.