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Socialist Planning

Socialist planning played an enormous role in the economic and political history of the twentieth century. Beginning in the USSR it spread round the world. It influenced economic institutions and economic policy in countries as varied as Bulgaria, USA, China, Japan, India, Poland and France. How did it work? What were its weaknesses and strengths? What is its legacy for the twenty-first century? Now in its third edition, this textbook is fully updated to cover the findings of the period since the collapse of the USSR. It provides an overview of socialist planning, explains the underlying theory and its limitations, looks at its implementation in various sectors of the economy, and places developments in their historical context. A new chapter analyses how planning worked in the defence–industry complex. This book is an ideal text for undergraduate and graduate students taking courses in comparative economic systems and twentieth-century economic history.

MICHAEL ELLMAN is Emeritus Professor in the Faculty of Economics and Business, University of Amsterdam, Netherlands. He is the author, co-author and editor of numerous books and articles on the Soviet and Russian economies, on transition economics, and on Soviet economic and political history. In 1998, he was awarded the Kondratieff prize for his ‘contributions to the development of the social sciences’.

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Third edition

MICHAEL ELLMAN

*Emeritus Professor of Economic Systems, with special reference
to transition economics, University of Amsterdam*



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Preface to the third edition

The first edition of this book appeared in 1979. It reflected the world of Brezhnev and Mao. It attempted to sum up what was known at that time. It was widely used throughout the world. It was reprinted several times and there were translations into Dutch, Portuguese (in Brazil), Italian, Japanese, Spanish (in Mexico) and Chinese. The second edition appeared in 1989 and reflected the era of economic reform. This third edition appears at a time when socialist planning has become a historical phenomenon, about which we know much more, and about which we can draw better-informed conclusions. I have attempted to sum up the relevant literature of which I am aware, and provide a broad overview of the subject. For reasons of space it has not been possible to provide an extensive discussion of a number of important issues, such as planning education, medical care, urban development and the environment. However, these subjects are mentioned in the text, and some information about them is provided. Each chapter concludes with a list of suggestions for further reading which is intended as a guide for those who wish to delve deeper into the subject of that chapter. This new edition reflects a lifetime of thinking and writing about the topic. I hope it will be useful for a wide circle of readers.

I am grateful for helpful comments on one or more draft chapters from Vladimir Kontorovich, Mark Harrison, Max Spoor, Grigory Khanin, Peter Nolan, Julian Cooper, Donald Filtzer, Steven Rosefielde, Lennart Samuelson, David Stone, David Glantz, Joshua Andy, Erik van Ree and Patricia Ellman. I alone am responsible for any errors remaining. I am also very grateful to Alexei Ionov for research assistance, to Ceyla Tokbay for secretarial help, and to the University of Amsterdam for providing me with the facilities to write the book.

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Preface to the third edition

This book is dedicated to my wife Patricia who has been my companion and helpmate for half a century.

Michael Ellman
Amsterdam

Abbreviations and glossary

BAM	Baikal–Amur railway
CC	Central Committee (of a Communist Party)
CMEA	Council for Mutual Economic Assistance (sometimes known as Comecon)
CPC	Communist Party of China
CPSU	Communist Party of the Soviet Union
EEC	European Economic Community (precursor of the European Union or EU)
FDI	foreign direct investment
FRG	Federal Republic of Germany
FSU	Former Soviet Union
GDR	German Democratic Republic
GLF	Great Leap Forward
Gosplan	<i>Gosudarsvennaya Planovaya Komissiya</i> (State Planning Commission)
GPCR	Great Proletarian Cultural Revolution
Gulag	<i>Glavnoe upravlenie lagerei</i> (Soviet forced labour system)
NEP	New Economic Policy (the economic system existing in the USSR in 1921–8)
perestroika	policies of Gorbachev (literally: rebuilding or reorganisation)
PRC	People's Republic of China
TVE	township and village enterprise
TVM	township and village mine
USSR	Union of Soviet Socialist Republics

Important dates

- 1921 Gosplan established in Russia
- 1922 USSR formed
- 1926–30 Turksib railway built
- 1927–32 Dneprostroi dam built
- 1928–32 First Five-Year Plan in USSR
- 1929 The breakthrough
- 1929–34 Magnitogorsk steel plant built
- 1930–4 Collectivisation of agriculture in USSR
- 1931 USSR produces its first tanks
- 1931–3 White Sea – Baltic Canal built
- 1931–4 Famine in USSR (peak in 1933)
- 1933 USA establishes National Planning Board
- 1933 Mexico's ruling party adopts Six-Year Plan
- 1936–40 Four-Year Plan in Poland
- 1936–40 Four-Year Plan in Germany
- 1937–8 Mass state terror in USSR
- 1939 USA establishes National Resources Planning Board
- 1941–5 Soviet–German war
- 1943 US National Resources Planning Board abolished
- 1945 Netherlands creates Central Planning Office, with Tinbergen as first Director
- 1945–9 Soviet control established over Eastern Europe
- 1946 French planning agency (*Commissariat Général du plan*) established
- 1947 Last famine in USSR
- 1947–51 Five-Year Plan in Argentina
- 1949 CMEA established
- 1949 First USSR atomic bomb test
- 1949 People's Republic of China (PRC) established
- 1950–3 Korean War
- 1950–2 Mass state terror in China

Important dates

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- 1951–6 First Five-Year Plan in India
- 1952 State Planning Commission established in China
- 1953 Death of Stalin
- 1953 Uprising in GDR suppressed by Soviet troops and GDR police
- 1953 China introduces state monopoly of grain purchases
- 1953–4 Strikes, demonstrations and uprisings in the Gulag
- 1953 First Soviet hydrogen bomb test
- 1953–7 First Five-Year Plan in China
- 1955–7 Collectivisation of agriculture in China
- 1955–60 First Five-Year Plan in Pakistan
- 1956 Stalin criticised at Twentieth Congress of CPSU
- 1956 Unrest in Poland leads to replacement of previous leadership by Gomulka, decollectivisation of collectivised part of Polish agriculture, and recognition of role of Catholic Church
- 1956 Uprising in Hungary. New Hungarian government overthrown by Soviet troops
- 1958 Great Leap Forward in China
- 1958–62 Famine in China (peak in 1960)
- 1959 Lushan Conference. Peng Dehuai criticises Great Leap Forward
- 1960 USSR withdraws economic experts from China
- 1961 Economic Planning Board established in South Korea
- 1962 Strikes and demonstrations in Novocherkassk (USSR) suppressed by army
- 1962–6 First Five-Year Plan in South Korea
- 1964 First Chinese atom bomb test
- 1965 UK adopts indicative National Plan for economic development
- 1966–8 Cultural Revolution in China
- 1967 First Chinese hydrogen bomb test
- 1968 Czechoslovak ‘Socialism with a human face’ ended by Soviet military intervention
- 1969 Sino-Soviet border clashes
- 1976 Death of Mao Zedong
- 1978 Vietnam joins CMEA
- 1978 Chinese economic reform initiated
- 1979–93 China grows out of the plan
- 1979 Sino-Vietnamese border war
- 1979–84 Decollectivisation of agriculture in China

- 1980 The PRC replaces Taiwan as the Chinese member of the IMF and World Bank
- 1980 Emergence in Poland of independent trade union Solidarity
- 1981 Jaruzelski declares martial law in Poland
- 1981–9 Deng Xiaoping Chairman of the Central Military Commission
- 1985 Gorbachev comes to power in USSR
- 1988–9 Upsurge of inflation in China
- 1989 Vietnam implements radical financial stabilisation and price liberalisation policies
- 1989 Turning point in Eastern Europe
- 1989–90 End of Berlin Wall and of Communist rule in East Germany, Poland, Czechoslovakia, Hungary, Bulgaria and Romania
- 1990 German reunification
- 1990 Shock therapy in Poland
- 1991 (April) USSR Gosplan transformed into Ministry of Economics and Forecasting
- 1991 CMEA dissolved
- 1991 (December) USSR dissolved
- 1992 Abortive attempt at shock therapy in Russia
- 1992 Deng Xiaoping's southern tour
- 1992 Fourteenth Congress of Chinese Communist Party states that the goal of China's economic reforms is a 'socialist market economy'
- 1992–6 Last Five-Year Plan in South Korea¹
- 1994 South Korean Economic Planning Board merged with Ministry of Finance
- 1995 Vietnam joins ASEAN
- 1998 Financial crisis in Russia. Debt default, currency depreciation, increased inflation and bank collapses
- 2001 China joins the WTO
- 2001 Japanese Economic Planning Agency merged into Ministry of Trade, Economy and Industry
- 2001–5 Last Five-Year Plan in China
- 2003 China's State Development Planning Commission replaced by State Development and Reform Commission

¹ A new president, who came to power in 1992, discarded the Seventh Five-Year Plan (1992–6) and replaced it by the New Economy Five-Year Plan for 1993–7.

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Important dates

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- 2004 Estonia, Czech Republic, Hungary, Poland, Latvia, Lithuania,
Slovakia and Slovenia join EU
- 2006 French planning agency (*Commissariat Général du plan*)
abolished
- 2007 Bulgaria and Romania join EU
- 2012 Russia joins the WTO