



COMPETITION IN SOCIALIST SOCIETY

Edited by Katalin Miklóssy and Melanie Ilic

Competition in Socialist Society

This book explores how the concept of ‘competition’, which is usually associated with market economies, operated under state socialism in the Soviet Union and Eastern Europe, where the socialist system, based on command economic planning and state-centred control over society, was supposed to emphasise ‘co-operation’, rather than competitive mechanisms. The book considers competition in a wide range of industries and social fields across the Soviet bloc, and shows how the gradual adoption and adaptation of Western practices led to the emergence of more open competitiveness in socialist society. The book includes discussion of the state’s view of competition, and focuses especially on how competition operated at the grassroots level. It covers politico-economic reforms and their impact, both overall and at the enterprise level; competition in the cultural sphere; and the huge effect of increasing competition on socialist ways of thinking.

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Abbreviations

BAM	Baikal–Amur Mainline, railway line (Soviet Union)
BBC	British Broadcasting Corporation
CC	Central Committee
CEO	Chief Executive Officer
CETEBE	Foreign Trade Company (Poland)
CIT	Central Labour Institute (Soviet Union)
CMEA (SEV)	Council for Mutual Economic Assistance
CPSU	Communist Party of the Soviet Union
CZPO	Central Board of Clothing Industry (Poland)
DAW	Institute of Economics at the Academy of Sciences (GDR)
EBU	European Broadcasting Union
GDR	German Democratic Republic
GNP	Gross National Product
Gosplan	State planning organisation (Soviet Union)
Gossnab	State supply agency (Soviet Union)
GRU	Main Intelligence Directorate (Soviet Union)
GUM	State department store in Moscow (Soviet Union)
HB	Hotel București (Romania)
IH	Intercontinental Hotel
IUS	International Union of Students
KGB	State security agency (Soviet Union)
KMT	‘Who Knows What’ – television program (Hungary)
<i>kolkhoz</i>	Collective farm
Komsomol	Communist Youth League (Soviet Union)
NEP	New Economic Policy (Soviet Union)
NES	New Economic System of Planning and Managing the Economy (GDR)
NOT	Institute of Scientific Organisation of Labour (Soviet Union)
OGAS	All-Union Automated Management System for the Collection and Processing of Information for the Accounting, Planning and Management of the National Economy
OIRT	International Radio and Television Organisation
PB	Politburo

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RCP	Romanian Communist Party
RFE	Radio Free Europe
SED	Socialist Unity Party of Germany (GDR)
<i>Sovmarkhozy</i>	Regional economic councils (Soviet Union)
TsSU	Central Statistical Administration (Soviet Union)
US	United States (of America)
USSR	Union of Soviet Socialist Republics
VSNKh	Supreme Council of the National Economy
WDR	West German broadcasting company
WFDY	World Federation of Democratic Youth
WWII	Second World War
YLE	Finnish national broadcasting company
ZPO	Polish Association of Clothing Industries

Introduction

Competition in state socialism

Katalin Miklóssy and Melanie Ilic

This book offers a new insight into a subject that has been greatly overlooked in mainstream scholarly enquiries, probably because of the traditional approaches that have so far been used to investigate the Eastern bloc. The notion of competition has not previously been identified as a significant driving force of the communist system, partly because competing has generally been associated with market economies and individualism, and, thus, in the Cold War context, with the West. It has been thought that an authoritarian entity, based on a centralised planned economy and overall control of society, had only limited use for competitive mechanisms.

Competition has also been a difficult subject to align with state socialism because of the system's underlying logic, Marxist–Leninist ideology and its connection to political thinking. State socialism promised material security for the people on an egalitarian basis. It guaranteed the right to work, to free education and healthcare, to housing and quality leisure time and to a pension in old age. In theory, the development of socialism and its ultimate goal, communism, was based on higher human values and noble social principles. Competing as the driving force of development was associated with capitalism and was, therefore, rejected. Basic equal opportunities and the absence of private property to some extent generated a misperception that there was nothing to compete for in that system.

In practice, however, competition existed from the very beginning of state socialism in Soviet Russia, even if it was explained as part of a completely different communist context. After the Bolshevik Revolution in October 1917, Lenin identified forms of competition under developed capitalism as ‘the incredible brutal suppression of enterprise, energy and bold initiative’, playing into the hands of corporate financial interests. Under socialism, competition would allow workers to ‘display their abilities, develop their capacities, and reveal those talents’ suppressed under capitalism. One of the tasks of the new Soviet regime was to ‘develop this independent initiative of the workers’, and thus labour in itself was identified as a creative process in which workers engaged voluntarily and enthusiastically overseen by comprehensive accounting and control mechanisms.¹ Lenin understood that people needed to be provided with incentives to work in the absence of the motivating means of profit or pay rises.

Thus, in the Soviet Union, competition came to be recognised as an important means through which both economic production and productivity could be increased. This state-promoted form of competition was used to encourage workers to expand their personal capacities for the sake of building the ideal communist society. By the early 1930s, under Stalin, this took a number of different forms, including the 'shock work' and 'socialist competition' movements. Within a few years, by the mid-1930s, this form of work-based competition was encapsulated in the Stakhanovite movement, where individuals and brigades of workers were encouraged to maximise their levels of output in return for significant material rewards.²

Hence, the negative meaning of egocentric capitalist 'competition' [understood as: to challenge one another by comparison in order to identify a winner] (капиталистическая 'конкуренция'; kapitalisticheskaya konkurentsiya) was counterbalanced with the positive implication of a pure and unselfish socialist competition [understood also as: 'emulation', to attempt to copy, equal or excel in order to achieve a higher standard] (социалистическое 'соревнование'; sotsialisticheskoe sorevnovanie) for the sake of building communism. This kind of competitive enthusiasm could also be seen in other mass campaigns, such as in the 25,000ers sent out to the countryside in support of collectivisation and the building of whole new socialist cities, such as Magnitogorsk.³ It was also seen later under Khrushchev in the mass recruitment drives to support the Virgin Lands Scheme and under Brezhnev in the building of BAM, the Baikal–Amur railway line.⁴

Another new form of competition emerged after the end of the Second World War. The Cold War induced a new international context in which competition became the key notion in the bipolar global confrontation, signified most clearly in the post-1945 superpower status attributed to the Soviet Union and the United States. The constant sense of insecurity and the drive for an ideological hegemony led to an East–West rivalry, most notably in the spheres of ideology and armaments.⁵ As became evident, the main paradox of the Cold War was that, in spite of the spectacular East–West dichotomy, there emerged political and, perhaps even more importantly, cultural *interdependence* and interplay in which continuous challenges required corresponding responses from each side.⁶ It could be argued that this interdependence was central to promoting the spiral of competition that came to underpin the entire Cold War era.

The third aspect, and the most hidden form, of competition to emerge in socialist countries was the challenge that the so-called 'second society' in the Eastern bloc set for the official, or first, society. According to the sociologist Elemér Hankiss, underneath the only officially legitimate social sphere, that which was state-controlled and hierarchically organised, there appeared a parallel society, formulated from below as an independent social condition.⁷ Some forms of the second society, particularly the second economy, were accepted by the state because they supplemented the official economy in certain vital sectors, and were therefore advantageous for the state. Most of the second society, however, was either ignored (second consciousness) or

prohibited (such as second culture or second publicity). This coexistence of official and unofficial spheres created pressures for the political elite to answer the challenges arising from the second society. The inherent competition of the situation, however, could not be officially admitted. These forms of state socialist competition were in many respects interlinked and influenced by each other. This research angle was introduced by sociologists in the 1980s, and was later pursued by historians, who began to examine the role of dissent and opposition in socialist regimes.⁸

Another line of investigation has been raised by economists in their discussion of the theoretical aspects of competition. Economists have paid attention to the difficulties of applying the concept of competition in the context of the planned economy.⁹

Competition in State Socialism brings new knowledge to these previously mentioned forms. The case studies examined here demonstrate that a *new type of competition* can be added to the list. This form of competition, namely the adoption and adaptation of Western models of competition in the Eastern bloc, differs from the previously mentioned forms of competition because:

- a) It was not a mode of encouragement, exploitation or manipulation of the people for the purposes of the communist system, but the relationships between the power-holders and their subjects were more open and balanced.
- b) It was not directly related to East–West rivalry, but was aspiring to achieve regime legitimacy with the help of applied Western models.
- c) It gained mutual approval and genuine cooperation from both the otherwise competing first and second societies.
- d) A great variety of competition in the cultural, social and economic spheres did indeed occur, challenging previous understandings of the central role of economic mechanisms in the state socialist system.

As part of our investigation into competition, this book highlights new directions for scholarly enquiry and brings to the fore new elements to international academic discourse.

Historical background

In this book, ‘competition’ is investigated in the post-Stalinist period in the state socialist systems of the Soviet Union and Eastern Europe, where it is recognised as having generated a profound transformation. The change is rooted in Nikita Khrushchev’s remarkable declarations that launched several waves of modernisation from the mid-1950s. At the XX Communist Party Congress in 1956, Khrushchev acknowledged that there were ‘different paths’ to socialism, and that socialism could be built in ways other than the Soviet model.¹⁰ Regarding East–West relations, the new doctrine of ‘peaceful coexistence’ was also launched. A few years later, at the XXII Communist Party Congress in 1961, Khrushchev set out Soviet ambitions for the economic

achievement of socialism over capitalism under the new slogan '*dognat i per-egnat*' / 'to catch up and overtake' the West. In addition, the XXII Party Congress also declared in its Third Party Programme that one of the targets of the immediate future was the satisfaction of the Soviet people's *reasonable material needs*.¹¹

Khrushchev's announcement about the recognition of different paths to socialism freed the satellite states from the Stalinist obligations to conformity and uniformity. Some countries, particularly Czechoslovakia, Hungary and Poland, grabbed the opportunity wholeheartedly and started to experiment on their own. Reformism in the state socialist system began to manifest itself as relaxation of state control over different spheres of the economy and society. How this control was revisited, and which spheres it considered, differed from country to country. This situation gave rise to competing visions of progress in terms of the incentives used for modernising the economy and the parameters of the state provision of welfare. The reformist experiments were also a belated reaction to people's dissatisfaction with everyday living conditions, which had already brought about workers' revolts in East Germany in 1953. Following Khrushchev's speech to the XX Party Congress, there was social unrest in Poland and a revolution in Hungary in 1956. It was only a matter of time before it reached other satellite states, or even the Soviet republics themselves.

The primary objectives of the reformist projects, especially in Czechoslovakia, Hungary and Poland, were the transformation of the overall economic structure, increasing efficiency in production, improving the quality of products and a balance in foreign trade. The reforms targeted the restrictions imposed by the direct interference of the central planning agencies in the economic mechanisms and attempted to bring the production sphere closer to the market. The primacy of heavy industry, the dominance of large-scale production units and exclusive state ownership were now challenged.¹² As it turned out, the reform programmes were not only able to provide a steady rise in living standards with the appearance of consumer goods, but, moreover, reform gave way to a considerable relaxation of control over everyday life, and the weakening of autocracy gradually improved the relationship between power-holders and society.

Khrushchev's announcements on 'peaceful coexistence' indicated a new, more friendly attitude towards the West, while 'catching up and overtaking' the West brought about a theoretical challenge because he admitted indirectly that the Eastern bloc countries were lagging behind capitalist countries in terms of material well-being, and thus he raised the value of the Western competitive model. The overemphasis on competitiveness should also be seen in the Cold War context where the ultimate proof of the right societal model was at stake. In this hard-edged race with the West, the East started to learn from the enemy in order to 'overtake' it using its own means. However, this undisguised attraction to the models of Western progress had grave consequences for state socialism's underpinning ideology. Identification with the

communist cause, in spite of its legitimacy advantages for the socialist regimes, was now challenged by the ideal of a faster and more efficient rate of economic development. Ideology, and especially the faint image of the ideal and future communist society, became gradually replaced by rationality and the very down-to-earth advantages of economic boom.

Reformism, together with the declared intent to *dognat' i peregnat'*, displayed an open interest in Western practices. The reform policies borrowed elements of market economics and liberalism, and did so rather openly. The keen monitoring of the West led to the gradual introduction of a semi-capitalist way of economic thinking that started to spread, especially during the premiership of Aleksei Kosygin as chair of the Council of Ministers under Brezhnev in the Soviet Union from 1964 to 1980. Hence, even though the reformist project, especially in the Eastern bloc countries, was theoretically initiated by Khrushchev's announcements, nevertheless they only actually got started on the policy level sometime after Khrushchev's ouster. This provides an interesting insight into the Brezhnev era, which has been considered by some as resulting in a rather more conservative setback in comparison with the experimental Khrushchev period.

The Third Party Programme's target of raising the people's standards of living through increasing levels of consumption can also be understood as a particular form of Cold War competition in the field of lifestyle. The enormous challenge in material well-being set by the United States had to be counter-balanced in the Eastern bloc, as improving standards of living became a significant political force in the regimes' relationships with ordinary people, leading to the emergence of a 'consumer society' under Khrushchev.¹³ The satisfaction of the Soviet people's 'reasonable needs' was defined 'scientifically' in order to bring these needs into line with levels of production.¹⁴

The growing emphasis on consumer-oriented production, on the other hand, strengthened the overall reformist drive to introduce market mechanisms into planned economic structures. The increasing focus on everyday living standards played an important part in the prevailing materialisation of societal life at the expense of the marginalisation of ideology in the whole Eastern bloc. The consumerist turn that created an intensive scanning of Western standards in a great variety of areas gradually brought about a basic affinity to competition itself on different levels in the socialist system. Competition appeared eventually between and among socialist countries, as well as within these societies, between production sectors and enterprises and also individually among people.

Organisation of the book

This collection of essays broadens the scope of research by providing a multidisciplinary methodology and a new interpretation to a greatly overlooked concept. Moreover, in its theoretical contribution, this book provides a new understanding of the basic working mechanisms of state socialism.

The chapters encompass several decades, stretching from the 1950s up to the collapse of state socialism in the late 1980s, and hence they also reflect the gradual changes in the institutional structures that made easier the eventual consolidation of competitive practices into the state socialist system. The volume covers a wide range of countries in the Eastern European sphere: the Soviet Union, German Democratic Republic (GDR), Romania, Poland, Hungary, Czechoslovakia and Soviet Estonia. The book brings to the fore new materials in original languages (archival documents, media sources, interviews) and re-investigates old documents from a new angle. The case studies introduced here have either not previously been analysed at all, or certainly not been analysed using the prism of ‘competition’.

The first chapter, by Jutta Scherrer, discusses the ideological roots of competition. This chapter takes the Soviet metaphor ‘to catch up and overtake’ in its *longue durée* evolution from Lenin in the early 1920s, through Stalin’s first Five-Year Plan to the period of the Cold War under Khrushchev and Brezhnev to show how the construction of socialism (in one country) was continuously accompanied by references to the ideological enemy. The idea of competition between the systems of socialism and capitalism was part of a historical modernisation process.

The following two chapters, by Kähönen and Segert, take this idea further and discuss two modernising examples of politico-economic reforms and the emerging need to introduce competition. Kähönen’s chapter deals with Khrushchev’s economic experiments, where competition was introduced as a means of increasing efficiency and productivity in the Soviet economy. Khrushchev declared that transition to communism would take place under ‘socialist abundance’; hence, rising living standards and consumption became ideologically significant, both in relation to the West and within the socialist bloc. Segert examines the growing awareness within the GDR leadership and intelligentsia of the idea of competition as a social necessity for the development of ‘consumer socialism’. In the 1970s and 1980s, the possibility of the disappearance of state socialism as an alternative concept to capitalist consumer society was acknowledged.

The next three chapters, by Sarasmo, Oiva and Dragomir, examine the outcomes of various economic reforms and illuminate the operation of economic competition at the enterprise level. These case studies provide an insight into new types of economic behaviour occurring in the agricultural sphere, trade and service sectors. Sarasmo’s chapter focuses on one of the most successful Soviet enterprises, the Estonian Kirov *kolkhoz* that grew into a self-sufficient conglomerate. At its height, it was known as *Millionaire’s kolkhoz*. It operated on a commercial basis with financial autonomy, and it was able to make a profit. It provided a clear example of competitive commercial success based on networks and interaction within the centrally planned economy. Oiva discusses the changing marketing practices of Polish trade companies exporting ready-to-wear clothes to the Soviet consumer market in the early 1960s. As this trade developed, the Soviet consumer became the