

The Legacy of Soviet Communism

Introduction

The Communist Party took political control of Russia in 1917. Seventy-five years later the Soviet program of Communist Party control collapsed, and people in Russia and the other nations of the Soviet bloc sought to implement policies of market reform. On balance, the record of those 75 years is dismal. The Soviet system did promote growth in output and modernization in many industries, and it mitigated the extreme disparities in income that had existed under Czarist rule. Politically and militarily, moreover, Russia became a super power under Soviet rule. But the planned economies controlled by Soviet communism were inefficient, and they led to new forms of inequality, resulting in widespread human suffering. Many scholars estimate a death toll—from murder and starvation—of more than 100 million people. The terror has left a lasting legacy for people now trying to improve their political, social, and economic systems. The legacy must be remembered so it will not be repeated.

Lesson Description

A lecture, a reading, a simulation, and a research assignment are used to describe the record of Soviet communism and its effects on transition economies formerly in the Soviet bloc.

Content Standards and Benchmarks

Content Standards

1. Different methods can be used to allocate goods and services. People acting individually or collectively through government must choose which methods to use for allocating goods and services.
2. People respond predictably to positive and negative incentives.

Benchmarks

1. There are essential differences between a market economy, in which allocations result

from individuals making decisions as buyers and sellers, and a command economy, in which resources are allocated according to central authority.

2. Changes in incentives cause people to change their behavior in predictable ways.

Concepts

Market, command, and traditional economic systems, resource allocation, secondary effects

Objectives

1. Students analyze the rise and fall of Soviet communism.
2. Students describe the effects of Soviet communism on the citizens and the economies of the Soviet bloc.
3. Students explain the costs and benefits of market versus planned economies.

Time Required

One class period (plus additional time for completion of the research paper)

Materials

- | | |
|--------------|---|
| Visual 1.1 | The Legacy of Soviet Communism |
| Visual 1.2 | Scarcity and Three Important Economic Questions |
| Visual 1.3 | Traditional, Command, and Market Economic Systems |
| Visual 1.4 | A Soviet Dissident Remembers |
| Activity 1.1 | A Short, Sad History of Soviet Communism |
| Activity 1.2 | Making Glass in The Soviet Union |
| Activity 1.3 | List of Transition Economies |
| Activity 1.4 | Researching the Transition Economies |
- Small prizes to serve as rewards, for use in procedures 9, 10, and 11
 - 3 x 5 cards for all students, with the name of a transition-economy country written on each card

Procedure

1. Project Visual 1.1. Explain to the students that the history of Soviet communism provides examples of failed command economies. During this class period, they will examine why Soviet communism failed and how the legacy of failure is still being felt in the transition economies.
2. Project Visual 1.2. Make the point that limited resources and unlimited wants force people in every economy to determine how to allocate scarce resources. Every economic system must answer three important questions:
 - What goods and services to produce and how much of each good or service to produce.
 - How to produce these goods and services. In other words, what methods will be used to produce these goods and services?
 - For whom to produce these goods and services. In other words, who will receive the goods and services produced? Which criteria will be used to distribute goods and services?
3. Project Visual 1.3. Make the main point that any economic system is a mixture of command, traditional, and market elements. An economic system creates incentives that influence people's behavior.
4. Communism in the Soviet bloc produced command economies, with built-in incentives that caused inefficiency. Unfortunately, inefficiency was not the worst aspect of Soviet communism. Government rulers in the command economies used force to answer the three economic questions. As a result, millions of people died.
5. Distribute a copy of Activity 1.1 to each student and discuss the 75-year history of communism in the Soviet Union.
6. Announce to the students that they will participate in a brief simulation to demonstrate how command economies--like market economies--set rules which provide incentives that influence people's behavior.
7. Distribute Activity 1.2. Explain that after the students are divided into groups, each group will represent the management team of a Soviet sheet glass factory under the Soviet command system. Explain that you, the teacher, will play the role of Minister of Sheet Glass Production. You will reward glass plant managers who produce glass according to what you want. Read the background information in Part 1 of Activity 1.2 to the class.
8. Divide the class into small groups. Ask students in each group to study the glass production alternatives in Part 2 of Activity 1.2.
9. *Round 1.* Announce the following: "According to the new annual plan, each plant will have its normal allocation of resources for sheet glass production. This year I will reward only those factory managers who produce as many tons of sheet glass as possible. This should keep my superiors happy." Allow the managers five minutes to agree on which alternative they favor. When they have decided, ask each group to report. Reward those managers who selected Alternative 1.
10. *Round 2.* Announce the following: "Last year I had complaints from my superiors about our sheet glass. While it was nearly unbreakable, our glass was so thick that one could not see through it. I have managed to obtain the same allocation of resources for sheet glass production as we had last year. This year, however, I will reward only those factory managers who produce sheet glass which is as thin as possible." Allow the glass managers five minutes to agree on which alternative they favor. When they have decided, ask each group to report. Reward those managers who selected Alternative 3.
11. *Round 3.* Announce the following: "Last year I had complaints about our sheet glass. While it was easy to see through, it also broke easily when it was cut to size for use in window frames. I have again managed to obtain the same allocation of resources for sheet glass production as we had last year. This year, however, I will reward only those factory managers who produce glass that isn't too thick or too thin. This should reduce complaints from my superiors." Allow the glass managers one minute to agree on

which alternative they favor. When they have decided, ask each group to report. Reward those managers who selected Alternative 2.

12. Pose questions to the group to discuss the simulation.

- (1.) What was the glass managers' decision in the first round?

(To produce heavy, thick glass, because this type of production was rewarded by the Minister of Sheet Glass Production. Managers made decisions based on the incentives offered by the Minister.)

- (2.) Why did the glass managers change their behavior in Round 2, producing thin glass?

(The rules of glass production had changed. Managers produced thin, breakable glass because of the incentive offered by the Minister of Sheet Glass Production.)

- (3.) Why did the glass managers change their behavior in Round 3, producing medium-thick glass?

(The rules of glass production had changed again. Managers produced glass of medium thickness because of the incentive offered by the Minister of Sheet Glass Production.)

- (4.) How is the behavior of managers in this command system different from the behavior of business managers in a market system?

(In a command system, managers are rewarded for following the wishes of their government superiors. This can result in unexpected and inefficient outcomes such as producing windows so thick that one can not see through them or so thin that they break. In a market system, producers are rewarded for producing goods and services that consumers wish to have. Consumers reward producers who provide what consumers want at the lowest possible price. Producers must gain the voluntary support of consumers. Moreover, producers must engage in voluntary

trade themselves to obtain the resources they need for production.)

13. In a market system, trade is based on voluntary exchange. If someone buys something from you, you must offer him or her something in return, and both parties must agree to the exchange. In a command economy, behavior may be changed by force. In a totalitarian command economy, there are few limits to the force that may be used. For example, Stalin used terror to control the population of the Soviet Union.

Closure

Project Visual 1.4 and ask: "What is the legacy of Soviet communism?" (Answers include memories of terror which ruined or ended life for many people. Incentives in the command system produced unexpected and inefficient outcomes, leaving people poor. All people should understand this legacy so that the communist experiment is not repeated.)

Assessment

Multiple Choice Questions

1. What type of economic system was created by Soviet communism?
 - *a. Command
 - b. Market
 - c. Traditional
 - d. Libertarian
2. What was the New Economic Policy?
 - a. One of Stalin's 5-year plans
 - b. Gorbachev's economic and political reforms that ended communism
 - *c. Russian reforms in the 1920s which brought limited free-market policies
 - d. Brezhnev's policy toward Czechoslovakia which launched the democracy movement

Essay

Using the glass factory simulation as an example, explain how the incentive structure of a command economy differs from that of a market economy.

(In a command economy, managers are rewarded for following the wishes of their government superiors. In the case of the glass factory,

managers were threatened with exile, denial of privileges, or worse for failure to comply with government wishes. This system of incentives resulted in unexpected and inefficient outcomes such as producing windows that were too thick or too thin. In a market system, producers are rewarded according to whether they produce goods and services that consumers wish to have. Consumers reward producers who provide what consumers want at the lowest possible price.)

Student Project

Assign students to do research on countries formerly under the control of the Soviet Union. Write the names of the nations listed on Activity 1.3 on 3 x 5 cards. Have each student draw a card and carry out research about that country. Some information from the Appendix (pp. 111-152) may be of use to students in their research for this project. (Allow students 3-4 weeks to do their work.)

Activity 1.4 is the assignment sheet for this research project. Students may also give oral reports after they have completed their papers.

Visual 1.1

The Legacy of Soviet Communism

A totalitarian system leaves behind it a mine field built into the country's social structure and the individual psychology of its citizens. And mines explode each time the system faces the danger of being dismantled and the country sees the prospect of genuine renewal.

*Anatoly Sobchak,
Former Mayor of St. Petersburg, Russia.
Quoted in David Remnick,
Lenin's Tomb (1993)*

Visual 1.2

Scarcity and Three Important Economic Questions

1. Resources are scarce:

Land

Labor

Capital

Entrepreneurship

2. Wants are unlimited.

3. Every economic system must answer these questions:

What and how much to produce?

How to produce?

For whom to produce?

Visual 1.3

Traditional, Command, and Market Economic Systems

Traditional

- Economic decisions repeat those made in earlier times.

Command

- Economic decisions are made by the government.
- Planners decide what to produce, how to produce, and for whom to produce.
- Command decisions can be democratic or authoritarian.

Market

- Decisions are made by people engaged in voluntary exchanges.
- Consumers determine what to produce.
- Producers determine how to produce.
- Income depends on the productive resources a person has to sell.
- Market prices are signals that affect consumption and production.

Visual 1.4

A Soviet Dissident Remembers

You know, when we talk about these people,
I know they are all gone. It is horrible to say,
but you must imagine a state that used every
means to kill the best among us. All dead or
all gone.

*Lydia Korneivna,
Soviet dissident.
Quoted in David Remnick,
Lenin's Tomb (1993)*

Activity 1.1

A Short, Sad History of Soviet Communism

February 1917	Russian aristocracy brings about the abdication of the Czar. Provisional government established.
October 1917	Lenin and the Bolsheviks overthrow provisional government.
November 1917	Bolsheviks hold elections and lose, maintain power by force.
1918	Cheka (secret police) established; later becomes the KGB. World War I ends.
1918-1921	Civil war, won by the Bolsheviks. Extreme economic hardship and suffering.
1921	New Economic Policy established by Lenin; includes limited private enterprise. Industry and agriculture recover to pre-World War I levels.
1924	Lenin dies.
1929-1941	Stalin establishes 5-year plans for industrialization and collectivization of agriculture. Millions of Soviet citizens are murdered by the Soviet government or starved to death.
1929	Soviet Union completely established; Stalin assumes absolute power.
1939	World War II begins.
1941	Nazi Germany invades Soviet Union.
1945	World War II ends.
1948	Soviet Union controls eastern Europe, including the Baltic States, Poland, East Germany, Czechoslovakia, Hungary, Romania, Bulgaria, Albania, and Yugoslavia.
1953	Stalin dies. Nikita Khrushchev becomes First Secretary of the Soviet Communist Party.
1956	Hungarian uprising crushed by Soviet army.

Activity 1.1, continued

1957	Soviet Union launches Sputnik.
1966	Leonid Brezhnev becomes General Secretary of the Soviet Communist Party.
1968	Czechoslovakia invaded by Soviet army and democracy movement crushed.
1985	Mikhail Gorbachev becomes General Secretary of the Soviet Communist Party.
1986	Gorbachev introduces glasnost and perestroika, the first economic and political reforms since the end of the New Economic Policy in 1929.
1989	First relatively democratic elections held in Soviet Union; important Communist figures lose to relatively unknown candidates.
1991	Soviet Union breaks up into 15 independent states; eastern European nations become independent. 75-year reign of Soviet communism ends.

Source: John Channon with Rob Hudson, *The Penguin Historical Atlas of Russia*, Penguin Books, 1995.

Activity 1.2

Making Glass in the Soviet Union

Part 1: Background Information

You are the management team of a glass factory in the Soviet Union. Your plant is successful if it is able to please the Minister of Sheet Glass Production. If you are successful, this will mean good opportunities for you and your family. Failure could result in serious consequences, including exile from your community, denial of privileges to your family, or worse.

Your plant uses productive resources to manufacture glass. Each year, the government provides your plant with an allocation of natural resources (silica, boron, aluminum, sodium, and other materials), labor, and machines (glass furnaces and other tools) to produce sheet glass for use in making windows. The Minister of Sheet Glass Production gives each manager a quota telling how many sheets of glass to produce. Actual glass production can be measured in various ways such as by weight and thickness.

Your job is to produce the amount of glass required by the Ministry. Your plant can produce sheet glass in various thicknesses and weights. As plant managers, you also wish to produce the glass in the manner that is easiest for you and your workers. Thicker glass weighs more per unit than thinner glass and can be produced with less effort. Thinner glass weighs less per unit and is produced with more effort.

Part 2: Production Alternatives

With your annual allocation of productive resources, you have three production alternatives for each round.

Alternative 1:	Produce an annual total of 250,000 glass sheets, each sheet weighing 12 pounds.
Alternative 2:	Produce an annual total of 500,000 sheets of glass, each sheet weighing 6 pounds.
Alternative 3:	Produce an annual total of 1,000,000 sheets of glass, each sheet weighing 3 pounds.

Activity 1.3

List of Transition Economies

Albania	Lithuania
Armenia	Macedonia
Azerbaijan	Moldova
Belarus	Mongolia
Bulgaria	Poland
Croatia	Romania
Czech Republic	Russia
Estonia	Slovak Republic
Georgia	Slovenia
Hungary	Tajikistan
Kazakstan	Turkmenistan
Kyrgyz Republic	Ukraine
Latvia	Uzbekistan

Activity 1.4

Researching the Transition Economies

Your task is to analyze the current economic problems in the country named on your card and to recommend changes that would improve the economy and the standard of living for the citizens of that country. You should view yourself as a consultant to the nation's most important leader, who is counting on your recommendations.

Your paper should be 6-8 typed, double-spaced pages with one-inch margins and standard-sized print.

Because of the space limitations, you should be concise. You will probably need to revise your paper several times. This will be easier if you use a computer with a word-processing program. Carefully proofread the final version of your paper for typos and misspelled words.

Papers should have the following general format:

Title Page:

The title page should include the title of your paper, the name of the country you are analyzing, your name, the name of the course, and the date. This is the easy part. The rest of the paper should be divided into parts, as follows.

- Infant mortality rate
- Literacy rate and average years of schooling
- Any other statistics that are important to your analysis

Part 1:

Provide a statistical survey of the country. Find and summarize the following data for the most current year available:

- Real GDP
- Per capita GDP
- Economic growth rate
- Inflation rate
- Unemployment rate
- Trade balance
- Value of currency unit in terms of the dollar
- Leading export and leading import
- Life expectancy

Part 2:

Discuss the economic conditions in your country.

- What is it like to live in your country today?
- How is life today different from life during the communist years? What changes have occurred?
- If your country is approaching a national election (or has recently had one), what are the most important economic issues being discussed?
- What stage of the business cycle is your country in?
- Has the standard of living become better or worse since the fall of communism?

Activity 1.4, continued

- How does the standard of living in your country compare to that in other countries in its region and in the world?
- How competitive is your country compared to other countries in its region and in the world?
- What are the most serious current political and economic problems your country faces?

Part 3:

Make recommendations for the future. Refer to your country's current economic problems and make recommendations telling how your country can attempt to solve them. Use your knowledge of economic principles in making these recommendations. Also discuss your country's strengths and how they can best be utilized in developing sound economic policies. What is your assessment of the future of your country? Be sure to back up your opinions with research.