

Abstract

The purpose of this paper is to study the process of capital accumulation and structural change in USSR from 1950 to 1991. The USSR was a planned command economy, which operated under conditions of capital scarcity, with state ownership of the means of production. Production was directed towards use and not towards sale and profit. Full employment of labor was constitutionally guaranteed. The state had the monopoly of foreign trade. Central planning allocated resources for the entire production process. Thus, the pricing system was administered and the *Gosplan* defined goals of physical production for the whole economy. As pointed out by Kalecki and Nell, consumption of the workers was the adjustment variable between aggregate supply and aggregate demand, through forced savings. The production potential was limited by the stock of fixed capital, and its actual degree of utilization could be held low by a scarcity of circulating capital inputs or workforce. The priorities of the Soviet system, at least until the mid-1970s, were in order, investment, military spending, raising the level of personal subsistence consumption and consumption of public goods. Diversification of personal consumption and consumer durables were not considered a top priority before the 1970s. The Soviet economy was heavily militarized because of the constant hostility of the other foreign powers. This militarization of the economy had strong structural implications both on aggregate demand and on the very structure and organization of industry and technical change.

The evolution of the Soviet economy from 1950 to 1991 can be divided into three phases. The first phase, from the 1950s to the beginning of 1970s, corresponds to a regime of extensive accumulation of capital where there are increasing rates of investment, fast growth of output and per capita GDP and major structural change, with large transfer of labor from agriculture to industry and technical progress incorporated in new machinery. Agricultural production made a lot of progress during that period. The external trade structure of the USSR was marked by the limited size of foreign trade with capitalist countries.

The next phase, from the 1970s to the Mid-1980s, corresponds to a period of economic slowdown, with an attempt to move to a regime of intensive accumulation, due to the depletion of the large reserves of underemployed rural work force and low cost natural resources that existed during the earlier phase. Productivity growth slowed down markedly for a number of reasons such as low return on investment in agriculture, the rising costs of industrialization of Siberia and the depletion of the large reserves of underemployed rural work force. Full employment and the progressively more open political system had negative effects on both the discipline and the economic mobilization and (coupled with acute labor scarcity) on labor productivity. Consequently, the level of capacity utilization fell and the age of the capital stock rose. Furthermore, central economic planning became increasingly complex and difficult, because of the proliferation of new products to be administered. At this stage there were several attempts to reorder priorities and reform the planning system to enable to increase the quantity and the quality of consumer goods, but they all failed and the investment share went on rising.

The pattern of external trade of the USSR changed drastically during the 1970's. Soviet foreign trade experienced a boom after the 1973 oil crisis, driven by exports of

oil and gas and weapons exports. At the same time low agricultural productivity drove the USSR to increase food imports in the 1970s. The Soviet Union had also to increase imports of technology and capital goods from the capitalist countries.

A third phase begins around 1985 with the *Perestroika* reforms. A set of laws allowed individual activities and independent cooperatives, increased decision making autonomy of state enterprises and decentralized foreign trade. Each reform, taken independently, was not so radical, but taken together disrupted the system of planning and distribution, creating more supply constraints. *Perestroika* and *Glasnost* enabled the managers of the state enterprises enrich themselves and further undermined the discipline of employees, giving them rising bargaining power and allowing strikes. The result was a large increase in the chronic excess of domestic demand and imports, at the same time that oil export incomes had fallen sharply.