

# Second economy growth of the soviet union economics essay



**ASSIGN  
BUSTER**

Why did the 2nd economic system grow to such an important extent in the Soviet Union and what were its effects for the operation of planned economic system and public assistance of its citizens? The 2nd economic system or as it is besides sometimes referred to, a "shadow economic system", is a side-effect of any economic system and a province planned economic system is not an exclusion. In order to supply a comprehensive reply to the given inquiry, it is first of all necessary to understand what does the 2nd economic system base for and what it represents in the USSR. There are legion accounts of this term, but the best one, in my sentiment, belongs to Gregory Grossman: "The 2nd economic system is the one which comprises all production and exchange activity that fulfills at least one of the two following trials: ( a ) being straight for private addition ; ( B ) being in a dispute of being jurisprudence. " ( Grossman, 1977 ) . Despite an apparent generalization of this account, it reflects with adequate preciseness upon the chief characteristics of this phenomenon in the conditions of a bid economic system.

Economists around the universe identified a scope of most common economic, societal and legal causes of a shadow economic system. However, it is of import to advert, that the huge bulk of them are more typical for the states with a market economic system, whereas their relation to a province planned economic system is either really indirect, or they are non applicable to this system at all.

The 2nd economic system in the Soviet Union has a certain specificity associated both with a planned directionality of economic system, and with ideological beliefs of the political system. Therefore, for illustration, the <https://assignbuster.com/second-economy-growth-of-the-soviet-union-economics-essay/>

western values and the western civilization in the USSR were prohibited in every possible manner and as we know, the out fruit tastes the sweetest. It can be said, that the rigorous place of the communist authorities in regard to a private entrepreneurial activity has led to such a great figure of activities by and large acceptable in a capitalist society, being categorized as shadow 1s in the USSR. In other words, intolerance of the Soviet government became one of the chief grounds behind the outgrowth of the 2nd economic system, or at least some of its activities, such as entrepreneurship, currency minutes, swap and private services proviso. Due to their common nature they can be put in a individual group of "medium" secondary economic system. In add-on to this, there were other two types of secondary economic system. First, there was "easy" one. These were the economic activities which were non supervised by the authorities governments, as they were equilibrating on the sides of the jurisprudence without really conflicting it. "An easy" secondary economic system was concerned with the issues of widespread unauthorised extra employment every bit good as with the actions of "tolkachi" - the workers obtaining scarce resources for the mills. Finally, "heavy" 2nd economic system included chiefly illegal activities, such as larceny and corruptness. ( Radaev, 2000 ) .

Other grounds behind the outgrowth of the 2nd economic system in the Soviet Union included legion defects of the economic system of the state. Known all over the universe as the "shortage economic system" ( Kornai, 1980 ) , the Soviet system functioned in the conditions of an inordinate demand and a really limited supply and assortment.

This, in a compartment with a instead hapless quality of life of the population has led to a rapid development of another type of secondary economic activity - guess. Some wanted to acquire clasp of deficient, frequently foreign goods, while others wanted to gain easy money by selling them. Let 's use some rudimentss of the economic theory. From the market economic system point of position, addition in demand should finally take to an addition in supply in order to carry through it. Therefore, if the degrees of supply and assortment of goods of bing houses in the market are limited and deficient it creates a spread for new companies to come in the market with their merchandises and services. In the Soviet economic system speculators became those `` companies " . For a certain monetary value those people could acquire you any scarce good, from points of vesture to place contraptions.

There was one peculiar class among them which stood out, known as `` fartsovschiki " . These people bought or exchanged vesture, recordings, books and other points from foreign visitants and so sold them to Soviet citizens for pathetic monetary values ( Romanov, 2005 ) .

Furthermore, many Soviet workers started to take out goods from their mills on the quiet with a intent of the subsequent sale. Popularity of such street trade has so led to much bigger frauds. Many mills established an belowground production of deficient goods which so were successfully sold to other mills or to the general populace. Due to the fact that the demand for these merchandises did non fall, and even on the reverse increased ( Nikolaev, 1998 ) , it is non surprising that this activity managed to acquire

such a broad spread in Soviet Union, even though it was officially a condemnable offense under the bing jurisprudence.

It is of import to advert, that the shortage affected non merely the lives of usual citizens, but besides the operation of big province endeavors.

Furthermore, the centralised planning of economic system and production within all industry sectors is merely possible when a sufficient technological platform is present and Soviet Union did non hold it.

In the conditions of a province planned economic system resource allotment in the state was coordinated by the STATE PLANNING COMMITTEE ``

GOSPLAN " and `` Gosekonomkomissija " whose chief occupations were be aftering of the economic development and scene of production marks and purposes for all the industry sectors. Those programs were so sent down to the STATE LOGISTICS COMMITTEE `` GOSSNAB " which served the function of an all-Union warehouse. Its chief undertakings included administering resources harmonizing to the programs set and oversing inter-industrial redistribution of stuffs. Therefore, every mill received the measure of the stuffs considered sufficient by the province to carry through the program.

Problems of cardinal be aftering so frequently led to an inordinate supply of one stuff and deficit of another. On most occasions though, due to the conditions of national shortage, the measure of resources necessary for achievement of the program has been mostly underestimated, instead than overestimated. As the effect of this deficit, the mills frequently had to minimise input of stuffs, which led to a hapless quality of produced goods and in bend to penalties of mill supervisors. Taking into history the badness

of these penalties in a totalitarian government, it is non surprising that mill supervisors wanted to happen a manner out of this job. Adopting the 2nd economic system finally became this solution.

An unauthorised exchange of scarce stuffs between the mills started to thrive quickly and as a effect inordinate resources were frequently concealed and the production studies were disfigured to demo better measure and quality of end product than there really was. In order to run into deadlines mills hired `` shabashniki '' - people who wanted to gain excess money working on the side. ( Kuznetsov, 1998 ) . Sing the fact such informal relationships had clear benefits, this sort of shadow activity became really popular in a really short clip and was adopted by the bulk of the Soviet mills. ( Nikolaev, 1998 )

It is deserving indicating out that this activity remained unpunished even though everyone knew about it traveling on, including the Central Committee. Why did it stay unpunished? The chief ground is because those activities were mostly favourable for the authorities. These informal dealings compensated defects of the first economic system, thereby assisting it to work more or less efficaciously. Without an exchange of resources between the mills the cardinal planning system would most likely lead to an even bigger shortage and, as a effect, to a really deep economic crisis. In the worst instance it would tag the clang of a province planned economic system and serve as a stimulation for `` perestroika '' to get down 20 old ages earlier than it finally did.

On the other hand, the 2nd economic system itself became the beginning of the terminal for the planned economic system. More disproofs there were made in mills' studies - bigger were miscalculations made by the STATE PLANNING COMMITTEE in their programs. Inaccuracy in computations so led to an addition of inaccuracy in programs, and in turn to even bigger mistakes in distribution of resource, the effect of which was an addition in the 2nd economic activities. It became a ceaseless circle, which could merely be broken down by debut of a different economic system.

The state of affairs was even further aggravated by the fact that the goods produced in Soviet mills could not vie expeditiously with their parallels produced under the 2nd economic system.

These effects of the 2nd economic system became one of many grounds behind the prostration of the Soviet Union and passage to capitalistic system.

Things which are bad for the province are, not needfully bad for the citizens though and on the reverse can even hold a positive consequence. Therefore in the conditions of a really heavy shortage created by the first economic system, the 2nd became a horn of plenty, at least partly carrying through an inordinate demand. Development of belowground production and trade caused a monolithic loss to national economic system, but allowed the citizens to fulfill their demands. For some of them these were basic demands, such as nutrient, apparels and houseware, and for the others these were demands for self-esteem and self-actualization. Those people were active developers of the 2nd economic system. As the chances to use

their entrepreneurial endowments under the province economic system did not be, the 2nd economic system became their sphere for action. Even though their numbers were really little at first, by 1980s they have grown well. Quite an important figure of them subsequently became instead successful business communities in modern Russia. Equally good as the platform for getting their entrepreneurial accomplishments the 2nd economic system has besides given them an opportunity to do sensible net incomes. Harmonizing to Russian professor of economic sciences Koryagina, there were 30 thousand belowground millionaires in the USSR in 1985 which would be impossible without the being of 2nd economic system ( Koryagina, 1990 )

The thought of millionaires, nevertheless contradicts the chief communistic rule of everyone being equal. Besides, it is clear that if in one topographic point sum of money available additions, so someplace else it has to diminish. Speculation and peculiarly high monetary values for speculated goods led to many people salvaging money from their little wages in order to buy novelties from " ` ` farzovschiki " . Therefore by purchasing one merchandise, they had to decline themselves to but a whole clump of others made by province. Such procedure to some extent could negatively impact their quality of life.

Summarizing it all up, it is believed that the shadow processes within the economic system are a response to the ordinance of economic life of a society by assorted establishments, particularly authorities, that produce certain " ` ` game regulations " , utile for the society as a whole, but damaging to many specific individuals. A In the Soviet Union, these " ` ` regulations " <https://assignbuster.com/second-economy-growth-of-the-soviet-union-economics-essay/>



were not made to be useful for the society, but were instead designed to keep the political orientation of the established government and the economic system. As a result of this, the 2nd economic system did not do any important harm to the society as a whole, but furthermore, has helped its members to acquire through a hard period of crisis by counterbalancing the deficiency of supply. A similar thing can be said about its impact on the planned economy. As equally good as holding certain negative effects upon the planned economic system, it besides had major benefits without which the years of the planned economic system would have been over soon. As the 2nd economic system was not merely able to prologue "perestroika", but besides created a alleged passage period of a assorted economic system to let for a smoother version to a market one. As the lone important negative result was the growing of corruptness, particularly subsequently in post-soviet Russia ( Nikolaev, 1998 ), but because it is portion of any national economic system it is not necessary to take it into account. As a result of all things written supra, we can state that the 2nd economic system was a necessary and an inevitable phenomenon in Soviet economic history.