

# **Econ 115: November 5, 2009: The Logic of the Communist Regimes**

**J. Bradford DeLong**  
Professor of Economics, U.C. Berkeley  
Research Associate, NBER

**IClicker: Roughly, What Share of Potential Material Well-Being Do You Lose After a Generation of High Communism?**

- A) 20%**
- B) 50%**
- C) 85%**
- D) Some countries gain...**
- E) Experiences are too different: some countries gain and some countries lose...**

## Communism: What Went Wrong?

Marx the Promethean:

...the first to show what man's activity can bring about. It has accomplished wonders far surpassing Egyptian pyramids, Roman aqueducts, and Gothic cathedrals; it has conducted expeditions that put in the shade all former Exoduses of nations and crusades.... [It has], during its rule of scarce one hundred years...created more massive and more colossal productive forces than have all preceding generations together. The subjection of nature's forces to man, machinery, the application of chemistry to industry and agriculture, steam-navigation, the railways, electric telegraphs, the clearing of entire continents for cultivation, the canalization of rivers, the conjuring of entire populations out of the ground—what earlier century had even a presentiment that such productive forces slumbered in the lap of social labor?

Mao: 80M. Stalin: 30M. Lenin: 5M. Pol Pot: 2M. Kim Il Sung: 2M. Vietnam: 1M. Yugoslavia: 1M. And even the “soft” communist regimes are not places that people want to live in very much...

So what happened?

**IClicker: The *Immediate* Program of the German Socialist Party in the 1890s Called for:**

- A) Abolition of the wages system**
- B) “From each according to his ability, to each according to his need”**
- C) Government aid to worker cooperatives**
- D) Confiscation of all land rents.**

## So What Happened?

- The classical Marxist belief that the market was inherently corrupted by exploitation—and that such exploitation could be avoided by eliminating the private ownership of the means of production...
- The taking of Marx's account of the British enclosure movement as a model...
- Ideological purity...
- The natural dynamic of revolution...

Report to the Convention:

The Vendee is no more.... I have buried it in the woods and marshes.... According to your orders, I have trampled their children beneath our horses' feet. I have massacred their women, so they will no longer give birth to brigands. I do not have a single prisoner to reproach me. I have exterminated them all. The roads are sown with corpses.... [B]rigan arriving all the time claiming to surrender, and we are shooting them non-stop.... Mercy is not a revolutionary sentiment...

## From Marx to Stalin

As the German Marxist Rosa Luxemburg had warned, the process begins by ruling in the name of the people, then by substituting the judgment of the Party for the wishes of the people, then by substituting the decisions of the Central Committee for the judgment of the Party, and then by substituting the whim of the Dictator for the decisions of the Central Committee...

And the dictator who won the struggle for power after Lenin's death—Josef Stalin—was a paranoid psychopath to boot. Stalin made Lenin's terror look mild and reasonable...

Before the twentieth century people killed each other over theology: eternal paradise or damnation. Before the twentieth century people killed each other over power: who gets to be top dog, and to command the material resources of society. These motives are, to some extent at least, comprehensible. But only in the twentieth century have people killed each other on a large scale in disputes over the economic organization of society. Communism saw itself as a utopian mode of social and economic organization, engaged in a death struggle with the other modes of "Capitalism" and "Feudalism." Opponents of regimes had to die because their very existence was "objectively" reinforcing the strength of the opposing modes of organization, and preventing the achievement of universal prosperity and utopia...

## Why Was This Attractive?

George Orwell:

Practically everything we do, from eating an ice to crossing the Atlantic, and from baking a loaf to writing a novel, involves the use of coal.... Here am I, sitting writing in front of my comfortable coal fire.... It is only very rarely... that I connect his coal with that far-off labour in the mines.... Yet their lamp-lit world down there is as necessary to the daylight world above as the root is to the flower.... [I]t is brought home to you, at least while you are watching, that it is only because miners sweat their guts out that superior persons can remain superior. You and I and the editor of the Times Lit. Supp., and the Nancy Poets and the Archbishop of Canterbury and Comrade X, author of Marxism for Infants—all of us really owe the comparative decency of our lives to poor drudges underground, blackened to the eyes, with their throats full of coal dust, driving their shovels forward with arms and belly muscles of steel...

Victor Gollancz:

[T]he most frequent argument which socialists have to face is precisely this: 'I agree with you that Socialism would be wholly admirable if it would work-but it wouldn't'.... [This] objection was more frequently heard in 1919 than in 1927, in 1927 than at the end of the first Five Year Plan, and at the end of the first Five Year Plan than to-day-the reason being precisely that... the achievements of the Soviet Union are there to see...

George Orwell again:

In outward appearance [Barcelona] was a town in which the wealthy classes had practically ceased to exist.... [E]veryone wore rough working class clothes.... All this was queer and moving. There was much in it that I did not understand, in some ways I did not even like it, but I recognized it immediately as a state of affairs worth fighting for.... There was no unemployment...you saw very few conspicuously destitute people, and no beggars.... Above all, there was a belief in the revolution and the future, a feeling of having suddenly emerged into an era of equality and freedom. Human beings were trying to behave as human beings and not as cogs in the capitalist machines. In the barbers' shops were anarchist notices...solemnly explaining that barbers were no longer slaves...

## The Cold War

Stalin in 1945...

Roosevelt and Truman in 1945...

Churchill in 1945...

“Sovietization”...

“Marshallization”...

George F. Kennan...

Yugoslavia...

Greece...

Czechoslovakia...

Berlin Airlift...

China...

Korea...

NSC 68...

**Clicker: The Paramount Leader of the Soviet Union After the Death of Stalin Was**

- A) Vladimir Ilyich Lenin**
- B) Nikita Sergeyevitch Khrushchev**
- C) Richard Milhous Nixon**
- D) Zhou Enlai**
- E) Leonid Brezhnev**

## Mao Zedong

The Chinese Communist Party had won the civil war (which was interrupted for a while to fight the Japanese during World War II) because it gave the peasants something to fight for: ownership of the land...

It could then rule China because of its ability to create a hierarchical organization that could exert power in even the smallest of villages—a legacy that Mao owed to Lenin. ..

Its opponent, the Chinese Nationalist Kuomintang, retreated to Taiwan, reformed itself (after an initial bloody massacre of Taiwanese), and became a model of post-World War II economic development...

Chinese agriculture appears to have recovered from the devastation of World War II and the 1945-1949 civil war in the first years of Mao's rule. Official statistics—worth in this case what you pay for them—reported a seventy percent increase in wheat and rice production between the end of the civil war and the mid-1950s...

The small share of China's population resident in the cities did worse, as private enterprise was destroyed and social parasites executed or sent off to concentration camps. Considerable technical and economic aid from the Soviet Union aided Chinese development before the Sino-Soviet ideological split in 1960...

The turn to collectivization...

The “Hundred Flowers”...

The “Great Leap Forward”...

**IClicker: The author of the forward to “Quotations from Chairman Mao” was:**

**A) Deng Xiaoping**

**B) Jiang Jieshi**

**C) Lin Biao**

**D) Sun Yatsen**

**E) Ho Chi Minh**

## **Peng Dehuai, Liu Shaochi, Deng Xiaoping, Lin Biao, Zhou Enlai, and Mao Zedong...**

Then things get really complicated...

Lu Shan Plenum...

Mao as elder statesman...

Hai Rui reprimands the emperor...

“Bombard the headquarters!”...

The near Russo-Chinese War of 1969...

The assassination of Lin Biao...

The strategem of the empty fortress...

The Gang of Four...

We do not know the human cost of the Cultural Revolution. We guess that in 1970—after the first phase of the Cultural Revolution—that China’s level of material prosperity was perhaps half that of India’s, and was the rough equivalent of today’s level of material well-being in Tanzania or Ethiopia or Mali or Madagascar, the poorest countries on earth...

**IClicker: Which of the following is *not* a quotation from Chairman Mao?**

- A) A revolution is not a dinner party.... evolution is an insurrection, an act of violence by which one class overthrows another
- B) I have witnessed the tremendous energy of the masses. On this foundation it is possible to accomplish any task whatsoever
- C) What is important is not whether a cat is red or white. What is important is whether the cat catches mice
- D) When the enemy advances, withdraw; when he stops, harass; when he tires, strike; when he retreats, pursue.
- E) Once all struggle is grasped, miracles are possible.

The late 1950s, however, saw the beginning of a downward spiral. Agriculture was collectivized: individual farms replaced by village communes dominated by the local party official. The collectivization of agriculture was followed by the “Great Leap Forward”: a policy that sprang from Mao’s visionary inspiration to lessen China’s industrial and human underdevelopment by making use of the human resources of the whole country—to replace the “material” factor by the “spiritual”. Never mind what the technocratic “experts” said could not be done; the “Red” revolutionaries would do it. People would make steel in backyard furnaces. China would industrialize village-by-village, without imports of foreign capital goods or the advice of foreign engineers.

Of course it was a disaster. To command—from the center—that peasants go out and build backyard blast furnaces guarantees that you will get little steel and less grain. Because the dictator had set out this policy on his own, everyone reported that the Great Leap Forward was proceeding magnificently. Perhaps forty million people died in the famine.

As the extent of the disaster became known, Mao’s principal lieutenants moved slowly and cautiously against him. In December 1958 Mao was replaced by Liu Shaochi as head of state, with Deng Xiaoping as Liu’s right hand man. In July 1959 Peng Dehuai, one of the highest ranking military officers and Minister of Defense, accused Mao of “subjectivism” and “petty bourgeois idealism”, and sought Mao’s effective retirement. Mao was retired, but Peng Dehuai was condemned for “rightism” and dismissed from the party and the government.

It took six years before Mao could arrange a counterstroke, using his power as symbol of the regime. His political counteroffensive was a call to destroy the leadership of the Communist Party, to “bombard the headquarters” in order to eliminate bureaucracy. Once again the “Red” was exalted over the “expert”. Liu Shaochi was killed; Deng Xiaoping imprisoned for the heresy of claiming that it was more important to be competent than to be politically correct—“a good cat is not a cat that is red or white, a good cat is a cat that catches mice.” Universities were closed; engineers were sent to the countryside to work with the peasants; technocrats of all kinds dismissed from their jobs. Mao’s counterstroke was successful—although he then had to assassinate his new defense minister, Lin Biao, to keep Lin Biao

from doing to him again what Liu Shaochi had done a decade before.

We do not know the human cost of the Cultural Revolution.

We guess that in 1970—after the first phase of the Cultural Revolution—that China’s level of material prosperity was perhaps half that of India’s, and was the rough equivalent of today’s level of material well-being in Tanzania or Ethiopia or Mali or Madagascar, the poorest countries on earth.

The Marshall Plan was followed by the Korean War. And the Korean War had important long-run consequences for U.S. relations with Europe. As a result of the Korean War, by the middle of the 1950s there was a full U.S. army—corps, divisions, airwings, and the standard enormous logistical tail—sitting in West Germany waiting for Stalin’s successors to attempt in Germany what Stalin, Mao, and Kim Il Sung had attempted in Korea: the reunification by force of a country that had been divided in the armistice that ended World War II. Stalin’s successors were largely unknown: the only solid thing about them was that they had flourished under Stalin and shot a couple of their own number in the power struggle that followed Stalin’s death.

Stalin had exhibited a taste for snatching up territory when he thought it could be taken cheaply—starting with the suppression of the Mensheviks in Georgia, including the annexation of Moldova, Latvia, Lithuania, and Estonia. That Western Germany could probably not be snatched up cheaply was not wholly reassuring, because Stalin had also exhibited a certain degree of bad judgment: in addition to allowing Kim Il Sung to launch the Korean War, there was the unsuccessful attack on Finland in 1939 and the mother of all miscalculations, the belief that the way to deal with Hitler was to become his ally and then watch Nazi Germany and the western democracies exhaust themselves in trench warfare. Perhaps Stalin’s successors would exhibit a similar appetite for conquest on the cheap, and a similar weak grasp of geopolitical realities.

So by the mid-1950s a full U.S. army was sitting in Western Germany as a deterrent. And the U.S. was spending on a relatively large scale to project its Cold War military power beyond its borders. Roughly three-quarters of a percent of U.S. national product in the mid 1950s was “net military

transactions”—expenditures abroad by the U.S. army which generated no dollar inflow.

As the figure above shows, the increase in net U.S. military transactions partially offset the winding-down of the Marshall Plan. Thus the forces of the Supreme Allied Commander, Europe, provided one secure source of demand for European production during Europe’s boom in the 1950s.

And boom in the 1950s the European economy certainly did.

