

In the Shadow of the Central Planning System: The Underground Economy in the Soviet Union

Joo, Hyung-Min^{*}

In 1980, *Literaturnaia Gazeta* correspondent V. Dorofeev undertook a small experiment to test the significance of the shadow economy in Soviet society. Taking a plane from Moscow to Krasnodar, he did not bring a razor, cologne, a toothbrush, shaving cream, and so on. After arriving in Krasnodar, Dorofeev visited every state store to buy toiletries that he desperately needed. His attempt was disastrous. After spending a whole day, he was only able to purchase a child's toothbrush, which broke when he used it. With a tip from the locals, Dorofeev then went to unofficial marketplaces near Iabl'novskaia Street. The place was buzzing with "the abundance of everything." An old woman was selling enough soap and other scarce items to fill a medium-sized store. Another dealer flaunted cellophane-wrapped toothbrushes "in assorted colors." Everything cost several times more than the official price but no one complained. As the elderly lady commented, "If you don't like it, don't wash" (*Literaturnaia Gazeta*, No. 13, 1981. 3. 15).

Dorofeev's experience sheds light on the popular expression "*nel'zja, no možno*(prohibited yet possible)" which offers a summary understanding of life in Soviet society seen from below (Ledeneva, 1). In a country "where so much [was] forbidden, almost everything seem[ed] possible" (Binyon, 5). In spite of all-embracing restrictions, the shadow economy provided numerous possibilities to subvert the rules of the over-controlling government. Without posing a direct challenge to the

^{*} 고려대학교 정치외교학과 교수.

central power, the shadow economy provided a domain - spatial as well as temporal - where “the voice of the ruling power [was] heard only as an insignificant echo”(Jirous, 227). The iron grip of the official command economy turned out to be quite porous in reality. The labyrinth of the shadow economy constituted one of the most intriguing characteristics of the Soviet experience, capturing delicate nuances, paradoxes, and dynamics of everyday life in “the first socialist society on earth.”

The main goal of this paper is to investigate various aspects of the Soviet shadow economy. After examining some methodological issues in the first section, the paper analyzes the main characteristics of the central planning system and its problems in the second section. In the third section, the paper investigates the market mechanism of the shadow economy. For instance, how did the shadow economy obtain resources when almost everything belonged to the state? In addition, how did the shadow economy manufacture popular items when the state monopolized the main means of production? Moreover, how did the shadow economy distribute manufactured items across different regions when mass transportation such as trains, trucks, and ships was controlled by the state? Finally, where were “marketplaces” when the market system itself was abolished? By answering these questions, the paper sheds light on the “market flow” of the shadow economy, such as resource acquisition, manufacturing process, distribution mechanism, and sales. Finally, the long-term effects of the shadow economy are discussed in the conclusion.

1. Definition, Data, & Methodology

V. Benda suggested the term “parallel society” in communist countries, expanding on the “second culture” concept developed by I. Jirous(Hankiss, 17). The idea was substantiated by the notion of the “shadow economy” that provided a much tangible basis. Some scholars paid attention to this

largely ignored aspect of the Soviet system. For instance, early works of Berliner illustrated various operations of *tolkachi*, *blat*, and other aspects of the shadow economy (Berliner [1952], [1954], [1957]). It was, however, Grossman who popularized the term “shadow economy” in Soviet studies. For this reason, he was called “the founder of studies of the second economy” (Dallago, 51). According to Grossman, the shadow economy was defined as “all production and exchange activity that fulfilled at least *one* of the two following tests: (a) being directly for private gain; (b) being in some significant respect in knowing contravention of existing law” (Grossman [1977], 25). Defined as such, the shadow economy included some legal activities as well as illegal ones. Though formally sanctioned, some private activities like “garden plots” fell into the shadow economy not only because they were “ideologically alien” but also because their “operating principles [were] sharply different” from the command economy (Grossman [1977], 25). In this paper, I use Grossman’s definition of the shadow economy.

Scholars have often complained that official Soviet data is unreliable. Even *Izvestiia* made the following comment on the unreliable nature of Soviet data:

According to the data of the USSR Central Statistical Administration, the gross output of all farm industries and auxiliary enterprises in 1965 amounted to 3,300,000,000 rubles. According to the data of the republic State Planning Committees, it was 2,900,000,000 rubles. According to the calculation of specialists in the USSR State Planning Committee, it was 5,400,000,000 rubles. They all boil down to the same thing: much money. But even the ancients could make this kind of calculation: one, two - infinity (*Izvestiia*, 1967. 6. 8).

Under such circumstances, investigating the shadow economy was difficult. As one noted, “even an educated guess” was hard (Grossman [1981], 82). In spite of these difficulties, scholars have primarily used two research methods in investigating the Soviet shadow economy. The first one is using large-scale surveys of former Soviet citizens who immigrated

to the west. The Harvard Project in the 1950s was the first effort of this kind, resulting in the insightful works of J. Berliner([1952], [1954], [1957]). As détente brought a new wave of immigration, scholars interviewed a new generation of immigrants in the 1970s. J. Millar's *Politics, Work and Daily Life in the USSR* constituted an updated version of the Harvard Project(Millar). In addition, the Berkeley-Duke Project under G. Grossman and V. Trembl produced a series of interesting studies in the early 1980s. Though these surveys provided interesting findings, they raised problems of representation since the sample was "biased"(Trembl[1986]). While accepting these findings with caution, I do not adopt this method in the paper.

The second method relies on official Soviet sources. This is the most popular approach among scholars specializing in the shadow economy. Many investigators using a survey method often go back to official Soviet sources in order to double-check their findings. While using such a method, for instance, Byung-yeon Kim has produced perhaps the most comprehensive estimate of the size of "informal activities" of Soviet households from 1969 to 1990(Kim[2003], 532-551).

The caveat of this "less scientific" approach is that official sources are biased. Due to its ideologically dubious status, the genuine magnitude of the shadow economy tends to be *under*-represented in official Soviet sources. Simply put, official sources are likely to depict the shadow economy as a phenomenon of lesser significance than it actually was. In spite of this bias, I adopt this method because even underrepresented data are sufficient to make my point. The magnitude of the shadow economy was so huge that underestimating it in official sources could not hide it. Like bright sunshine coming through the fingers held across one's eyes, the shadow economy shines through the biased sources of the official data. More specifically, I rely on major Soviet press like *Pravda*, *Izvestiia*, *Komsomolskaia Pravda*, *Literaturnaia Gazeta* and so on. To facilitate my research, I used the *Current Digest of the Soviet Press* to find interesting cases and went back to the original sources whenever more details were

necessary. For cases of less significance, I used citations from the *Current Digest of the Soviet Press*. Altogether, I chose about 500 reports for analysis of the Soviet shadow economy.

By clarifying methodological concerns, I do not aim to exclude something in order to defend my position. Instead, it is hoped that the paper portrays different vignettes of the Soviet experience that complement each other. From “official policies,” for instance, we learn that garden plots were a temporary evil that was supposed to disappear as socialism progressed. From “numbers” such as surveys and other data, however, we know that garden plots with a mere 3% of arable land produced 30%-70% of agricultural products. From anecdotal “stories” in the press, we then learn that the Ponomarev family turned their garden plots into “a minefield” to protect profitable vegetables (*Izvestiia*, 1966. 10. 27). These stories portray a part of Soviet life that coexisted and overlapped with the official system. By looking at “official policies” alone, we miss the phenomenon of the shadow economy that was as large as the official system. Also, the “numbers” alone do not reflect the everyday lives of ordinary individuals. Indeed, “stories,” though underrepresented by the official sources, fill the gaps about Soviet society which often go untold by “official policies” or “numbers.” As a result, it is necessary to go through these “stories” in order to flesh out the hidden undercurrent of daily routines of the Soviet population.

2. “Tyranny of the Plan” and Its Problems

2.1 Tyranny of the Plan

When the Bolsheviks came to power, their initial economic policies were called War Communism (1918–1921). As the country drifted into civil war, the Bolsheviks placed the shaky economy under state control by

adopting radical policies like the nationalization of the means of production, the imposition of a single economic plan, and the introduction of compulsory labor. The revolutionary zeal of the time was most apparent in the ill-fated attempt to introduce a moneyless economy through hyperinflation. For instance, if the price of a good in 1917 was one ruble, the corresponding figure in 1923 became 100 million (Pipes, 687). Lev Kopelev - a Bolshevik "true believer" who turned into a dissident in the 1960s - recollected an "amusing" experience. While math problems in textbooks counted in rubles and kopecks, "on the street two pieces of toffee cost three million rubles"(Kopelev, 26). As the civil war came to an end, Lenin launched more conventional policies called the New Economic Policy(NEP).

The NEP(1921-1928) was a compromise. The state maintained tight control over heavy industries, finance and a wholesale trade, but the rest of economy was delegated to the market(Fitzpatrick, 95-96). It was as if the "iron grip" of the state shook hands with the "invisible hand" of the market. The compromise, however, did not last long. When Stalin consolidated his position, he abolished the NEP by launching the First-Five Year Plan(1928-1932). The goal of the plan was to put the Soviet Union on the path to rapid industrial growth by pumping capital out of agriculture. As a result, a state-orchestrated industrialization and collectivization of agriculture became the dominant feature of the plan. From that point onward, the Soviet Union operated under the central planning system that constituted its core economic system.

As many scholars noted, the central planning system was a truly distinctive form of economic organization in which "the conventional laws of supply and demand...did not apply"(Rutland, 132-133). At its center stood *Gosplan*(State Planning Committee) which developed a plan based on production targets. It drew up a grid matching the flow of available resources like labor, capital, and raw materials with desired production targets. The plan was then disaggregated so that numerous economic ministries could allocate targets to appropriate production units such as

state enterprises and collective farms. Finally, *Gossnab* (State Committee on Supplies) allocated resources to productive units so that the latter could fulfill their assigned targets.

In this entire process, the role of the market was minimal. The fact that inputs and outputs were matched not by markets but by the state plan was well demonstrated by the fact that prices remained practically “unchanged” (Lindblom, 292). As such, the central planning system had a crucial implication to the Soviet people. Since the market was not employed in determining what was to be produced, consumer preferences were not much reflected in the supply of goods. Instead, the state determined what was to be produced and thus consumed “as if the state knew what its people wanted” (*Khronika Tekushchikh Sobytiy*, 1969. 10. 31). That is, the state preferences were forced upon the people, reflecting “the interests of production over consumption” (*Pravda Ukrainy*, 1953. 7. 25; *CDSR*, 1953. 9. 12). As a result, there was the “tyranny of the plan” from the viewpoint of Soviet consumers (Binyon, 15).

2.2 Problems of the Central Planning System

In addition to being the “tyranny of the plan,” the official command economy had other serious problems such as shortage, waste and quality control.

2.2.1 Economy of Shortage

Managers of production units learned early on that materials “did not arrive on time or in the right amounts” (Verdery, 20-21). Knowing this, they responded in two ways. First, they relied on expeditors called *tolkachi* who would employ various means to acquire materials. What was important in this process was “*blat*,” meaning connections, personal influence, or string-pulling (Ledeneva). Second, managers demanded far

more materials than were actually needed. Underlying this strategy was the “soft budget constraint”(Kornai[1990], 20). Managers knew that even if their firms lost money, the state would bail them out. Knowing this, they became insensitive to economic efficiency by demanding much more than they needed. When they ended up with extra materials, managers hoarded them. Such hoarding had two functions. On the one hand, hoarded materials could be kept for the next production cycle since shortages were chronic. On the other hand, they could be exchanged for other resources that the firm lacked. The impact of hoarding on society was widespread shortages. As everyone was hoarding something, everyone in turn was short of something. Shortages, initially produced by the rigidity of the plan, were reproduced and reinforced by people responding to the situation. For this reason, the Soviet system was called an “economy of shortage” where people suffered from chronic shortages of virtually everything (Kornai[1980], 27).

Deeply ingrained in the everyday life of the people, the economy of shortage even produced a “culture of shortages”(Hessler[1996]). For instance, instead of the word “buy or purchase”(*kupit*), people would use the word *dostat* which meant to acquire something despite difficulties (Kaiser, 46). Also, since supplies of consumer goods were “as unpredictable as the weather,” individuals carried a string bag called *avoska*, which came from the Russian word “maybe (*avos*)”(Binyon, 171). In addition, a typical Soviet consumer carried plenty of cash “for just that lucky break”(Smith, 61). Also, female workers often organized shopping pools during office hours, just as Americans operated car pools, to avoid crowded stores after work(Binyon, 163). Finally, there was the famous “queue psychology.” Whenever one saw a long line, one would join it without even asking what the line was for. As one put it, asking could be done later. In this respect, Hedrick Smith related an interesting episode. One day a Soviet lawyer saw a long line and joined it immediately. Having secured her spot, the lawyer asked the person in front what the line was for. The person did not know. The lawyer then made a trip to

identify the purpose of the line. Since no one knew, she gave up asking and came back to her spot (Smith, 65).

2.2.2 Economy of Waste

The peculiarity of the shortage economy was that there was a prevalent waste of resources due to hoarding and bureaucratic rigidity. First, hoarding “with a little bit of fat” produced the paradoxical fact that chronic shortages coexisted with perverse wastes (Berliner [1954], 354). A petty process of hoarding, multiplied a million times or more throughout society, produced “the economy of waste” in that hoarded resources were not efficiently utilized even though they were desperately needed by some sections of society. “A surplus often form[ed] in some districts while a great shortage occur[ed] elsewhere” (*Pravda*, 1954, 5, 15). In this way, shortage and waste “necessarily presuppos[ed] and mutually condition[ed] each other” (Feher, Heller, & Markus, 84). The same resource was underutilized through hoarding and in short supply through shortages, the latter causing further waste because it prompted another round of hoarding. As a result, shortages and waste were interlocked in a “vicious circle” (Binyon, 171).

Second, bureaucratic rigidity inherent in the command economy reinforced the economy of waste. When the market system was abolished, bureaucratic convenience overrode economic efficiency in determining the behavior of government officials. As a result, the Soviet press was full of amusing episodes about waste in “staggering proportions” (Feher, et al., 32). For instance, the assigned target for the Bushevets Machine Tool Plant was to make a certain number of ADTS-2 sowers. To make one ADTS-2, the plant needed two hoppers from the SU-24 seed drill machine made by the Siberian Farm Machinery Plant in Novosibirsk and one hopper from the STN-2.8 seed drill machine made by the Red Star Plant in Kirovograd. Instead of those hopper parts, however, the Bushevets Plant

received the entire drill machines. As a result, it had to destroy three brand new machines to obtain the necessary parts for one ADTS-2 sower. When asked about the wasteful operation, Director of the Bushevets Plant V. A. Petrov answered, “[I]t was planned at a higher level. They have a better view from up there.” The director once suggested to superiors about changing the “absurd” operation. Why not deliver just hopper parts instead of whole machines? Soon a stern warning came from P. P. Ulinovich (Assistant Manager of the Transportation Construction Industry Trust) not to disturb the “approved norms” of the plan. While the Bushevets Plant needed only hopper parts, the Siberian Machinery Plant and the Red Star Plant had their assigned plan target to produce a certain number of seed drill machines. So the strange operation continued. Three new machines were built only to be destroyed for their parts. Amazingly, this waste happened when farm machines were “in especially short supply.” For instance, Soviet industry was supplying only 72% - 74% of collective farms’ need for seed drills(*Pravda*, 1965. 1. 21).

2.2.3 Quality Control

Finally, there was a notorious problem of “quality control” or “success indicator” in the official command economy(Cholewicka-Gozdzik; Gorlin; Loeb & Magat; Miller; Nove). The market system has a simple success indicator: profit. It also functions to check the quality of goods as the competitive market would weed out poor products. This simple criterion, however, was not applicable to the central planning system. The basic difficulty was that prices were set not by the market mechanism but by bureaucracy. The Soviet price was “arbitrary numbers that reflected administrative interests instead of market pressure”(Nove, 3). As a result, there was no logical relationship between prices, costs, and profits. Under such circumstances, the central planners had to come up with “other” control indicators when they assigned plan targets to production units.

Lacking the market mechanism, their control was over “quantity” such as length, weight, volume and so on.

Obviously, it produced numerous headaches. For instance, the target assigned to one sunglasses factory was the “number” of sunglasses. The factory “successfully” met its target by producing 13,000 sunglasses. They were, however, “so dark that you could not see the sun through them even when looking directly at it”(Binyon, 15). It illustrates the notorious “quality control” problem that tormented communist economies. To deal with it, authorities came up with different indicators. Far from correcting the situation, however, they “introduce[d] a whole series of new distortions”(Nove, 6). If “number” was used, for instance, small and fragile nails were produced. When “weight” was used to prevent fragile nails, “big nails [were] produced”(Miller, 47). Recognizing the problem, Khrushchev once complained, “It has become the tradition to produce not beautiful chandeliers to adorn houses, but the heaviest chandeliers possible—[because] its output is calculated *in tons*”(Lindblom, 71. Emphasis added). When “weight” was not used, however, glasses were made so thin that “they were afraid of hot water”(Pravda, 1970, 10, 20). Under such circumstance, the poor quality of Soviet consumer goods was “legendary” (Alexeev[1987], 11). In this respect, Robert Kaiser relates an interesting experience. While working in Moscow as a *Washington Post* correspondent, he noticed a strange sales habit. Before selling, a salesclerk would take a product out of a box and check whether it was working. Even when the product worked, however, he had to wonder “how long it will continue to work”(Kaiser, 321).

3. Shadow Economy

The official command economy had serious problems. First, the “tyranny of plan” implied that the state alone decided what was to be

produced and consumed. It was an economic manifestation of the Soviet dictatorship. Second, the “economy of shortage” reinforced by the “economy of waste” implied that even goods which the state promised to provide were delivered in short supply. As a result, people suffered from chronic shortages. Finally, “poor quality control” meant that the command economy produced goods that few people really wanted. Altogether, the command economy was such a disastrous failure that it was called the “anti-economy”(*Khronika Tekushchikh Sobytiy*, 1978. 12. 1). These shortcomings of the official economy formed the basis upon which the shadow economy prospered in the Soviet Union. The rampant shadow economy was “the consequence of the inefficiency of the planned economy as well as the inability of the official economy to meet the needs of many of its citizens”(Shelley, 22). In this section, the shadow economy is analyzed along a typical market flow model, such as resource acquisition, manufacturing process, distribution mechanism, and sales.

3.1 Resource Acquisition

The Soviet state maintained tight control over foreign trade. Also, the central planning system operated on the principle of socialist property under which practically everything belonged to the state(i. e. state property) or the public(i. e. public property). As a result, the shadow economy had to rely on domestic resources that were illicitly appropriated from the official sector.

Sometimes necessary resources of the shadow economy were obtained through much-sought services of *tolkachi* or simply purchased at marketplaces after paying their price(Kim[2002], 111-115). For these two popular methods of resource acquisition, please refer to Section 2.2.1 above (*tolkachi*) and Section 3.4 below(marketplaces). In addition, there were three methods of illegal resource transfer from the official sector: natural loss, skimping, and pilfering.

3.1.1 Natural Loss

The first method of illegal resource transfer was “natural loss.” Since food could spoil during transportation or in storage, the Ministry of Trade elaborated specific norms to handle such losses. Natural loss, however, provided a great loophole because the actual loss could be significantly less than the amount officially allowed. The difference could be sold on the market or used for private consumption. From the viewpoint of involved officials, there was little danger since such losses were considered “natural.” In addition, “there is so much real spoilage that the addition of the bogus kind attracts no undue attention”(Alexeiev, 22). As a result, while the economy of shortage created the shadow economy, its operation was greatly facilitated by the economy of waste.

For instance, sugar was being loaded at the Kursk train station. When the car was fully loaded, the young checker placed a seal with a shout, “May the citizens remember us when they drink their tea.” His joyful cry, however, met a cynical comment from an old worker nearby, “I wonder.” When asked why he “wondered,” the worker answered. “This is the 1000th load.” Looking at the confused checker, the older worker explained in detail. “It is very bad. Theft. Thievery has become legalized in this business. One-tenth of one percent of sugar is allowed as the expected normal loss during shipment. No one cares whether this loss has actually occurred or not; it’s the rule! The masters of shady dealings take advantage of this.” As a result, they “send 999 carloads to the working people and the 1000th goes to the crooks.” Following this lead, an investigation was held at the Chief Tea, Sugar, and Staples Administration Office in Kursk. The investigation found that from 1950, there was not a single record of the Kursk office failing to use “natural loss.” Apparently, they were fully legalizing their plan as well as the sales.” As a result (*Izvestia*, 1956. 9. 23). Although this practice was rampant in the building industry. Corruption was a valuable building material. According to Article 159 of the Criminal Code, damage to property was expected to be filed for

ceth loss that was morecxperc10 rubles. As a result, it became customary for drivers to lose about 9 rubles of shipment. As long as the loss did not exceed 10 rubles per shipment, “no one cared how many thousands were lost altogether”(Pravda, 1975. 4. 8).

3.1.2 Skimping

The second method of illicit resource appropriation was to “skimp” on resources. Whereas natural loss was to declare normal resources as spoiled ones, skimping was to use less material than required. For instance, at the Chemical-Product Shop of the Zhuravelvka Borough Industrial Combine, Ia. Dobin was the manager, P. Levin was a brigade leader, N. Charov was the head of the warehouse, and I. Taticvskii was a brigade leader. After colluding to run a “shadow” business, they changed the composition of the products by skimping on materials. In this way, they “created” surplus putty, whitewash, drying oils and paints of all sorts. These surpluses were sold for more than 500,000 rubles(Izvestiia, 1958. 2. 11). A similar practice was found in the Sverdlovsk train station where *pirozhki*(small pies with meat or vegetable fillings) were popular. On a good business day, more than 30,000 *pirozhki* were sold. There was, however, a secret business based on the “rationalization proposal” of V. Akateev, Director of the Railroad Restaurant and Buffet Trust. Akateev ordered workers to use four grams of fat instead of the six grams required. The difference meant more resources for unrecorded *pirozhki*. In this way, the illicit business gained a profit of more than 125,000 rubles(Pravda, 1963. 2. 10).

In the post-Stalin era, skimping became such a widespread practice that it caught the attention of some officials. For instance, N. Gemueva, Head of the Food Laboratory of the Trust, found out after testing 1,119 samples that the fat content was only 71% of the approved level, dry substances 63%, sugar 84%, grain 87%, and so on. As a result, the investigation concluded that “almost one-third” of official materials slipped into the shadow economy(Pravda, 1967. 3. 26). Sometimes popular practices

of skimping put officials "in an awkward position." According to one manager, his firm used an aw sugar and fruit than officially required to produce shadow products. This was a popular practice in the Soviet canning industry. During an international conference, however, there was an embarrassing incident. After tasting the Bulgarian products, the Soviet manager asked the Bulgarians how they obtained such a great taste. They looked puzzled. "Why - we always follow your Soviet recipes" (Smith, 228).

3.1.3 Pilfering

Finally, the most popular method of illegal resource transfer was "pilfering," ranging from petty theft to large-scale appropriations. For instance, a bread factory in Baku with 320 workers had a serious pilfering problem. Many of the workers were fined by the comrade court but losses continued to rise. Pilfering had become so widespread that it was considered one of the perks of the job. Under such circumstances, punishment was merely perfunctory. In the end, the director of the Baku Bread Factory decided to solve the problem by introducing free distribution of bread. Each employee would receive free bread at the rate of 0.5 kilograms per family member. This arrangement immediately brought an end to the pilfering. In addition, there was an unexpected boon. The quality of bread improved since "it is virtually impossible to separate bread baked for oneself and for others" (Tremblay [1985], 14).

Some managers displayed a strong aversion to various practices of the shadow economy such as pilfering that engulfed their workplaces. After all, they were illegal. In addition, the communist ethos used many to view such practices as work-despicable bourgeois remnant, something from the NEP past. The sentiment was strong among young managers jaded out of school. Over time to view success experience taught them to be more flexible. The young manager of the Swedlovskaya, elikatessen No. 2 was exemplary. Every morning, the manager stood at the store. Employees lined up, but

did not. The him since they were six do bechn a on the monthly plan. It meant another month without bonus. After rThurning to his e shae, the young manager searched for an answer for this unexpected sThbackl, this career. Ew sything was perfect before he cemllto the shop. He graduated from the Sw sdlovstnInstituhete of the NethoslleEconomy where respected economists sTh forth allethc dc i ols of the “brilliant s btem of the plan.c When he graduatedto view such p firdi adv allhe received from experienced managers was didf mante t sugTh whatever they taught you. Trade has its vinan.w.s.e The young manager was taken abacke tHow could that be? There gre precise nsums and procedures governing reldto vi expersuppliers. The store’s director filework ditement of onomy smante The goods comll, t and the salewcleto vsellethe goodse What could be simple?e He de What cou runethe businesdeiaccording to e shadowurules.e It did nototakemamng for the disastrous results to make themselfewofeleois haiwuof onatemandwofell upon the uateght young manager aagei vshopand proctantll uchn a the plan. Gradually the manager learnrong amlesdo tand be?emllovrning re “experiencede e shadows. Indeedto“trade has its own laws”(Komsomolskaia Pravda 1975. 3. 14).

3.2 Production

Once resources were obtained through various means such as natural loss, skimming and pilfering, the next step was to turn these raw materials into popular products in the marketplaces. How did the shadow economy manufacture popular items when the state monopolized the main means of production? In general, two production mechanisms were involved: small-scale home manufacturing and large-scale shadow production. Whereas home manufacturing on a small scale was predominant in the early Soviet years, one of the most interesting characteristics of the post-Stalin era was the rising importance of large-scale shadow production behind the official façade of state factories.

The first production mechanism of the shadow economy was

small-scale home production. For items such as clothes, socks, shoes and so on, it was relatively easy to set up a home production operation. As a result, home manufacturing was a dominant mode of production for these simple items, especially during the early Soviet years. In her study of the shadow economy during 1927–1941, Osokina found that “speculation, not production, dominated the black market.” The chief figure of the shadow economy in those years was “not the underground producer but the speculator who bought goods cheap and sold them at a higher price.” Even when it existed, underground production “had to remain small,” usually in small-scale home manufacturing (Osokina, 120 & 182).

For instance, S. Liubarskii and M. Mogilevskii were residents of Tashkent. They bought karakul skins at local markets and sent them to Moscow by any means possible, including trains, cars, and trucks. Their preferred shipping method was postal packages. In one year alone, they sent from Tashkent, Samarkand, and Kiev to Moscow 75 packages with more than 20 skins per package. Upon receiving the materials, their partners in Moscow manufactured fur collars, caps, and women’s coats in a small-home production operation. The finished products then disappeared, only to resurface at various markets throughout the country (*Pravda*, 1954, 8. 8). In this case, the operation of the shadow economy was largely independent of the official sector. Karakul skins were bought at local markets, processed by underground home manufacturing facilities, and finally sold to customers at various marketplaces.

The second mechanism was shadow production behind the official façade of state factories. Unlike simple products, certain items involved a complex production process using sophisticated equipment and machinery that were available only in the official industry. For these complicated items and it became a common practice for the shadow economy to infiltrate the official sector in order to utilize its production facilities. As many scholars have noted, shadow production behind the official façade became one of the most interesting characteristics of the shadow economy in the post-Stalin era (Grossman & Treml; Mars & Altman; Simes [1982]).

For instance, G. Mars and Y. Altman provided an excellent study of a “shadow biscuit factory” that operated behind an official façade during the 1970s(Mars & Altman). It was a mid-sized biscuit factory with several hundred workers. The factory belonged to the state as socialist property. There were, however, three men at the factory who thought otherwise: its director, the head of the warehouse, and production manager. These men believed that *they* owned the factory. The first two “inherited” it from their fathers, while the last one “earned” it through hard work(Mars & Altman, 201). The director of the biscuit factory had a large family, and his father was the general manager of another biscuit factory nearby. The head of the warehouse also had a personal network of three family members working in managerial positions at the nearby biscuit factory. Finally, the production manager with the weakest family network had a unique ability to gain access to influential people and scarce materials. As time went on, he became so indispensable to the shadow operation that he was offered to join the partnership as its “foreign minister”(Mars & Altman, 215). The equal status among the three “owners” was illustrated by the fact that profits were shared equally.

Since the official supply of resources was set by the plan, the shadow owners had to come up with ways to secure materials for their covert business. They had two available options. The simplest was to skimp on resources but it was dangerous because deficiencies could be detected by a quality test. As a result, the shadow owners of the biscuit factory did not employ this popular, yet busky, method. In not skimping, they also obtained a reputation for high-quality biscuits(Mars & Altman, 203). Instead, they created “closed circle”; that is, they established covert avatacts with four shops that sold various resources like flour, eggs, fat and salt. The partners made large-scale illicit purchases of these ingredients, paying more than the official price(Mars & Altman, 205).

Since illegal biscuits were identical with official ones, workers and equipment of the factory were used for the covert production; that is, shadow production proceeded as if it were part of the official plan. In this

process, only few employees of the factory were informed about the covert operation. As a result, many workers thought that they were simply fulfilling the plan. Only those in critical stages of the production process were included in the shadow business, such as workers involved in preparing the dough and in operating the electric machinery. To avoid suspicion from above, machines were declared broken “at more or less fixed intervals” so that a false norm for breakage could be established. That is, they produced a fake “natural loss” norm. In this way, excessive use of machinery was covered (Mars & Altman, 2008).

The biscuit factory produced unofficial and official biscuits in the ratio of 4:10. According to the shadow owners, the selling part was “the easiest element” in the economy of shortage. In particular, the underground businessmen established contact with four state stores that sold the official biscuits, thus utilizing “normal channels of distribution” (Mars & Altman, 210). In particular, the illegal biscuits were sold to those shops at a 15% discount. Since the illegal biscuits were identical to the official ones, the managers and salesclerks at the state shops could sell the illegal biscuits at the official price, thus taking the 15% as their profit.

A private enterprise will coexist, under the same name and under the same roof, with a state factory. The state factory operates perfectly normally. It is run by an officially appointed manager and technical advisor. It manufactures goods as called for by the state plan...but alongside these official goods, the same factory is manufacturing goods whose existence is not reflected in any documents; they are unaccounted for, or, to use underground business jargon, “left-hand” goods (Simes [1982], 146~147).

Based on his long experience as a Soviet lawyer, Dimitri K. Simes made this comment about shadow businesses behind the official façade. Every word was confirmed in the shadow biscuit factory case. There were similar stories of underground production involving viscose fiber and tulle (*Izvestiia*, 1961. 11. 26), fashionable items from the shadow “blue scarf factory” (*Izvestiia*, 1967. 10. 4), popular building materials like bricks

(*Izvestiia*, 1985. 1. 12), gravestones(*Izvestiia*, 1974. 12. 25), and even “fake Levi’s buttons” because of a blue jean boon during the 1970s (*Komsomolskaia Pravda*, 1983. 2. 27). Indeed, whereas small-scale private facilities remained popular for easy home-manufactured items, there was a rising trend in the post-Stalin era of shadow businessmen infiltrating into the official sector and using it to manufacture private goods(Grossman & Trembl; Mars & Altman; Simes[1982]).

3.3 Distribution

When production was over, a long process of “speculation” - a geographic relocation of finished products - began until finished products reached the final consumers. Their travel path traced an unequal distribution of shortages across the country. Imagine a map of the Soviet Union with different contours of shortage. Finished products would travel from areas with less shortage to regions with more shortage, just as water would flow from higher areas to lower ones. In this process, two distribution mechanisms were involved: official trade networks and illegal underground networks.

The first distribution mechanism was official trade networks. In some cases, it was possible for shadow businessmen to slip their products into official trade networks. Such an option was possible if there was no visible difference between official items and shadow products. In the “shadow biscuit factory” case, for instance, unofficial biscuits were produced in an identical way to official ones. As a result, illicit biscuits traveled through “normal channels of distribution” (Mars & Altman, 210). Likewise, there was a secret business of unrecorded “blue scarves” behind the illicit cooperation of the Artistic Goods Combine, the Engels Chemical Fibers Combine in Saratov Province, and the Baku Textile & Rope Mill. When their production was over, unrecorded blue scarves slipped into official trade networks because those scarves, whether official or illicit, looked exactly the same(*Izvestiia*, 1967. 10. 4).

The second mechanism of distribution was illicit underground trade networks. In the Soviet Union, mass transportation - such as railroads, buses, trucks, ships, and planes - were owned or controlled by the state. Under such circumstances, "where did these dealers get their transportation?" (*Ekonomicheskaiia Gazeta*, 1963. 7. 6; *CDSP* 1963. 7. 31). A common practice was that shadow businessmen would "borrow" means of transportation from the official sector, such as state factories, collective farms, government offices and so on. Appropriate payment - or bribery from the viewpoint of the Soviet officials - was essential from the viewpoint of the businessmen. It seemed that practically every means of transportation was available "for businessmen" as long as an appropriate price was paid. As a result, various means of transportation were "borrowed" from the official sector for the transfer of shadow products, such as trucks (*Ekonomicheskaiia Gazeta*, 1963. 7. 6; *CDSP* 1963. 7. 31), trains (*Zaria Vostoka*, 1978. 9. 21; *CDSP*, 1978. 12. 6), ships (*Zaria Vostoka*, 1977. 1. 19; *CDSP* 1977. 3. 16), and even planes (*Komsomolskaia Pravda*, 1983. 6. 29).

3.4 Sales

When shadow products were transferred from a middleman to the final seller, the latter was located in one of the two output sources: official state stores and shadow markets such as *kolkhoz* markets or urban bazaars. First, the shadow economy often penetrated into official state stores for their "sales" function. Such a scenario was likely when shadow products were smuggled through the official trade networks. For instance, fashionable items from the "blue scarf factory" or informal biscuits from the "biscuit factory" were manufactured to be identical with official products so that they could be sold at state stores. As a result, shadow products were sold side by side with official goods as if they were legitimate items. Only managers and salesclerks at state stores knew of their illegal status, while customers had no inkling of any illicit business. In this way, official stores did not escape the tentacles of the sprawling

shadow economy.

Even “model” department stores were not spared in this process. In the 1930s, the Soviet government tried to build exemplary stores to represent a “bright” Soviet future. Inspired by examples in the west, the Trade Commissariat sponsored several trips to the United States, England and Germany. While the British style was dismissed as the “realm of small shopkeepers,” the scale of U. S. department stores appealed to the gigantism prevalent in the Stalinist era of industrialization. In particular, the single store that enthralled the Soviet leadership was “the world’s largest, New York’s Macy’s” (Hessler 2000, pp. 88–192). In an ironic twist, however, the “Soviet Macy’s” fell into the shadow economy. Consider the Tbilisi Department Store at the corner of Rustaveli Prospect. When the store opened, employees arrived at work. Also arriving were a group of speculators. They would come with a suitcase full of goods: clothes would go to the cloth section, shoes would go to the shoe department, dishes would go to the china department, and so on. When a customer showed up, they would follow the customer, carefully listening to what the customer wanted. It was called “metudyng dpecudi” (When the customer found a section of desired goods, speculators would offer them secret deals in a whisper. There were to be more blatant cases as well. D. Dzhavakhishvili could not find the coat he wanted, but there were speculators in new coats strolling up and down the floor, offering them to customers” (Zaria Vostoka, 1954. 1. 23; CDSP, 1954. 3. 31). Apparently, there were “walking mannequins” strolling at model stores.

Second, shadow markets such as urban bazaars and rural *kolkhoz* markets were a natural outlet of shadow products due to their illicit nature. There was a long and tortured history behind the legalization of these shadow markets. When the Soviet regime launched agricultural collectivization in the late 1920s, the country was soon headed for a disaster. The Bolsheviks might have been dizzy with success but peasants were dizzy from starvation. As the brutal collectivization proceeded with forced grain collection, the Great Famine (1932–1933) struck the North

Caucasus, the Volga region, and especially Ukraine, claiming more than five million victims. Under such circumstances, the Soviet regime embraced *kolkhoz* markets to prevent another devastating famine. In addition, the 1936 Constitution legalized private auxiliary farming so that peasants could grow vegetables and fruits in tiny "garden plots" (Timasheff, 131). In this way, the Soviet regime embraced *kolkhoz* markets for the rural population, providing the space for peasants to sell their surplus. It did not take long, however, for people from all walks of life to flood the *kolkhoz* markets. As a result, *kolkhoz* markets became increasingly more inclusive in terms of the goods sold and the people selling. In the end, the *kolkhoz* markets looked like "the ancient institution of the so-called bazaar trade," especially when they appeared in urban areas (Karcz, 315). Over time, the "bazaar" aspect did not merely coexist with the *kolkhoz* market but "in many places overpowered it" (Hessler, [1996], 218).

Although *kolkhoz* markets and urban bazaars were legalized, they still remained in a "shadowy" status. For example, consider the story of the Lvov market. There was a huge space fenced off on the outskirts of Lvov. The space inside the fence was "the field of cunning" where practically everything under the sun was on sale. A customer could find expensive karakuk coats, amber necklaces, stylish women's ski boots, Angora wool sweaters, multicolor perlon socks, canvas boots, linen bathing suits, and multicolored nylon capes. There were even foreign items like Hungarian socks, German gloves, Chinutski sweaters, and Austrian shoes and mittens. In the "hardware section" one could purchase wire, radio tubes, lampshades, water faucets, nails, compasses, automobile tires, spare parts, and even a slightly used Moskvich car. Indeed, there were "goods to suit all tastes." The market was operated by people from all walks of life, including professional businessmen, workers, students, and even officials. One day, a woman was selling suits while her husband (police captain) and her father (police major) were playing a role of eager customers to push up prices. As a result, even policemen were

busy with non-police operations in “the field of cunning”(*Komsomolskaia Pravda*, 1973, 3. 18).

This market had existed in Lvov “since time immemorial.” The Soviet era, however, brought an important change. Originally the Lvov market was located at the center of the city, near the opera theater. After the October Revolution, however, the Lvov market was first “climinated,” then “allowed,” and finally “pushed” to the outskirts because “times ha[d] changed.” Apparently, times had not changed enough to eliminate it completely. The geographical relocation of the Lvov market reflected the status of the shadow economy in the Soviet Union. Though it was largely illegitimate, the shadow economy existed in various forms throughout the country. It was not at the center of society as it used to be, having been pushed to a less conspicuous place. It was, however, still out there, in the “shadows.” In this respect, the Lvov market was not exceptional. Variations of the Lvov market with similar stories existed throughout the country. As a result, the story of the Lvov market “could just as well have come from Novosibirsk, Baku, [Odessa], Moscow” and so on (*Komsomolskaia Pravda*, 1973, 3. 18).

4. Conclusion

On one hot summer day, the Soviet regime, which once looked like an invincible iron castle that would last for centuries to come, suddenly disappeared into thin air in spite of its formidable tanks and missiles. Also gone along with them was the central planning system of the first socialist country and the huge shadow of its “informal economy.” As a result, one might wonder why we should pay our attention to a social phenomenon that had disappeared almost two decades ago. After all, the once rampant shadow economy under the Soviet communist system is highly unlikely to come back ever.

There are two reasons why it is necessary to investigate the Soviet shadow economy even decades after the collapse of the Soviet Union. First, as the game theory notion of "path dependency" illustrates, contemporary social developments in a given society are often substantially influenced and conditioned by its past practices and experiences. As a result, a thorough investigation of the shadow economy during the Soviet era can provide substantial insights on various aspects the "transition economy" in contemporary Russia where many practices of the previously "informal" economy is now pushed to the forefront of a newly-rising market system there.

Second, since the Soviet system was exported to many communist countries, it constitutes a great background to which the experience of other Soviet-type communist countries can be compared and contrasted in order to find interesting differences as well as expected similarities between them. The case in point is North Korea. Well known to the outside world is the nuclear brinkmanship of Pyongyang in recent years. Much less well known, however, is the fact that every. Millions of ordinary North Koreans are increasingly engulfed in a rampant shadow economy. When the North Korean command economy abruptly collapsed in the early 1990s, a desperate struggle of people to survive in the face of the dire famine (1995-1999) led to the explosive growth of the shadow economy (*Changmadang*) that has deeply penetrated into the daily lives of the ordinary people in North Korea for the past 15 years or so. Under such circumstances, a gaze from the "past" Soviet experience can provide an excellent angle through which we can gain an enlightened understanding of the "current" social transformation of North Korean society from below.

The Soviet state tried to control almost every corner of its society but failed to meet the basic demands of the people. As a result, the shadow economy was as widespread as the official command economy in the Soviet experience. In fact, the shadow economy was prevalent *because* the overarching - yet struggling - command economy was ubiquitous. A

social phenomenon that penetrated deeply into people's daily lives could not exist for long without affecting the official system. The long-term effects of the shadow economy are discussed in the concluding section.

Despite various efforts, the central planning system was incomplete and had to be "supplemented" in practice by unofficial mechanisms (Ericson, 112). For instance, the chronic shortages of consumer goods in the official sector were somewhat reduced by the shadow economy as it absorbed excess demand in the formal sector to a certain degree (Alexeev [1988], 20-22). Under such circumstances, the shadow economy fulfilled the crucial function of introducing "flexibility" into the rigid plan (Shelley, 23). As a result, scholars wondered whether the command economy could have existed without its overarching "shadow" (Simes [1975], 48). That is, the shadow economy was an important source of stabilization, helping to "lubricate the system" (Altman, 60). The shadow economy, grafted onto the institutional setup of the Soviet system, was "a kind of spontaneous surrogate economic reform" that introduced flexibility, adaptability and responsiveness to the rigid planning system (Grossman [1977], 40). In this sense, the shadow economy was "supplementary" to the official sector (Feher, et al., 99).

Despite these benefits, the shadow economy easily "turned dysfunctional" (Schwartz, 431). That is, the shadow economy introduced serious obstacles to the planning system because of its "depletive" nature (O'Hearn, 230). Since the shadow economy could not run on water, it had to obtain resources *somewhere*. In fact, the supply source had to be the official sector due to the cardinal principle of socialist property. It "could hardly be otherwise" (Grossman [1987], 2, 3). In a market system with open international trade, the shadow economy could import resources from outside without depleting the official sector. Such an option, however, was not available in the Soviet case because the state had tight control over foreign trade. As a result, the shadow economy could operate only if it successfully siphoned off official resources. That is, the shadow economy had to be depletive first in order to be supplementary later. Like a strange

medicine, it cured only after infecting.

How did such “siphoning off (*vynos*)” occur? Resources of the official sector were illicitly appropriated through natural loss, skimping and so on. In particular, the most popular practice was pilfering. People secretly marketized socialist property for private gains. Though the regime proclaimed that state property was “sacred and inviolable,” it was violated everywhere. Socialist property might be “sacred” for a few but “violable” for most (*Pravda*, 1954. 1. 24). As a result, “theft of socialist property [was] almost as widespread as state property itself” (Feldbrugge[1989], 318). “All sources agree[d] that it [was] practiced by virtually everyone” (Grossman[1981], 75). As one worker commented, “only kangaroos went home with empty pockets” (*Pravda*, 1982. 8. 9). As a result, the promise of communism that the state would wither away was understood quite differently “from below.” That is, “the state will not wither away, it will be pilfered away” (Grossman[1988], 190).

In the face of such ubiquitous pilfering, the Soviet regime was virtually powerless to alter the situation, although it raised angry voices from time to time. In fact, official investigations revealed that “few cases” of pilfering reached the court. For instance, only 10%–15% of those caught pilfering were prosecuted in Odessa (*Pravda*, 1974. 3. 24). As a result, virtually everyone, whether caught or not, walked free. Obviously the government could not punish everyone who violated “sacred” socialist property. Instead, it punished a few blatant ones while pretending not to notice the rest. Under such circumstances, Soviet officials admitted that the phenomenon was “practically unavoidable.” As *Pravda* despaired, many officials believed that there was nothing to be done “except maybe include a certain percentage of thefts in the plan” (*Pravda*, 1982. 7. 28). Such was the magnitude of pilfering in the first socialist country.

While introducing some flexibility, the shadow economy created a vicious cycle because it diverted scarce resources from the official sector, thus reproducing and reinforcing shortages. As a result, it had “no unambiguous function as a built-in stabilizer” (Cassel & Cichy, 35). Instead,

the shadow economy had a depletive function before it had a supplementary effect. To make matters worse, however, the shadow economy did not have supplementary effects in many cases. After all, individuals participated in the shadow economy for private gains, not to “help out” the central planning system. Such “help” occurred as a by-product of illicit gains. Instead, “non-regime” goals were systematically pursued by anti-systematic means in the shadow economy(Ericson, 126). As a result, while the supplementary role of the shadow economy was selectively present, its depletive effect was constant and ubiquitous. To use the simile above, the strange medicine always infected while curing occasionally. In this sense, the depletive function of the shadow economy was “more marked” than its supplementary role(Dallago, 164).

Moreover, the shadow economy depleted not only material resources but also social resources in the widest sense, including time, energy, initiative, motivation, enthusiasm and so on. From the viewpoint of people, widespread practices of the shadow economy meant that there was a dual wage system: official salaries from the command economy and illicit income from the shadow economy. Also, while official salaries were largely fixed, income from the shadow economy was proportional to performance. Under such circumstances, there was a “rational management of labor” (Gabor, 298). The Soviet worker devoted his time and energy toward maximizing his income from the profitable shadow economy, while minimizing his contribution at the official workplace. Likewise, there was a tendency among Soviet peasants to spend more time cultivating garden plots where monetary return was proportional to effort. As a result, the prospering shadow economy depleted more than material resources. It depleted labor itself.

In particular, the rational management of labor - or “time theft” from the viewpoint of the Soviet government - was done in two ways: daylighting and *la perruque*. First, because moonlighting outside the official sector was profitable, individuals spent official working hours on various illicit activities. “Some [did] not appear at all [while] others [left]

their factory during the working day”(Turovsky, 162). More often they used equipment and tools at workplaces to perform profitable business on the side(*na levo*). In this sense, the term “daylighting” made sense. On the basis of the Berkeley-Duke survey of Soviet émigrés, V. Treml found that at least 12% of official working hours were spent on various shadow market activities in the 1970s(Treml, 37-39). In addition, C. Gaddy made the interesting discovery that hours stolen from workplaces correlated with both official working hours and time spent on shadow market practices. Together, the correlation meant that as official working hours increased, individuals pilfered more work time to spend on the profitable shadow economy(Gaddy, 2. 52).

Second, when daylighting was difficult, individuals relaxed during working hours to conserve more energy for their profitable “moonlighting.” As a result, there was widespread *la perruque*. According to De Certeau, *la perruque* referred to various activities “disguised as work for his employer”(Certeau, 25). As one pointed out, “the workers, as a rule, work[ed] for an hour and [sat] for three hours or just pretend[ed] to be working”(Feldbrugge[1975], 216). The People’s Control secretly observed workers at one Perm plant and discovered that they worked less than three hours a day. The rest of time was spent “telling their co-workers the latest jokes, exchanging bits of information, working crossword puzzles and rebuses, playing dominoes and checkers and keeping records of soccer and hockey championship matches”(Pravda, 1968.12.18). As officials often complained, it became common to work “at half strength”(Pravda, 1980. 5. 24). In this way, individuals utilized one of the few remaining powers they could wield: “the right not to work hard”(Holubenko, 1975, p. 15). While taking refuge in “a semblance of working,” they privatized official rhythms of life by introducing aspects of *other* interests into their workplace (Izvestiia, 1963. 6. 4). When moonlighting, daylighting, and *la perruque* were combined, the result was obvious. The shadow economy depleted labor by diverting the time and energy of people into its profitable domain.

Moreover, the impact of the rampant shadow economy went beyond

the economic sphere. According to *Pravda*, the shadow economy had a detrimental effect on “the overall social climate” because “the unearned ruble” involved “a dishonest relationship toward society”(Pravda, 1980. 11. 17). As a result, the genuine threat posed by the “unlawful deals” of the shadow economy was that they entailed “moral impoverishment”(Izvestiia, 1985. 1. 24). This official interpretation, however, was questionable. In the early 1980s, a survey was conducted in Moscow to investigate public attitudes toward pilfering. The survey seemed to confirm the official rhetoric in that a clear majority (81.9%) attached “no particular significance” to widespread pilfering of socialist property. This was only part of the story, however, because 92.6% expressed strong resentment against the theft of private property(Sotsiologicheskie Issledovaniia 1983 No. 2 April - June; CDSP 1983. 7. 27). As a result, it was not the case that there was overall moral degeneration of the people. Instead, there was a significant erosion of formal Soviet ethics which preached that socialist property was “sacred and inviolable”(Pravda, 1954. 1. 24). By contrast, individuals remained faithful to their own moral code by respecting the private property of others as something that should not be violated (Altman, 60).

The shadow economy was built into the Soviet system as part of the everyday routine of the people. By regarding it as being largely outside the legally proper domain, the Soviet government treated the shadow economy as a pathological phenomenon - a despicable remnant of the NEP bourgeois past or a disturbing sign of moral degeneration darkening the bright future of the first socialist country on earth. As virtually everyone was involved in some aspects of the shadow economy as its producers, distributors, or at least consumers, however, the basis of official norms and values was eroded, producing “widespread disrespect for law” and “cynicism towards matters formal”(Grossman[1989], 2). In this way, practices of the shadow economy enhanced and strengthened, if not engendered, “the complete alienation of the Soviet citizen from the state, his total indifference and even hostility toward it”(Simes[1977], 254).

Bibliography

- Alexeev, M. V.(1987) The second economy market for foreign made goods in the U.S.S.R. *Berkeley-Duke occasional papers on the second economy in the USSR*. No. 11.
- _____ (1988) Are Soviet Consumers Forced to Save? *Comparative Economic Studies*, 30(4).
- Alexeev, K.(1949) Russia's underground capitalism. *Plain Talk*, 3(12).
- Altman, Y.(1980) Second economy activities in the U.S.S.R: Insights from the southern republics. In P. M. Ward (Ed.), *Corruption, Development and Inequality*. London: Routledge.
- Berliner, J. S.(1952) The informal organization of the Soviet firm. *Quarterly Journal of Economics*, 66(3).
- _____ (1954) Blat is higher than Stalin. *Problems of Communism*, 3(1).
- _____ (1957) *Factory and Manager in the USSR*. Cambridge: Harvard University Press.
- Binyon, M.(1983) *Life in Russia*. New York: Pantheon Books.
- Cassel, D., & Cichy, E. U.(1986) Explaining the growing shadow economy in East and West: A comparative systems approach. *Comparative Economic Studies*, 28(1).
- Certeau, M. D. (1984) *The practice of everyday life*. Berkeley: University of California Press.
- Cholewicka-Gozdzik, K.(1979) Price and quality of consumer goods: the Comecon experience. *Soviet Studies*, 31(3).
- Dallago, B.(1990) *The Irregular Economy: The Underground Economy and the Black Labor Market*. Brookfield: Dartmouth.
- Ericson, R. E.(1983) On an allocative role of the Soviet second economy. In P. Desai (Ed.), *Marxism, Central Planning and the Soviet Economy*. Cambridge: The MIT Press.
- Feher, F., Heller, A., & Markus, G.(1983) *Dictatorship over needs*. Oxford: Blackwell.

- Feldbrugge, F. J. M.(1975) *Samizdat and Political Dissent in the Soviet Union*. Leyden: A. W. Sijthoff.
- _____ (1989) The Soviet second economy in a political and legal perspective. In E. L. Feige (Ed.), *The Underground Economies*. New York: Cambridge University Press.
- Fitzpatrick, S.(1994) *The Russian Revolution*. Oxford: Oxford University Press.
- Gabor, I. R.(1979) The second (secondary) economy. *Acta Oeconomica*, 22(3~4).
- Gaddy, C.(1991) *The labor market and the second economy in the Soviet Union*. Berkeley-Duke Occasional Papers on the Second Economy in the USSR. No. 24.
- Gorlin, A. C.(1981) Observations on Soviet administrative solutions: the quality problem in soft goods. *Soviet Studies*, 33(2).
- Grossman, G.(1977) The second economy of the U.S.S.R. *Problems of Communism*(5).
- _____ (1981) The second economy of the U.S.S.R. In M. Bornstein (Ed.), *The Soviet Economy: Continuity and Change*. Boulder: Westview.
- _____ (1987) *The second economy: Boon or bane for the reform of the first economy?* Berkely-Duke Occasional Papers on the Second Economy in the U.S.S.R. No. 11.
- _____ (1988). A tonsorial view of the Soviet second economy. In P. Wiles (Ed.), *The Soviet Economy on the Brink of Reform*. Boston: Unwin Hyman.
- _____ (1989) *Sub-rosa privatization and marketization in the USSR*. Berkeley-Duke Occasional Papers on the Second Economy in the USSR. No. 17.
- Grossman, G., & Trembl, V. G.(1987) Measuring hidden domestic incomes in the Soviet Union. In S. Alessandrini & B. Dallago (Eds) *Union.official Economy*. Aldershot: Gower.
- Hankiss, E.(1988) The 'second society': Is there an alternative social model

- emerging in contemporary Hungary? *Social Research*, 55(1-2).
- Hessler, J.(1996) *Culture of Shortages: A Social History of Soviet Trade*. University of Chicago, Chicago.
- _____ (2000) Cultured Trade: The Stalinist Turn towards Consumerism. In S. Fitzpatrick (Ed.), *Stalinism: New Directions*. London: Routledge.
- Holubenko, M.(1975) The Soviet Working Class Opposition. *Critique*, 4.
- Jirous, I. M.(1988) Parallel polis, or an independent society in Central and Eastern Europe: Inquiry. *Social Research*, 55(1~2).
- Kaiser, R. G.(1976) *Russia: The People and the Power*. New York: McClelland & Stewart.
- Karcz, J. F.(1964) Quantitative analysis of the collective farm market. *The American Economic Review*, 54(4).
- Kim, B. Y.(2002) Causes of Repressed Inflation in the Soviet Consumer Market, 1965-1989: Retail Price Subsidies, the Siphoning Effect, and the Budget Deficit. *Economic History Review*, 55(1).
- _____ (2003) Informal Economy Activities of Soviet Households: Size and Dynamics. *Journal of Comparative Economics*, 31(3).
- Kopelev, L.(1978) *The Education of a True Believer*. New York: Harper & Row.
- Kornai, J.(1980) *Economics of Shortage*. New York: North-Holland.
- _____ (1990) *Vision and reality, market and state: contradictions and dilemmas revisited*. New York: Harvester Wheatsheaf.
- Ledeneva, A.(1998) *Russia's economy of favours: Blat, networking, and informal exchanges*. Cambridge: Cambridge University Press.
- Lindblom, C. E.(1977) *Politics and markets*. New York: Basic Books.
- Loeb, M., & Magat, W. A.(1978) Success indicators in the Soviet Union: the problem of incentives and efficient allocations. *The American Economic Review*, 68(1).
- Mars, G., & Altman, Y.(1987) Case studies in second economy production and transportation in Soviet Georgia. In S. Alessandrini & B. Dallago (Eds.), *The Unofficial Economy*. Aldershot: Gower.

- Millar, J. R.(Ed.).(1987) *Politics, Work, and Daily Life in the USSR: A Survey of Former Soviet Citizens*. Cambridge: Cambridge University Press.
- Miller, J. B.(1984) The big nail and other stories: Product quality control in the Soviet Union. *The ACES Bulletin*, 26(1).
- Nove, A.(1958) The problem of success indicators in Soviet industry. *Economica*, 25(97).
- O'Hearn, D.(1980) The Consumer Second Economy: Size and Effects. *Soviet Studies*, 32(2).
- Osokina, E. A.(2000) *Our daily bread: socialist distribution and the art of survival in Stalin's Russia, 1927-1941*. Armonk: M.E. Sharpe.
- Pipes, R.(1990) *The Russian Revolution*. New York: Alfred A. Knopf.
- Rutland, P.(1994) The Economy: The Rocky Road from Plan to Market. In S. White, A. Pravda & Z. Gitelman (Eds.), *Developments in Russian and Post-Soviet Politics*. Durham: Duke University Press.
- Schwartz, C. A.(1979) Corruption and political development in the U.S.S.R. *Comparative Politics*, 11(4).
- Shelley, L. I.(1990) The second economy in the Soviet Union. In M. Los (Ed.), *The Second Economy in Marxist States*. London: MacMillan.
- Simes, D. K.(1975) The Soviet parallel market. *Survey*, 21(3).
- _____ (1977) The machinery of corruption in the Soviet Union. *Survey*, 23(4).
- _____ (1982) *U.S.S.R. - The Corrupt Society: The Secret World of Soviet Capitalism*. New York: Simon & Schuster.
- Smith, H.(1983) *The Russians*. New York: Quadrangle.
- Timasheff, N. S.(1946) *The Great Retreat*. New York: E. P. Dutton & Company.
- Trembl, V. G.(1985) *Study of economy theft of materials from places of employment*. Berkeley-Duke Occasional Papers on the Second Economy in the USSR. No. 20.
- _____ (1986). *Referent USSR economic and demographic statistics for normalization of the Berkeley-Duke émigré questionnaire data*.

Berkeley-Duke Occasional Papers on the Second Economy in the USSR. No. 7.

_____(1992) *A study of labor inputs into the second economy of the USSR*. Berkeley-Duke Occasional Papers on the Second Economy in the USSR. No. 33.

Turovsky, F.(1981) Society without a present. In L. Schapiro & J. Godson (Eds.), *The Soviet Worker: Illusions and Realities*. New York: St. Martin's Press.

Verdery, K.(1996) *What was socialism, and what comes next?* Princeton, NJ: Princeton University Press.

초록

공산주의 계획경제하의 지하경제 연구 : 소련의 사례

주 형 민

서커스공연의 선선 문구까지 귀염했던 소련 전체주의 체제의 뒷면에는 지하경제의 만연이라는 흉니로운 사회현상이 존재했다. 1980년 리테라투르나야 가제타의 도로페예프 기사는 지하경제의 비중을 살펴보기 위해 크라스노다르로 여행가면서 면도기, 칫솔 등 일용품을 가져가지 않았다. 목적지에 도착한 그는 국/공영 상점을 돌아다녔으나 필요한 물품을 구매할 수 없었고, 다음날 방문한 그 지역의 유명 지하시장에는 평일임에도 불구하고 사람들로 붐비고 있었고, 또한 “없는 것이 없을 만큼” 다양한 상품들이 거래되고 있었다. 이들의 가격은 국징가격에 비해 턱없이 비쌌지만 문세를 삼는 사람은 아무도 없었다. 도로페예프가 가격에 대해 불평하자 “사기 싫으면 안 셋으면 그만”이라는 응답이 되돌아올 정도로 지하경제는 시민들의 일상생활 깊숙이 스며들어 있었다.

본 논문은 소련 계획경제하에서 번성한 지하경제의 다양한 모습을 연구하는데 목적이 있다. 논문의 1장에서는 지하경제의 개념, 자료 및 방법론에 대한 기존 논의들을 살펴본다. 공산주의 사회에서 지하경제 성장은 근본적으로 계획경제의 실패에서 찾을 수 있다. 따라서 논문의 2장에서는 공산주의 계획경제의 특성 및 문제점을 살펴본다. 본 논문의 중심인 3장에서는 소련 지하경제의 다양한 모습을 “자재공급-생산과정-유통구조-판매망”에 이르는 시장 메카니즘의 네 가지 차원에서 분석한다. 즉, 첫째, 소련정부가 계획경제의 틀 안에서 경제의 거의 모든 측면을 통제하고 있는 상황에서 지하경제는 어떻게 필요한 자원과 재료를 조달할 수 있었는가? 둘째, 생산수단의 사적소유가 철폐된 공산주의 사회에서 지하경제는 어떤 방법으로 인기 품목을 생산할 수 있었는가? 셋째, 철도, 고속도로, 선박 등 대규모 운송수단이 국가의 통제에 놓인 상황에서 지하경제는 어떤 운송 경로를 통해 소련사회의 여러 지역으로 물품을 유통시킬 수 있었는가? 넷째, 시장경제 자체가 폐지된 계획경제하에서

성장한 지하경제의 판매구조는 어떻게 구성되었는가? 즉, “시장 없는 사회”의 지하시장은 어떤 형태로 존재했는가? 이 같은 질문들을 살펴봄으로써 논문의 3장에서는 지하경제의 구체적인 흐름과 행태를 분석한다. 마지막으로 논문의 결론인 4장에서 지하경제가 소련경제, 사회에 미쳤던 총체적 영향에 대한 고찰로 본 논문을 마친다.

논문심사일정

논문투고일:	2010. 3. 10
논문심사일:	2010. 4. 5 ~ 2010. 4. 15
심사완료일:	2010. 4. 19