

HOW SUCCESSFUL WAS N.S. KHRUSHCHEV IN REFORMING THE SOVIET  
ECONOMY BETWEEN 1954 AND 1958?

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## Abstract

The extended essay sets out to evaluate the successes and failures of Nikita Khrushchev's economic policies in reforming the Soviet Union, thus aiming at drawing a valid conclusion of how successful he actually was. The research question has been narrowed down to cover the years from 1954 to 1958 because they provide a reliable profile of the Khrushchev era (1953-64) in which his overall success can be appraised. By introducing different interpretations this essay assesses the success of Khrushchev's ambitious Virgin Lands campaign, the organizational reforms and industrial policies, all in a framework of economic theory and historical perspective. The main sources used in this research are both Western and Soviet secondary sources and output statistics, which will be evaluated in the foot notes.

In the Soviet history the Khrushchev era is a significant phase because it marked a change in both domestic and foreign policies, and contributed thereby notably to the relaxation of the Cold War. The changes in economy during this distinctive period are especially interesting because the economy, and above all the agriculture, has always been Russia's Achilles heel.

In order to increase agricultural output Khrushchev introduced the Virgin Lands campaign that was quantitatively and in short term successful but contributed nothing to a coherent and uniform, long-term, national development of the economy. The organizational and administrative changes had potential but failed, partially due to inefficient implementation and organization but above all because of Khrushchev's short-sightedness and indecisiveness, which led to inconsistency and disorder. The Virgin Lands, the abolition of MTS and the *kolkhozy* reform, as well as the introduction of *sovnarkhozy* within industry, led to confusion and not only failed to truly reform the economy but also destroyed the promising growth curves and eventually led to Khrushchev's downfall in 1964.

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“You can write down in your little notebook that we [the USSR] will overtake you [the USA] in per capita industrial production by 1970.”<sup>1</sup>

The modernization of Russia has been by far the most significant challenge facing the rulers of the country from Alexander II through Stalin and Khrushchev to Yeltsin and Putin. Reforming the economy has been the core of this process of catching up with the West and has been characterized by high hopes and varying success. The Khrushchev era from 1953 to 1964 represents an especially interesting phase in the Soviet economic history not least because it followed the economic turmoil of the peculiar Stalin era. Looking at the domestic policies of this era also gives insight to the economic race of the Cold War. There can be no doubt about the progress made in agricultural and industrial output in the 1950s but the stagnation that followed a decade later raises the question: to what extent did Khrushchev actually succeed in reforming the Soviet economy?

By the term economy is meant the range of economic activities contributing to the prosperity of a country. In this essay the economy has been divided into two main sectors: agriculture and industry. In agriculture the central question is whether Khrushchev's policies, especially the Virgin Lands campaign, were successful or not, and what effect this had on his downfall. Although less central in Khrushchev's policies the industry always plays an important role in a country's economy: how important were Khrushchev's industrial miscalculations in the emergence of the economic crisis? Analysing these two sectors also reveals the level of wellbeing within microeconomics, which always reflects developments in the national economy. In order to increase the focus of this study the question has been concentrated on the years from 1954 to 1958, which saw the most significant changes in both agriculture and industry, and therefore represent a crucial part of the Khrushchev era.

The research has been carried out mainly by the study of secondary surveys and economic statistics but also first hand interviews and speeches. From the assessment of these sources it can be concluded that although noteworthy progress in economy was made Khrushchev's policies were labelled by incompetence in organisation and short-sightedness, which led to overrating the Soviet economic capacity, as demonstrated by the quotation from Khrushchev's speech above. This in turn accompanied by his failures in agriculture were the primary reasons for his fall in 1964.

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<sup>1</sup> Quoted by Harry G. Shaffer (ed.) in *The Soviet Economy*. Appleton Century Crofts: New York, 1969. p.418

Due to his peasant background Khrushchev regarded himself as a man of agriculture, which brought agriculture to the centrepiece of his economic policies. The Khrushchev era is marked by considerable investment and effort put especially into agriculture beginning with the Virgin Lands campaign in 1954. Khrushchev's industrial policies were less distinctive but are characterised by the will to develop light industry over heavy industry, in contrast to the Stalin era. A third guideline in Khrushchev's economic policies is the administrative reforms, intended to decrease the amount of bureaucracy. As a whole the man himself and his policies are characterized by excessive vigour and willpower but the successes are not self-evident.

By Stalin's death in 1953 appreciable recovery from the Second World War had been achieved in economy but it was still an economy of war-time. Stalin's successors Khrushchev and Malenkov<sup>2</sup>, until he was finally outmaneuvered out of office in 1955, were faced with the problem of reallocating resources between heavy and light industry, defense, agriculture and different branches of the consumer sector<sup>3</sup>. During Stalin's reign the agriculture had received little attention and Khrushchev was inevitably faced with the fact that the collectivization process was simply not meeting the needs of the people, and the problems in production and supply still existed. In addition, the standard of living among the peasants and industrial workers was still wretched.<sup>4</sup>

As a consequence, Khrushchev's very own brainchild, the Virgin Lands program, came into being in 1954. This was a solution that did not require noteworthy cutbacks in heavy industry and military budgets but as a talented politician Khrushchev was able to market this program as a defence of the "dangerous and urgent" consumer situation, thereby winning support from the people<sup>5</sup>. In reality, this shows that Khrushchev was not willing to cut down the defence and the heavy industry in genuine favour of the consumer. The idea of the program was to bring into cultivation the previously unexploited areas in southern Siberia, Kazakhstan and the south-western parts of the

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<sup>2</sup> Malenkov was the Prime Minister and the head of the Communist Party after Stalin's death. He called for improvements within the consumer sector and was therefore regarded as a revisionist by Khrushchev. He remained in the Politburo until 1956 but was expelled from the Presidium and the Central Committee after an attempt with Molotov, Kaganovich and Bulganin to oust Khrushchev.

<sup>3</sup> George W. Breslauer. *Khrushchev and Brezhnev as Leaders*. George Allen & Unwin Ltd: London, 1984. p.24  
This is a western survey written by George W. Breslauer from the University of California. The purpose of this study is to give comparison between Khrushchev and Brezhnev: its value to a historian lies in the perspective gained by this comparison. The book also gives detailed and precise information obtained by using a vast collection of both western and Soviet secondary and primary works, which adds to its reliability. The value of this source is, however, limited by the fact that it has been published in 1982, that is before the collapse of the USSR and lacks thus the advantage of valuable archive information. As an American source written during the Cold War period it might also be unbalanced in its judgement.

<sup>4</sup> Norman Lowe. *Mastering Modern World History*. Palgrave: New York, 1997. p.329

<sup>5</sup> Breslauer. p.27

European USSR within a short period of time and with low costs. The scheme was directed to increase the production of fodder thus increasing the production of meat, milk and other dairy products, which in turn was intended to raise the living standard.<sup>6</sup> The goals of this highly risky program were indeed ambitious: Khrushchev went from suggesting 13 million hectares by the end of 1955 to 30 million by the end of 1956 although there were no guarantees of successful crops. However, within a few years over 42 million hectares of virgin land was brought under cultivation.<sup>7</sup>

Quantitatively the Virgin Lands campaign was more than a success and officially there was talk about record harvests<sup>8</sup> but in reality the actual production targets in the new lands were met only partially<sup>9</sup>. True, from 1957 the net grain exports were of the average of 7 million annually<sup>10</sup> which would indicate a success in the Virgin Lands. The program seems logical since the Soviets had the land and the ploughs to take on it but lacked the fertilisers and other more modern techniques to improve the traditional areas of cultivation<sup>11</sup>. However, Michael Lynch suggests that the growth of the grain exports was in fact a result of greater output in the traditional areas, not in the virgin lands.<sup>12</sup> Indeed, it must have taken a few years before the newly cultivated lands began to produce and still the decline seems to start around 1958 when the virgin lands should have been contributing to even greater figures! Indeed, there is some convincing evidence supporting the view that the Virgin Lands program was not so successful after all. Firstly, the soil and the climate were not always suitable for the crops, a fact that was often neglected. Also, in the anxious drive for food stuffs, the successful cotton crops, for example, were replaced by

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<sup>6</sup> Heikki Kirkinen. *Venäjän historia*. Otava: Helsinki, 2000. p.468

<sup>7</sup> Id.

<sup>8</sup> See Appendix 3. A table of agricultural output between 1953 and 1958 originally published in the Soviet press in 1965 in an article by V. Matskevich, the Soviet Minister of Agriculture. The purpose of this document is to prove the supposedly magnificent boom in the Soviet agriculture in the mid 1950s: Matskevich uses it to show how Khrushchev was misled by these impressive figures. The origin of this source, however, raises serious doubts about its reliability because manipulation of official figures was common in the USSR. In addition, it does not specify the output for separate years, and thus gives a false idea about the development being solely positive. Its value lies in the conclusions that can be drawn from comparing this source with Western documents. This source should thus not be used for obtaining detailed information. (Reproduced in Shaffer (ed.) pp. 161)

<sup>9</sup> Michael Lynch. *Stalin and Khrushchev: The USSR 1924-64*. Hodder & Stoughton: London, 2001. p.119

This source is a thorough historical survey, a part of the valued *Access to History* series, written by the western historian Michael Lynch. The purpose is to give a fair consideration of the successes and failures of these eras and to reveal the reasons behind these. The scope of this source adds to its historical value: it provides an excellent basis for comparison between Stalin and Khrushchev thus adding depth to the study of both eras. Being published in 2001, after the opening of the KGB archives, it has plenty of perspective and provides a range of different views. The value is moderately limited by the fact that as a western source the views might be lightly biased.

<sup>10</sup> Kevin Severin. *Soviet Policies on Agriculture, Trade, and the Consumer* in Ronald Francisco (ed.) *Agricultural Policies in the USSR and Eastern Europe*. Westview Press: Boulder, 1980. p.40

<sup>11</sup> Id.

<sup>12</sup> Lynch 2001. p.119

maize that did not adapt to the conditions<sup>13</sup>. By publicly propagandizing maize as an especially good fodder plant because it could be, as he claimed, be used as fodder even if it did not ripen, Khrushchev lured the peasants into abandoning their traditional farming only to find the maize crops so poor that they were not worth harvesting<sup>14</sup>. Due to his rural origins, Khrushchev regarded himself as an agricultural expert but this may serve as an example of the implications of this attitude. Ironically, although the campaign was Khrushchev's most far-sighted reform, it was the also the most discredited.

The program also brought Khrushchev himself dependent on the masses and the local officials who did not always comply. The officials often failed to provide sufficient drying and storing premises, which led to useless, rotten crops. Also, the people were not always content: in Kazakhstan they feared that they would lose the traditionally Kazakh lands<sup>15</sup>, which led to unfavourable local attitudes. Yet another aspect that supports this interpretation is that being deprived of adequate materials and labor force, the non-Virgin Lands fell even further behind in progress<sup>16</sup> thus making the whole program even riskier what comes to the overall development of the Soviet rural economy. In addition, although intended to be a low-cost scheme, the 120,000 tractors<sup>17</sup> and other considerable investments put in the Virgin Lands required huge amounts of capital. So also in this sense the program was less of a success. Instead of offering the peasants private financial incentives, which could have promoted competition and spirit of enterprising in the country-side thus contributing to greater output, Khrushchev recruited nearly 300,000 members of the Komsomol<sup>18</sup> and other volunteers for the construction of the Virgin Lands.

On the other hand, there were also other advantages from the program than the growth of the output disputed above: it broadened the USSR's contacts with the West thus contributing to the thaw in the international relations. Breeding programs co-ordinated by international bodies as

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<sup>13</sup> Ibid. p.118

<sup>14</sup> Ibid. p.119

<sup>15</sup> William Taubman. *Khrushchev: The Man and his Era*. Free Press: London, 2004. p.262

This is an extensive biography of Khrushchev by the Professor of Political Science at Amherst College in Massachusetts, William Taubman, published in 2004. The purpose of this source is to draw a detailed portrait of the Khrushchev era in the light of the man's personality and in a framework of both macrohistory and his closest circles. This portrait provides first-hand insight to the leading Soviet elite and to Khrushchev's person based on a vast collection of Soviet and western sources including the newest interviews, unpublished documents and memoirs. The value of this source lies in the insight, depth and the first-hand touch, which gives an excellent basis for constructing thorough conclusions. In addition, the book reproduces quotations from rare documents, which are valuable to a historian. The value of this source is limited by its subjectivism: it does not provide a comprehensible reflection of the bigger picture.

<sup>16</sup> Ibid. p.263

<sup>17</sup> Lynch 2001. p.118

<sup>18</sup> The Young Communist League

well as commercial seed firms emerged<sup>19</sup>. As a conclusion of Khrushchev's successes within the Virgin Lands policy it can be said that it offered the regime a quick solution to the grain problem but provided no long-term solution: the stagnation of Soviet agriculture began to emerge already during the second half of the 1950s<sup>20</sup>. However, there were also other factors behind this economic slow-down.

During the years from 1954 to 1958 the Soviet agriculture saw changes also on the administrative level, which has an important role in evaluating Khrushchev's success in reforming the economy because an efficient organization is a precondition for efficient production. The core of this reform was what Khrushchev called getting "closer to production". He intended to create a combination of limited regionalization and intensified political pressure on the managers in order to promote local initiative and simultaneously strengthen the party control.<sup>21</sup> Khrushchev urged local officials to increase regional focus by distributing up-to-date production techniques to all farms in the district in order to bring all farms to the level of the most advanced ones. Organizers were sent from Moscow to be the chairmen of *kolkhozes*<sup>22</sup>. This was in turn intended to reform the link between central and local officials and thereby decrease the amount of bureaucracy but it often ended with incompetent management in the rural areas due to lack of agricultural experience<sup>23</sup>. After the cadre transfers, most farms had a party nucleus, whereas before the reforms most *kolkhozes* had no party organization<sup>24</sup>. Khrushchev's logic seems simplistic: claiming that all farms could, and should, within a short period of time be brought to the highest qualitative level could always be upheld by blaming the managers for not being able to mobilize the supposedly incalculable resources<sup>25</sup>. However, among others

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<sup>19</sup> Severin. p.40

<sup>20</sup> See Appendix 1.

<sup>21</sup> Breslauer. p.43

<sup>22</sup> Soviet collective farms whose members were not on the state payroll, unlike the members of the *sovkhozy* that were state farms.

<sup>23</sup> Robert Conquest. *Agricultural Workers in the USSR*. The Bodley Head: London, 1968. p.57

Written by the most outstanding British historian of the Soviet history Dr Robert Conquest who is best remember from *The Terror*. The purpose of this source is to offer a thorough and professional description of the various attempts to reform the agriculture, as the title suggests, concentrating on the viewpoint of the workers, which makes it unique and adds to its value. This source bases some of its figures on information from *Pravda* which limits its value and decreases its reliability but it still provides insight and an expert's view. Its value is also limited by the fact that it has been written in 1968 and thus lacks perspective, might contain out-dated material and as a western source might be biased.

<sup>24</sup> Hugh Seton-Watson. *From Lenin to Khrushchev*. Frederick Praeger Publishers: New York, 1960. p.363

<sup>25</sup> This was roughly the same what had happened after the 1917 revolution: Lenin and his war communism aimed at forcing the peasants to produce more food. When terrorizing the country-side did not produce the wanted result the blame was carefully put on kulaks, more effective farmers who, as it were claimed, were hoarding grain. (Michael Lynch. *Reactions & Revolutions: Russia 1881-1924*. Hodder & Stoughton: London, 2000. p.133)

Breslauer argues that to Khrushchev the issue was not achieving a specific level but instead that each peasant and official would at least “aspire to attain that level”<sup>26</sup>.

In this framework also the collective farms were reformed. By the decree of March 1955 the *kolkhozes* were given greater freedom by stating that only the production targets and delivery quotas should be planned for them by the district committee<sup>27</sup>. However, there was a loophole that in practise thwarted the whole reform: if the district committee felt that the farm’s plan did not “ensure fulfilment” they were allowed to “introduce the necessary alterations”<sup>28</sup>. In addition, Khrushchev’s maize program contributed to the further limitation of the farms in cropping patterns<sup>29</sup>.

A reform that greatly affected the development of the rural sector was Khrushchev’s idea to abolish the Machine Tractor Stations<sup>30</sup> and to sell their equipment to the *kolkhozes*, which took place in February 1958. The MTS had been for decades the rural agencies that co-ordinated and guarded the farms, and especially the supply of equipment was their duty. The results of this reform show that the abolition of the MTS was one of Khrushchev’s clearest mistakes in agriculture, at least for the time being. Although there had been improvement in the quality of the farms and the grain production had risen substantially, most of the *kolkhozes* were still not strong enough to manage on their own. The consequences of the reform on the peasants were disastrous: after paying for the equipment purchased from the MTS even the wealthier farms could not afford other necessary investments and, in addition, many farms were not able to exploit the equipment properly due to lack of experience. Moreover, since the MTS workers, who had been a kind of elite, were transferred to the *kolkhozes* there was a drop in their incomes and many fled to the cities<sup>31</sup>. According to Roy Medvedev the result was that “farm production suffered irreparable damage”<sup>32</sup>. An opposing view is presented by Hugh Seton-Watson: he claims that, in fact, the change contributed to a long-term advantage since it made the rural administration notably more coherent and simpler<sup>33</sup> by erasing one layer of bureaucracy.

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<sup>26</sup> Breslauer. p.33

<sup>27</sup> Also known as *raikom*.

<sup>28</sup> Conquest. p.57. Quoted from *Pravda* on March 11, 1955 (The official publication of the Communist Party, meaning “the truth”, Russian word Правда)

<sup>29</sup> Id.

<sup>30</sup> The MTS were originally set up by Stalin in the late 1920s and 1930s because the collective farms were too disorganized, weak and unreliable. The MTS was thus a strengthening of party control over the farms.

<sup>31</sup> Taubman. p.376

<sup>32</sup> Id. Quoted from Roy Medvedev. *Khrushchev*. Doubleday/Anchor: New York, 1983.

<sup>33</sup> Seton-Watson. p.363

The price system was also changed because Khrushchev realized that the prices needed to meet the expenses in order to expand economic production. Uniform prices for agricultural products were fixed at a flexible basis<sup>34</sup> but in his fear of rising prices, Khrushchev failed to exploit this principle<sup>35</sup>: if the prices had been raised in areas of unfavourable conditions and lowered in others these would have compensated for each other allowing the farms to continue functioning normally. Instead, the prices were decreased almost everywhere and were often altered. Thus the prices failed to cover the costs, let alone capital accumulation.<sup>36</sup> In addition, the procurements were fixed too high: according to Mazurov<sup>37</sup> for example the meat procurements were so high that the farms were forced to slaughter their animals prematurely to fulfil them<sup>38</sup>.

Another development in the agricultural organization between 1954 and 1958 was Khrushchev's will to decrease the amount of the *kolkhozes* in order to save in transportation. They were combined under larger units and weaker ones were subordinated to *sovkhoses*. The number of *kolkhozes* was decreased by well over 50,000<sup>39</sup>. This as well as the 1953 reforms<sup>40</sup> and the March decree that, at least namely, increased the freedom of the peasantry, of course made no sense ideologically to Khrushchev himself, a committed communist, in the long run<sup>41</sup> and resulted in huge units almost impossible to manage. A similar kind of radical collectivization took place simultaneously in China<sup>42</sup>, which had in 1949 become a single party state under Mao Zedong's communists<sup>43</sup>.

Thus, it can be concluded that all in all Khrushchev's agricultural policies were not genuine reforms aiming at long-term development but instead, only a short-sighted solution to strengthen

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<sup>34</sup> A system where prices are allowed to vary depending on annual conditions and the conditions of production in the corresponding zone.

<sup>35</sup> Shaffer (ed.). p.162

<sup>36</sup> Conquest. .p.61

<sup>37</sup> The Party First Secretary of Belorussia and a member of Politburo.

<sup>38</sup> Id. Quoted from Plenum.

<sup>39</sup> Ibid. p.58

<sup>40</sup> Right after Stalin's death a number of reforms within agriculture were introduced by Khrushchev and Malenkov. Certain failures and the need for change were admitted. These mainly financial concessions included tax relaxation, price increases of agricultural products, cutting the compulsory delivery quotas for a number of food stuffs. Also the attitude towards the private plot was relaxed. This was accompanied by strengthening of administrative control. However, even after the concessions the agricultural prices remained under production costs and failed to encourage production. (Conquest. p.54)

<sup>41</sup> Taubman. p.261

<sup>42</sup> Lowe. p.358.

<sup>43</sup> By 1956 about 95 per cent of all Chinese peasants were in co-operatives and this was taken even further during the 1960s in "The Great Leap Forward": communes, larger units than collectives were set up and they could contain up to 75,000 people. (Lowe p.359)

the agriculture: Khrushchev was not able to uphold consistency and the output figures rose only temporarily<sup>44</sup> because he was not ready to increase the freedom of the peasants but instead intensified collectivization by the aggregation of the farms into unmanageably large units. The early success went to his head and without proper economic analysis capital investment in farming was decreased<sup>45</sup> while more and more was demanded from it. Indeed, after 1958 the growth of farming output decreased while the consumer demands continued to grow<sup>46</sup>. The disastrous year of 1963 was the last straw and Khrushchev's fall was thereby sealed: Khrushchev's failures within agriculture were the most important reason to his downfall<sup>47</sup>.

In order to be able to evaluate the success of Khrushchev's economic policies thoroughly and to reveal the reasons behind the stagnation the industry must also be analysed, although agriculture does play a much more central role in Khrushchev's economic policies. During the Khrushchev era the industry was still organized and arranged under Five Year Plans but unlike Stalin, Khrushchev was more pro-consumer and wanted to direct resources from heavy industry into light engineering and chemical technology, although he seems to have risen to power with the help of stressing heavy industry<sup>48</sup>. Indeed, at the time of his fall in 1956 Malenkov was charged for having "fallen for the heresy that consumers' goods output could rise faster than that of producers' goods" and yet it was Malenkov's very own policies that were later driven by Khrushchev<sup>49</sup>, perhaps another proof of Khrushchev's incompetence in economic matters.

The time of the fifth Five Year Plan that was launched in 1951 and the time of Khrushchev's rise to power saw impressive growth in the industrial sector. The industrial aggregate output grew at an average rate of 11.7 percent and even consumer goods output grew at nearly 10 percent annually<sup>50</sup>. Indeed, the Soviet economic growth averaged a remarkable 6.5 percent during the 1950s, which is double that in the United States during the same period<sup>51</sup>. The slowdown seems

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<sup>44</sup> See Appendix 1.

<sup>45</sup> Shaffer (ed.) p.419

<sup>46</sup> See Appendix 1.

<sup>47</sup> As a consequence of his lack of political support, failures in foreign policy and above all in the economy, Khrushchev was ousted in 1964. While he was on a vacation, the Politburo decided on his removal as leader and the post was taken over by Brezhnev and Kosygin. He was informed in front of the Central Committee of his own retirement in October. There had existed will to overthrow him already during the 1950s but lack of opportunity had postponed the dismissal: nowadays it is known that even his assassination was considered.

<sup>48</sup> Taubman. p.265

<sup>49</sup> Alec Nove (ed.) *Studies in Economics and Russia*. Macmillan: London, 1990. p.108

<sup>50</sup> Stephen Cohen (ed.) *The Soviet Union Since Stalin*. Macmillan: London, 1980. p.124

<sup>51</sup> Shaffer (ed.) p.416

to begin around 1958<sup>52</sup> but Arthur Wright among others suggests that in fact the retardation began already few years after Stalin's death: although the GNP<sup>53</sup> continued to grow moderately, most other growth rates were already falling below the figures of the fifth Five Year Plan<sup>54</sup>. In other words, Wright suggests that the retardation began around the time when Khrushchev came to power and was obvious by the end of the decade culminating in an economic crisis in Khrushchev's last years. This would mean that between 1954 and 1958 the Khrushchev regime not only failed to increase economic prosperity but also ruined the promising growth curves. We shall discuss the industry in detail.

The optimism aroused by the fifth Five Year Plan was reflected in the sixth Five Year Plan (1956-60)<sup>55</sup>. For the first time, also the study of foreign techniques was encouraged when drafting the plan. However, the economy did not absorb the costs of importing Western technology in the chemical industry, for example, and it became harder to sustain large outputs<sup>56</sup>. The plan was found over-taut and the investment plan was not meeting the available resources. This is yet another proof of poor planning and management in the Khrushchev era. The plan survived only two years and an annual plan was drafted for 1958 that was an exceptionally good year. In general the problems within industry were internal ones because the foreign trade was expanding<sup>57</sup>. And indeed the years from 1956 to 1958 were years of optimism, although the drop in 1957 was already a symptom of the crisis still ahead. A massive housing campaign was launched in 1958 and the living standards were rising<sup>58</sup>. The Soviet space technology achieved a breakthrough in 1957 when the first *sputnik* was successfully launched. However, the massive investments in both space technology and armaments, especially after 1958 as the Cold War was heating up again, along with the apparently massive growth overloaded the Soviet economy, which is something that the historians seem to agree upon<sup>59</sup>. After the "heavy-industry-agriculture alliance" of 1956 Khrushchev intended to increase investment in soft consumer goods but what contributed even more to the overloading was that

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<sup>52</sup> See Appendix 1.

<sup>53</sup> The Gross National Product is a measure of economic prosperity. It indicates the value of goods and services produced by a country over a year.

<sup>54</sup> Cohen (ed.) p.125

<sup>55</sup> See Appendix 2.

<sup>56</sup> Shaffer (ed.) p.420

<sup>57</sup> Nove (ed.) p.111

<sup>58</sup> Lowe. p. 330

<sup>59</sup> Report by the U.S. Department of State in Shaffer (ed.) p.419;

Roy Laird in Shaffer (ed.) p.130;

Breslauer p.63

he was still not prepared to cut back heavy industry<sup>60</sup>. Indeed, some historians like Keith Severin argue that Khrushchev was not particularly “pro-consumer” but instead, that until his fall from power the Soviet policies, especially in agriculture and trade, either exploited the consumer or ignored him<sup>61</sup>.

Thus it can be concluded that one of the most serious errors in economic allocation of sources was that, although consumer goods sector widened, it was not granted adequate preconditions for obtaining long-term success, yet another proof of Khrushchev’s short-sightedness. Moreover, Khrushchev can be blamed for the overloading the Soviet economy to a great extent because he failed to correctly estimate the capacity of the economy of his country. Carried away by the earlier successes and misled by the exceptionally good figures of 1958, Khrushchev said then: “How can we not rejoice, comrades, at the gigantic achievements of our industry?”<sup>62</sup> Only to find the figures falling again during the following years.

One of the most significant factors affecting the declining growth rates is, as we have seen before, the lack of efficient planning. Therefore, when assessing Khrushchev’s industrial policies, one should take into consideration the administrative and organisational changes as well. In order to reduce over-centralization and to increase efficiency Khrushchev pushed through a reform in 1957 that abolished most central economic ministries and set up 105 regional economic councils, *sovnarkhozy*, that were supposed to put emphasis on regional planning and thus co-ordinate economic activity according to local needs<sup>63</sup>. The reform was not only economic but also political: Khrushchev wished to move his critics to the provinces. Therefore, he acted hastily in implementing his plan and a drastic change occurred almost over night<sup>64</sup>. The idea was logic in bringing such a huge economy as the USSR with eleven time zones under well-organized control. In addition, it should be remembered that this was the time of Cold War and, and as Taubman points out, a decentralized industrial administration was more likely to survive a nuclear war<sup>65</sup>. Indeed, Norman Lowe argues even that this scheme contributed notably to the improvement in living standards<sup>66</sup>.

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<sup>60</sup> Breslauer. p.63

<sup>61</sup> Severin. p.39

<sup>62</sup> Quoted by Taubman. p.378 from Khrushchev’s speech to voters of Kalinin electoral district.

<sup>63</sup> Breslauer. p. 361

<sup>64</sup> Taubman. p.304

<sup>65</sup> Id.

<sup>66</sup> Lowe. p.330

However, a more convincing interpretation is presented by Alec Nove: the *sovnarkhozy* coincided with the boundaries of the *oblasti*<sup>67</sup> which inevitably led to “the disease of localism”<sup>68</sup>. The local officials did not indeed ensure priority of central against local needs. This in turn, given the centralizing, non-market type economic principle, was a controversial move<sup>69</sup>. In practise this meant the loss of adequate perspective to national interests and entities. Indeed, also according to Wright this “reform led to a near-chaotic situation”<sup>70</sup>. In each *oblasti* the leading political figure was the head of the provincial party committee<sup>71</sup>, who was of course directly subordinated to the central party apparatus in Moscow, headed by Khrushchev himself. Like all single party leaders, also Khrushchev wanted to be the highest, unchallenged authority. Thus, the process could be seen as the Party’s means to assert its control over the industrial machinery. An exception was from the start the armament industry, and later a number of State Committees replacing the ministries to a great extent were set up, which indicated a beginning of cancelling the whole reform, an ad-hoc recentralization. Thus, compared to agriculture, the industrial reforms do not play a very significant role in the emergence of the stagnation because they were more reversible. As a conclusion it could be said that the idea of the *sovnarkhozy* itself was not bad but Khrushchev’s hastening, due to political interests, ruined the plan that had not been properly prepared. Kaganovich has said: “It would have been useful if [he] hadn’t aspired to stamp his ‘Eureka!’ all over it.”<sup>72</sup> Indeed, Khrushchev’s vigorous and sometimes hasty character did not always serve him well in the long run although it brought him political successes.

The Khrushchev era saw betterment in the living standards that had not been seen in the USSR before and the agricultural as well as industrial output figures were rising with twice the rates in the USA. However, already during the 1950s signs of stagnation were showing. From the evidence in agricultural and industrial administrative reforms presented above it can be concluded that the main reason to why Khrushchev failed to reform the Soviet economy, although the growth rates seemed favourable, was inefficiency in planning, management and organization: the *sovnarkhozy* as well as the *kolkhozy* reforms were introduced causing major derangements and confusion.

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<sup>67</sup> Russian equivalent to area, zone or province.

<sup>68</sup> Nove (ed.) p.108

<sup>69</sup> The essential principles of communism are hostile to all kind of localism or individualism because they advance the status of a disintegrated section of the society thus endangering the interests of the collective.

<sup>70</sup> Cohen (ed.) p.119

<sup>71</sup> Seton-Watson. p. 361

<sup>72</sup> Quoted by Taubman p.304 from Kaganovich, *Pamiatnye zapiski*.

The most convincing explanation behind Khrushchev's eventual failure was his incapability to perceive economic entities that would have made sense in the long run. After his dismissal the *Pravda* summarized Khrushchev's fundamental disadvantages as follows: hare-brained scheme-making, half-baked conclusions and hasty decisions taken without regard to realities<sup>73</sup>. He embarked on a huge investment step-up, which true enough, provided the USSR with rapid short-term growth but simultaneously fully undermined the chance of enduring and well-built growth: the fundamental problems inherited from Stalin still existed in the 1960s. Khrushchev kept himself as an expert in agriculture due to his background, which perhaps kept him from thoroughly considering the implications of his reforms. The quotation we set out to evaluate Khrushchev's successes with, indicates the high hopes triggered off by the optimism of the fifth Five Year Plan: the success went to Khrushchev's head and this kept him from seeing that he was overburdening the economy in his drive for even greater successes, which eventually led to his downfall in 1964. The potency of his policies was undermined by his greediness in the race with the West, which misled him into falsely trusting on the seemingly strong and growing capacity of the Soviet economy. Indeed, at the time of its collapse in 1991 the USSR was still far from overtaking the USA.

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<sup>73</sup> Quoted from *Pravda* in Lynch 2001. p. 130

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## Abstrakt

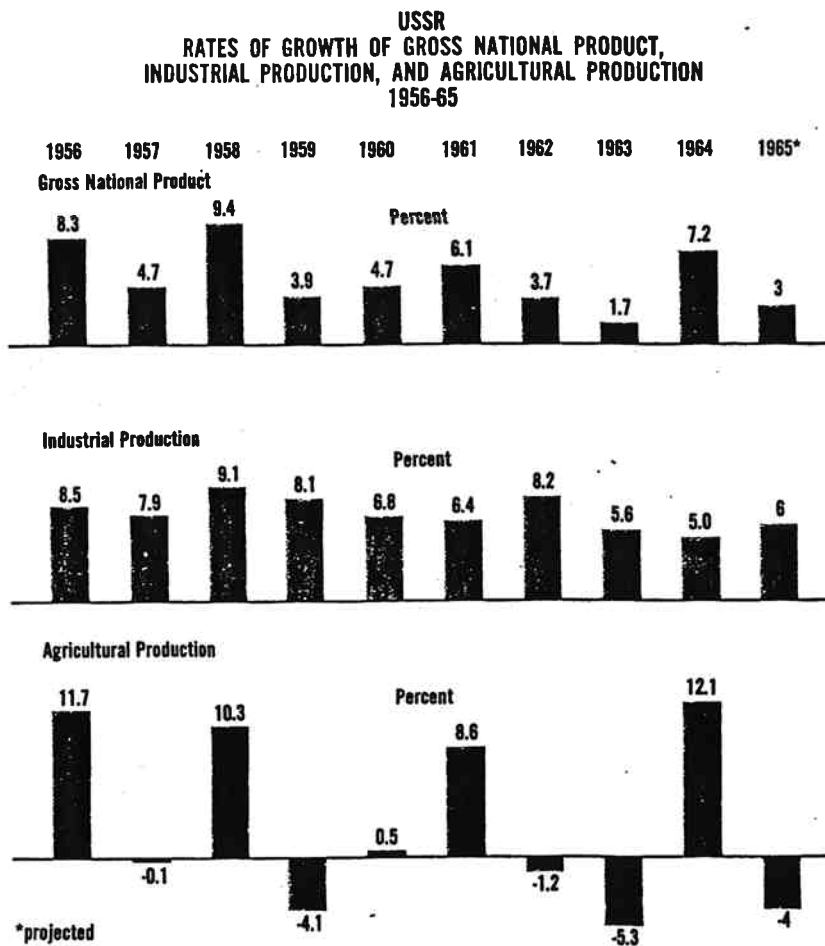
Syftet med denna essä är att grundligt evaluera framgångarna och misslyckandena i Nikita Chrusjtjovs ekonomiska politik i hans reformerande av det sovjetiska systemet, och sålunda dra en slutsats om hur lyckad han i sin politik egentligen var. Forskningsfrågan är begränsad till åren mellan 1954 och 1958, eftersom de utgör en täckande del av Chrusjtjovs era (1953-1964) samt formar pålitliga ramar till utvärderingen av hans totalframgång. Genom att introducera olika tolkningar kommer denna essä att evaluera kampanjer som nyodligsprogrammet i Sibirien (Virgin Lands), samt reformerna inom industri och administration; allt detta inom en ekonomisk inramning och historiskt perspektiv. Huvudkällorna som använts i formandet av denna undersökning är både västerländska och sovjetiska sekundära källor och därtill även produktionsstatistik; alla källor evalueras i fotnoterna.

Chrusjtjovs era är en anmärkningsvärd fas i den sovjetiska historien, för den markerade ett skifte både inom inrikes- och utrikespolitik, och bidrog därigenom markant till avspänningen av Kalla kriget. Förändringarna inom den sovjetiska ekonomin under denna framstående period är särskilt intressanta, eftersom ekonomin och framför allt jordbruket alltid har varit Rysslands Akilles häl.

Med syftet att utöka Sovjetunionens jordbruksproduktion införde Chrusjtjov den så kallade Virgin Lands –kampanjen som kvantitativt sett var en framgång men bidrog på längden inget till en sammanhängande, enhetlig, national utveckling av ekonomin. Reformerna inom administration hade ekonomisk potential, men misslyckades å ena sidan på grund av ineffektiv genomföring och organisation, men framför allt till följd av Chrusjtjovs kortsynthet samt hans saknad av slagkraft, sakkunskap och organisationsförmåga, vilket slutligen ledde till blott oordning. Virgin Lands – kampanjen, abolitionen av Motor-Traktor Stationer (MTS) och farmreformen samt införingen av *sovnarkhozy* inom industri, ledde till förvirring och inte bara misslyckades med att genuint reformera ekonomin utan också förstörde de lovande växtkurvorna, och ledde slutligen till Chrusjtjovs nedfall 1964.

## Appendix 1

## USSR Rates of Growth of Gross National Product, Industrial Production, and Agricultural Production 1956-65



Source: A memorandum by the U.S. Department of State 1965, reproduced in *The Soviet Economy* by Harry G. Shaffer (ed.)

## Appendix 2

## The Sixth Five Year Plan

Table 8.1 The sixth five-year plan

	1950	1955 plan	1955 actual	1960 plan
National income (1950 = 100)	100	160	171	160*
Gross industrial production	100	170	185	165*
Producer's goods	100	180	191	170*
Consumer's goods	100	165	175	160*
Coal (million tons)	261.1	373.4	389.9	592
Oil (million tons)	37.9	70.9	70.8	135
Electricity (milliard kWh)	91.2	164.2	170.2	320
Pig iron (million tons)	19.2	33.8	33.3	53
Steel (million tons)	27.3	44.2	45.3	68.3
Tractors (15 h.p. units)	246.1	292.9	314.0	—
Mineral fertiliser (million tons)	5.5	10.3	9.7	20
Cement (million tons)	10.2	22.4	22.5	55
Commercial timber (million cubic metres)	161.0	251.2	212.1	301
Cotton fabrics (million metres)	3 899	6 277	5 905	—
Wool fabrics (million metres)	155.2	239.0	252.3	—
Leather footwear (million pairs)	203	315	271	—
Sugar (thousand tons)	2 523	4 491	3 419	—
Fish (thousand tons)	1 755	2 773	2 737	—

\*1955 = 100

NOTE: I am aware that, since 70 per cent of industrial output consisted of producers' goods, the 1960 plan indices for gross industrial production are inconsistent. But that is how they appeared in the plan.

SOURCES: *Nar.khoz.*, 1965, pp. 130-9, 557; *Promyshlennost' SSSR* (1957) p. 43; *Direktivy XIX S'ezda Partii po pyatletnemu planu razvitiya SSSR na 1951-5 gody* (1952) pp. 3-4, 25; *Direktivy XX S'ezda KPSS po Shestomu pyatletnemu planu razvitiya narodnogo khozyaistva SSSR na 1956-60 gg*; *XX S'ezda KPSS stenotchet*, vol. II (1956).

Source: Published in an article in McCauley (ed.) *Khrushchev and Khrushchevism* and reproduced in Nove (ed.) *Studies in Economics and Russia*.

## Appendix 3

## Agricultural Output Between 1953 and 1958

\* *Agricultural Output Between 1953 and 1958*

	1953	1958	1958 in percentage of 1953
<i>Plant Growing</i>			
Cereals (billion poods)	5.0	8.6	171
(million tons)	82.5	141.2	171
including			
wheat (million tons)	41.3	76.6	185
sugar beet (for refineries)			
(million tons)	23.2	54.4	234
raw cotton (million tons)	3.85	4.3	113
potatoes (million tons)	72.6	86.57	119
vegetables (million tons)	11.4	14.9	130
<i>Livestock-Raising</i>			
Meat and fat (slaughter weight) (million tons)	5.8	7.7	133
milk (million tons)	36.5	58.7	160
eggs (million pcs.)	16.1	23.0	142
wool (thousand tons)	235	322	137

Source: An article by V. Matskevich, Minister of Agriculture of the USSR. First published in 1965 in Soviet press and reproduced in Shaffer (ed.) *The Soviet Economy*.