

Stalin's Doctrine of Price Reductions during the Second World War and Postwar Reconstruction

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When the Soviet government abolished rationing in 1935, it promised that its “united, fixed state prices” (*edinnye tverdye gosudarstvennye tseny*) had “finished off the last vestiges of speculation,” improved commodity circulation, raised the material welfare of the working and peasant masses, and created the conditions for lower prices.¹ It was unable to fully deliver upon these promises before the war and, after the Nazi invasion in the summer of 1941, the Soviet price system rapidly regressed. Rationing was brought back and state prices were split back into lower ration and higher commercial levels. Commercial food prices in the state's Gastronom shops were roughly thirty times higher than ration prices and double in the case of consumer goods; however, as Julie Hessler notes, the comparison was moot because these products could only be purchased otherwise at the market.² As all available resources were diverted to the front, centralized consumer production all but ground to a halt, emptying stores' shelves and propelling urban citizens toward the expanding private sector.³ In the kolkhoz markets, the last bastions of legal free trade in the Soviet Union, peasants' prices skyrocketed and sellers often refused workers' money, bartering food for coveted consumer goods. Market prices declined only in the second half of the war, remaining well above ration levels.

Severely inflated prices, along with the hunger and daily hardships they exacerbated, reflected the extent to which the Soviet state lost control over the home front distribution system and abandoned the price guarantees it made to the working class during the relatively more prosperous mid-1930s. Reducing prices, both in state stores and in the market, was an important priority for the Soviet government already in the later stages of the war and for the remainder of the Stalin period. It reduced commercial prices several times in 1944–46 before reunifying ration and commercial prices during the currency reform of December 14, 1947. This was followed by a minor price

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1. ‘O snizhenii tsen na khleb i otmene kartochnoi sistemy na miaso, rybu, sakhar, zhiry i kartofel’: postanovlenie soveta narodnykh komissarov soiuza SSR i tsentral' nogo komiteta VKP(b) (Moscow, 1935), 3–4.

2. Julie Hessler, *A Social History of Soviet Trade: Trade Policy, Retail Practices, and Consumption, 1917–1953* (Princeton, 2004), 302.

3. On the expansion of the “persistent private sector” during the war, see Hessler, *A Social History of Soviet Trade*, 279–89.

reduction for oversupplied luxury goods in April 1948 and six consecutive retail price reductions for food and consumer goods each spring from 1949 through 1954. Retail prices for hundreds of categories of food and goods were reduced by up to 50% through subsidies included as expenditure in the state budget. State price reductions explicitly promised to exert a downward influence upon prices in the kolkhoz markets as an additional “gain” (*vyigrysh*) for workers.

The policy of cutting prices had mixed results, since the Soviet government could never ensure sufficient supply to meet demand. Hessler argues that the late Stalinist regime’s goals to simultaneously reduce prices in state stores and in the markets were ultimately in conflict with one another, and artificially depressed prices in the socialist sector fostered shortages and queues.⁴ This allowed a significant gap between state and market prices to persist. As a result of the Stalinist optimistic interpretation of shortages as a sign of prosperity, and an “idiosyncratic feeling that prices mattered more than manufacturing or retail profits, consumer convenience, choice or time,” postwar normalization remained partial in spite of economic growth, in her view.⁵ The late Stalinist government argued that price reductions were a powerful tool for raising real wages after the war depleted the purchasing power of money. However, as Donald Filtzer has emphasized, real wages are a limited indicator of recovery: they do not reveal what people actually consumed, which was constrained not only by money, but by physical supply.⁶ Price cuts, in his view, give a misleading picture of the cost of living, because the fall in the postwar price index was mainly due to drops in the prices of expensive items like clothing and shoes, rather than food, which continued to be scarce.⁷

Hessler’s and Filtzer’s arguments regarding the limitations of price reductions are correct. At a basic level, low retail prices meant very little when there was nothing to buy at those prices. Nevertheless, the question remains why price reductions became ingrained economic thinking as the late Stalinist regime attempted to overcome the war’s damage and as it looked to the future. By 1952, further consecutive price cuts were promised in the new Communist Party Program and were identified as a precondition for the transition to communism in Stalin’s last treatise, *The Economic Problems of Socialism in the USSR*. Although they were economically irrational amid ongoing scarcity, price reductions possessed a peculiar logic within the late Stalinist political economy, as this article suggests. They were based upon assumptions about the role and behavior of prices within the socialist economy formulated well before the war. Lower prices were believed to strengthen the ruble by calibrating the “balance of the population’s money income and expenses” (*balans de-*

4. Hessler *A Social History of Soviet Trade*, 306–7.

5. Hessler, *A Social History of Soviet Trade*, 308, 310.

6. Donald A. Filtzer, *Soviet Workers and Late Stalinism: Labour and the Restoration of the Stalinist System after World War II* (Cambridge, Eng., 2002), 42–43. Filtzer makes a similar point in his more recent work on postwar living standards. See: Donald A. Filtzer, *The Hazards of Urban Life in Late Stalinist Russia: Health, Hygiene, and Living Standards, 1943–1953* (New York, 2010), 5.

7. Filtzer, *Soviet Workers and Late Stalinism*, 78–79.

nezhnykh dokhodov i raskhodov naseleniia), a planning concept used by Soviet leaders to determine cash in circulation, set wages and tax levels, and plan consumer production.⁸ They were also believed to have a natural regulatory effect upon market prices under ‘normal’ economic conditions, that is, in the absence of rationing. Moreover, the price reductions had potent political symbolism as a gift to urban workers at the expense of those who unfairly profited during the war, affirming workers’ status as priority recipients of the Soviet state’s ‘care’ (*zabota*) and limited resources.

Price reductions became an important economic doctrine of the late Stalinist political economy. By ‘economic doctrine,’ I am not referring to Marxist-Leninist principles per se, but to the government’s normative assumptions and beliefs about the workings of the Soviet economy. I take ‘political economy’ to mean the power relations underpinning their economic choices. As Charles Maier argues, “political economy . . . regards economic ideas and behavior not as frameworks for analysis, but as beliefs and actions that must themselves be explained. They are contingent and problematic; that is, they might have been different and they must be explained within particular political and social contexts.”⁹ By examining “revealed preferences,” the historian can explore “social choice,” or the intended outcome and the risks accepted to achieve it.¹⁰ Soviet leaders, as this article will show, had already embarked upon a preferred course of lowering prices, one that was interrupted by the war and which they sought to return to as quickly as possible after it. They adhered to the doctrine of price reductions in spite of severe scarcity and in spite of its ripple effects throughout the Soviet economy, especially for the food supply.

Recent scholarship has called into question the predominance of political over economic considerations in the Stalin era. Oscar Sanchez-Sibony and Andrew Sloin have criticized economic historians for embracing “as axiomatic the view that the Soviet party-state had rendered the economy subservient to the demands of politics, ideology, the party, and, ultimately, Stalin himself,” and for emphasizing the primacy of the political over the economic, thereby extending the logic of Totalitarianism into all branches of economic life.¹¹ They suggest that the interwar Stalinist economy was connected to concurrent global economic processes, and that marketized practices and structural commonalities with capitalism were more prevalent than has been previously assumed.¹² The policy of price reductions fits a different pattern: the late Stalinist government continued to wholly reject a market mechanism for retail pricing, and its stubborn commitment to abolishing rationing and reducing prices in the face of scarcity must be attributed, in large part, to Stalin’s intransigence. Stalin’s firm commitment to price reductions limited the

8. N. S. Margolin, *Balans denezhnykh dokhodov i raskhodov naseleniia* (Moscow, 1940), 3–5.

9. Charles S. Maier, *In Search of Stability: Explorations in Historical Political Economy* (Cambridge, Eng., 1987), 6.

10. *Ibid.*

11. Andrew Sloin and Oscar Sanchez-Sibony, “Economy and Power in the Soviet Union, 1917–39,” *Kritika: Explorations in Russian & Eurasian History* 15, no. 1 (Winter 2014): 11.

12. Sloin and Sanchez, 18–19.

kinds of options the government could entertain as it re-Sovietized the price system after the war.

Rationing and its Price Distortions

Although he accepted certain market vehicles, like money, and permitted limited market relations, Stalin vehemently rejected a market mechanism for setting state prices, especially the low fixed procurement prices (*zakupochnye tseny*) the government paid peasants for their compulsory agricultural deliveries.¹³ Amid a provisioning crisis, the state was forced to reintroduce rationing, which had been phased out during the early years of the New Economic Policy. During the period 1929–34, rationed goods were sold to workers and elites at artificially low fixed prices within the closed distribution system.¹⁴ The ration price of bread, the most important food in workers' diets, was very low considering the disastrous state of agriculture following collectivization.¹⁵ Workers' access to rations depended upon their relative importance to the industrialization drive and many were excluded from the ration system altogether, including peasants and so-called 'class enemies.'¹⁶ The state also sold scarce food and goods at higher commercial prices to elites and those who were barred from receiving rations. Under the umbrella of commercial prices, multiple price levels existed for the same items due to the special discounts offered to certain privileged consumers.¹⁷

Rationing ensured, at least in principle, a baseline of consumption for the Soviet Union's most valued citizens and, to some Communists, appeared to be a step in the direction of a fated moneyless economy; however, Stalinist authorities expressed serious misgivings about it.¹⁸ They preferred an open retail system in connection with their modernization agenda and pursuit of 'cultured' trade.¹⁹ Rationing was a poor labor incentive at a time when the

13. In 1929, Stalin accused Nikolai Bukharin of "normalizing" the market by suggesting prices could be "maneuvered" to incentivize peasants selling to the state, arguing that speculators would always pay more and the peasantry would hold out for higher prices. Allowing the market to determine agricultural prices would lead to "a rupture with the working class and the economically weaker part of the rural population, and a bond with the wealthy part of the urban and rural population," Stalin concluded. See: I. V. Stalin, "O pravom uklone v VKP(b): rech' na plenum TsK i TsKK VKP(b) v aprele 1929 g. (steno-gramma)," *Sochineniia, tom 12* (Moscow, 1949), 42–46. On Stalin's anti-capitalist worldview and simultaneous acceptance of some of its instruments, see Oleg V. Khlevniuk, *Stalin: New Biography of a Dictator*, trans. Nora Seligman (New Haven, 2015), 7.

14. On the closed distribution system, see: Sheila Fitzpatrick, *Everyday Stalinism: Ordinary Life in Extraordinary Times; Soviet Russia in the 1930s* (New York, 1999), 96–98.

15. Naum Jasny, *The Soviet Price System* (Palo Alto, 1951), 31.

16. On the hierarchy of ration recipients and those excluded from the ration system, see Elena Osokina, *Our Daily Bread: Socialist Distribution and the Art of Survival in Stalin's Russia, 1927–1941*, ed. and trans. Kate Transchel and Greta Bucher (Armonk, 2001), 38–39.

17. On commercial trade in the 1930s, see Osokina, 127–29.

18. On the relationship between rationing and an eventual communist economy in-kind, see: Oleg Khlevnyuk and R. W. Davies, "The End of Rationing in the Soviet Union, 1934–1935," *Europe-Asia Studies* 51, No. 4 (June 1999), 559–61.

19. Hessler, *A Social History of Soviet Trade*, 14, 198.

Soviet state needed workers, especially in priority branches of the economy, to put in their best effort. Another important reason they disliked it was because of its distortive effects upon prices. The state's tiered price system exacerbated speculation: low-cost rationed goods were siphoned from state supplies and illegally resold at a markup. Speculators exploited the difference between the two sets of prices, charging prices that exceeded ration levels but undercut commercial levels. They procured goods in areas where state prices were cheaper and resold them in areas where they were more expensive. Peasants, for their part, closely monitored the state's food prices. After 1932, they were legally allowed to sell their private produce at the market at unregulated prices. As the country's food producers, they were well aware of supply levels and, due to chronic shortages, there was steady demand for their products. Their prices typically exceeded the state's ration prices but often undercut commercial levels.

From 1930 onward, Stalin moved away from his earlier advocacy of inflation in support of the industrialization drive, pushing for a strong currency and the abolition of rationing toward that end.²⁰ He was closely involved in preparations for the reform in the fall of 1934.²¹ At a meeting of the Central Committee in late November, Stalin offered what he described as a "blunt characterization" of the policy, listing the primary goal behind the abolition of rationing as the "strengthening of the money economy under Soviet circumstances."²² Another important aim was the creation of a "genuine, vital, real (*nastoiashchaia, zhivaia, real'naia*) basis upon which to establish a policy of reducing prices for all consumer goods and foods."²³ Ration prices were not, Stalin went on, "real prices." Rather, they were an expression of the government's "class policy" and a "gift to the working class at the expense of the peasantry," as evidenced by the fact that peasants ignored ration prices and oriented their prices around commercial prices.²⁴ There were never enough rationed goods to go around, which drove up demand for these products and their market prices. By abolishing rationing, Stalin suggested the government could move toward a "real policy" on bread prices, achieving further reductions in the price of bread and other goods. He argued this would exert a positive impact on the market, stating with certainty, "the peasant (*muzhik*) will drop prices as a first order of business."²⁵ Furthermore, uniting the various state prices would eliminate the opportunity for speculation because "when there are two or three prices for bread, speculation is automatic, it is absolutely inevitable."²⁶ "I don't blame them," Stalin claimed, "because this system we have, the system of two to three prices, is such that even the

20. Khlevniuk and Davies, 558.

21. *Ibid.*

22. RGASPI, f. 558, 11, d. 1118, l. 42 (Stalin's response to Molotov's speech on the end of rationing, November 1934).

23. RGASPI, f. 558, op. 558, op. 11, d. 1118, l. 48–49.

24. RGASPI, f. 558, op. 558, op. 11, d. 1118, l. 49–50.

25. RGASPI, f. 558, op. 558, op. 11, d. 1118, l. 51. *Muzhik* is a derogatory word for 'peasant.'

26. RGASPI, f. 558, op. 11, d. 1118, l. 52.

most honest person ought to sell bread and turn it to his advantage. That's how rotten our ration system has become."²⁷

Bread rationing ended on January 1, 1935. Rationing of meat, fish, sugar, oil and potatoes ended on October 1 and, the same day, new lower retail prices for bread were announced. With the abolition of rationing, the tiered system of state retail prices was eliminated and unified prices were established at their approximate midpoint. This raised state prices above ration levels but brought them significantly lower than commercial levels. Although the end of rationing asked workers to pay more for basic necessities, it promised them significant consumer gains. It was argued that it would increase workers' consumption of formerly rationed products 2–3 times, in part, because it would eliminate the opportunity for speculators to profit from the state price split and would bring down market prices.²⁸

Reflecting on his government's postwar price reductions decades later during his conversations with the writer Feliks Chuev, Vyacheslav Molotov praised it as a "wise and good" measure spearheaded by Stalin and the Central Committee. He linked this policy to how little the government managed to accomplish before the war. "You have to keep in mind," he explained ". . . we raised prices over the course of the entire 1930s . . . even before the war, we had no alternative. Every now or then, for one reason or another, prices went up."²⁹ The government was also unsuccessful in keeping down market prices before the war. Market prices initially declined after the abolition of rationing, especially in the case of meat and bread, but crept up in the late 1930s.³⁰ By the end of the decade, with the war looming, the Soviet government shifted resources away from consumer production and, in 1940, raised retail prices on several basic foods, including meat, sugar, and some grain products. Although it was prohibited, by then, local authorities had implemented informal rationing in many areas due to acute shortages and increased queuing.³¹

Within weeks of the Nazi invasion, rationing was reintroduced and the state's unified prices were split once more into ration and commercial levels. Rationing was established first in Moscow and Leningrad in mid-July, and selected stores in these cities were immediately converted to commercial shops.³² The commercial price of a kilogram of rye bread in Moscow was set at two rubles, double the unified price set in 1935.³³ Rationed products included bread, cereals, meat, fish, sugar, fats and manufactured basic consumer goods like clothing and soap. Rationing extended to the rest of the country by the end of the year and to other products over the course of 1942. As before, the ration system was hierarchical, organized on the basis of civilians' importance to

27. RGASPI, f. 558, op. 11, d. 1118, l. 53.

28. V. M. Molotov, *Ob otmene kartochnoi sistema po khlebu* (Moscow, 1934), 23.

29. Feliks Chuev, *Sto sorok besed s Molotovym: iz dnevnika F. Chueva* (Moskva, 1991), 367.

30. For market price trends in the 1930s, see A. N. Malafeev, *Istoriia tsenoobrazovaniia v SSSR, 1917–1963 gg.* (Moscow, 1964), 195.

31. Hessler, *A Social History of Soviet Trade*, 241–43.

32. RGASPI, f. 17, op. 3, d. 1041, l. 169 (Addendum to the decree on rationing, July 18, 1941).

33. *Ibid.*

the war effort. Peasants, again, received no rations. Familiar distortions soon reemerged on a larger scale. The wartime ration system was rife with abuse, such as embellishing the number of recipients in a workplace or apartment building and creating ration cards for fictional persons, and it served as a conduit for goods to the private sector. Many ration recipients sold their ration cards at the markets, where they fell into the hands of speculators who snapped up goods for resale. Among the increased incidences of petty trade Hessler observes during the war, much of it was in ration cards.³⁴ As Elena Tverdiukova notes, the market prices the cards fetched often far exceeded the prices of the rationed goods they permitted the bearer to purchase.³⁵

In the first months of the war, Soviet newspapers assured readers that it was business as usual in the kolkhoz markets. "With every passing day, deliveries of products to Moscow's collective farm markets increase. Prices are dropping," *Izvestiia* claimed in late August 1941.³⁶ In fact, the opposite was the case: prices in the kolkhoz markets shot up, on average. The price of flour went up by more than 20%, milk by 25%, and eggs by 21%.³⁷ Meat prices initially went down after grain prices rose and it became too costly to feed livestock: cattle were slaughtered, causing large supplies of meat products on the market but, by August, meat prices started to climb and, by October, incidences of price gouging were reported.³⁸ By the end of 1941, market prices were exponentially higher than the prices in state stores. At 30.46 rubles, the market price of 10 eggs in the Volga region was almost six times higher than their ration price and over three times higher than their commercial price.³⁹

Market prices far surpassed what the state offered collective farmers in procurement prices. As the Minister of Domestic Trade, Aleksandr Vasilevich Liubimov, lamented, "when market prices in the cities are fifteen times higher than procurement prices, or more in the case of some products, the implementation of government procurements becomes exceptionally difficult without additional measures in the realm of economic stimulus."⁴⁰ In order to bring market prices down, Liubimov recommended enforcing non-negotiable fulfillment of state orders, and permitting the expansion of subsidiary farming by both enterprises and individuals to raise overall supply.⁴¹ Plans for the latter were, in fact, already in the works.⁴² Peasants also withdrew deliveries from the kolkhoz markets because urban citizens and middlemen came directly to

34. Hessler, *A Social History of Soviet Trade*, 271–72.

35. Elena Dmitrievna Tverdiukova, "Bor'ba so zloupotrebleniami v sfere kartochnogo snabzheniia naseleniia v SSSR. 1941–1947 gg.," *Vestnik Sankt-Peterburgskogo Universiteta, Seriia 2: Istoriiia* (June 2010): 37–38.

36. "Na kolkhoznykh rynkakh Moskv," *Izvestiia*, August 30, 1941, 4.

37. RGASPI, f. 82, op. 2, d. 688, l. 43 (Report on kolkhoz market price behavior from A. B. Liubimov to A. I. Mikoian, February 19, 1942).

38. RGASPI, f. 82, op. 2, d. 688, l. 43–44.

39. RGASPI, f. 82, op. 2, d. 688, l. 45.

40. RGASPI, f. 82, op. 2, d. 688, l. 46. Note that, prior to early 1946, Ministers were known as Commissars and Ministries as Commissariats. This article uses "Minister" and "Ministry" throughout to maintain consistency.

41. RGASPI, f. 82, op. 2, d. 688, l. 49.

42. RGASPI, f. 17, op. 123, d. 101, l. 5 (Proposal to Andreev and Mikoian to expand subsidiary farming and the size of plots from I. Benediktov, September 8, 1941).

them.⁴³ In order to induce peasants to make deliveries, Liubimov suggested that the state should draw upon its reserves of consumer goods to revitalize “greeting trade” (*vstrechnaia torgovlia*), its practice of bringing state-produced consumer goods to the markets for peasants to buy with the proceeds of their sales.⁴⁴ As Hessler points out, this was hardly a viable solution because, with the conversion of industry to military purposes, the government was left with only small stocks of consumer goods.⁴⁵

Severe food shortages and rising market prices led to the near demonetization of trade. Having access to ration cards did not guarantee that there would be anything to purchase at ration prices. The Soviet Union lost much of its grain growing regions and over half of the Ministry of Food Production’s factories to occupation, including almost all of its sugar factories.⁴⁶ Agricultural output plummeted with the loss of land and as peasants were conscripted into the Red Army, which was provisioned ahead of civilians. As Wendy Z. Goldman shows, money became increasingly useless in the acquisition of food as “the link between food and employment became tighter and more direct.”⁴⁷ Workers redeemed their ration cards in factory canteens, which had access to steadier supplies of food than retail stores and provided them with the majority of what they ate.⁴⁸

Having quickly accumulated substantial sums of cash, which were difficult to spend, many market vendors refused to accept money as payment.⁴⁹ William Moskoﬀ suggests that barter became the primary, if not sole, means by which people purchased food in the markets, particularly in areas that received evacuees and in more remote areas cut off from central supplies.⁵⁰ Peasants had long been neglected in the Stalinist consumer economy: although three times as many people lived in the countryside as in cities in the early 1930s, the rural population received less than one-third all commodities during rationing and consumer goods appeared mainly toward the end of the year as incentives for the harvest.⁵¹ Urban stores were supplied ahead of village stores and, as Elena Osokina puts it: “the crumbs went to the rural population.”⁵² Peasants now bartered the precious commodity under their control—food—for all the consumer goods they traditionally had difficulty acquiring.

43. On travel to the village to purchase food and other goods, see William Moskoﬀ, *The Bread of Affliction: The Food Supply in the USSR during World War II* (Cambridge, Eng., 1990), 155.

44. It should be emphasized that these were not a great success in the 1930s. See Hessler, 255.

45. Hessler, *A Social History of Soviet Trade*, 268.

46. U. G. Cherniavskii, *Voina i prodovol’sstvie: snabzhenie gorodskogo naseleniia v Velikiu Otechestvennuu voinu, 1941–1945 gg.* (Moscow, 1964), 17.

47. Wendy Z. Goldman, “Not by Bread Alone: Food, Workers, and the State,” in Wendy Z. Goldman and Donald Filtzer, eds., *Hunger and War: Food Provisioning in the Soviet Union during World War II* (Bloomington, 2015), 65.

48. Goldman, 66.

49. RGASPI, f. 82, op. 2, d. 688, l. 69.

50. Moskoﬀ, *The Bread of Affliction*, 161.

51. Osokina, 83.

52. *Ibid.*

The most noticeable market price rises in 1941–43 occurred in the Central region, the Volga region, the Urals, Western Siberia and Kazakhstan, with the most acute rises occurring in areas near the front lines and in the regions to which evacuees were displaced.⁵³ By some estimates, evacuees took around one-third of the Soviet money supply with them as they moved eastward.⁵⁴ In their travels and in the areas where they resettled, they turned to the local markets for basic necessities.⁵⁵ Prices in these areas shot up, quickly becoming a source of tension between evacuees and local residents.⁵⁶ As elsewhere, much of these transactions took the form of barter. As one Soviet official in Kuibyshev oblast reported, peasants there refused to accept new arrivals' money, saying: "we have everything we need," and demanded their coats, dresses, and galoshes. "For a pumpkin, they demand one's breeches, because they don't need the money," he remarked.⁵⁷

Rising market prices 1941–43 also reflected the swelling currency supply. In an attempt to wage economic warfare, Nazi Germany released counterfeit rubles into occupied territories that made their way into the Soviet economy when those areas were liberated.⁵⁸ More importantly, the Soviet government printed billions of rubles to pay for total warfare, quadrupling the money supply by the end of 1945.⁵⁹ As Gosplan noted, the increased cash in circulation exerted a significant influence upon market prices: from the beginning of the war through May 1943, market prices for agricultural products rose, on average, 13.9 times over 1940 levels.⁶⁰ During the same period, a massive transfer of money from the cities to the countryside occurred. From the beginning of the war until the end of 1941, the cash holdings of both the urban and rural populations increased by approximately the same amount; however, in 1942, cash holdings among the urban population decreased by 2.2 billion rubles and increased by 13 billion rubles among the rural population. In 1943, cash holdings increased by 3.6 billion rubles among the urban population and by 7.8 billion rubles among the peasantry.⁶¹ The disproportionate amount of money that ended up in the countryside suggests Moskoff's claim that a majority of kolkhoz trade took the form of barter is overstated. Moreover, it reveals the extent to which food prices rose, since urban residents' overall consump-

53. Cherniavskii, 153.

54. Ibid.

55. Rebecca Manley notes that the market figures prominently in evacuee writing, as does market price inflation. See: Rebecca Manley, *To the Tashkent Station: Evacuation and Survival in the Soviet Union at War* (Ithaca, 2009), 166–67.

56. Natalie Belsky, "Encounters in the East: Evacuees in the Soviet Hinterland during the Second World War" (PhD diss., University of Chicago, 2014), 202.

57. GARF, f. 327, op. 2, d. 11, l. 172 (Stenograph of an inspectors' meeting on the condition of evacuees in Kuibyshev oblast, January 14, 1942). The author wishes to thank Natalie Belsky for sharing this archival source.

58. On economic warfare through currency emission, see Arsenii Grigorevich Zverev, *Zapiski ministra* (Moscow, 1973), 222.

59. RGASPI, f. 82, op. 2, d. 789, l. 109–10 (Zverev's report to Stalin on the results of the currency reform, circa early 1948).

60. RGASPI, f. 82, op. 2, d. 780, l. 83 (Report from Gosplan to Molotov on the state of the currency supply, December 12, 1945).

61. RGASPI, f. 82, op. 2, d. 780, l. 84.

tion of products sold in the kolkhoz markets declined, on average, in the first two years of the war. Consumption of meat sold in the peasant markets more than halved, while consumption of milk and eggs sold by peasants dropped by about a third in both cases.⁶²

Competing with the Market

In mid-1943, the tide began to turn in the Soviet military's favor, and market prices on the expanding home front began to decline as supplies to the ration system improved. The prices of meat products stabilized that year, and dairy prices began to drop.⁶³ The lowest market prices for flour, grain, onions, beef and pork were registered in May 1943 in Central Asia, while the highest prices for meat, milk, potatoes, and vegetables were registered in Leningrad, Moscow, Kalinin and other major Russian cities. Between 1943 and January 1, 1946, peasants' prices decreased 4.3 times, in spite of the fact that the government continued to print more currency.⁶⁴ Goldman argues that ration prices strongly influenced market prices, which affected overall demand for food, and a close relationship between central state provisioning and collective farm market prices existed throughout the war.⁶⁵ She also lists subsidiary farming and wholesale purchases from peasants by industrial enterprises as factors that helped to reduce market prices during this time; nevertheless, they remained high and put those products out of the reach of ordinary workers.⁶⁶

However, as they had in the early 1930s, Stalinist authorities continued to believe that ration prices exerted less influence upon market prices than commercial prices. In an effort to bring down market prices, drain excess cash in circulation, and divert speculators' profits away from their 'piggy banks' and into state coffers, the Soviet government expanded its trade at higher commercial prices. In March 1944, the Ministry of Trade ordered the creation of more state commercial shops and restaurants across the Soviet Union and the revival of the expensive Glavsobtorg shops.⁶⁷ Reserves of consumer goods, along with stockpiles of expensive goods that were in low demand, were released for sale in these stores, which were targeted at wealthier citizens and the wartime elite. As in the early 1930s, commercial shops offered discounts to certain privileged customers such as officers in the Red Army, who received "limit books" (*limitnye knizhki*) containing coupons that could be used toward purchases at discount prices.

The state's commercial venture quickly proved disappointing. Commercial shops' prices were widely seen as too high and, although their quality and selection were supposed to be better, this was often not the case.⁶⁸ Much

62. RGASPI, f. 82, op. 2, d. 686, l. 81 (Report from A. Liubimov on workers' consumption of food products sold in the kolkhoz markets, undated).

63. Malafeev, 232.

64. RGASPI, f. 82, op. 2, d. 780, l. 83.

65. Goldman, 79.

66. *Ibid.*

67. On Glavsobtorg in the 1930s, see Hessler, *A Social History of Soviet Trade*, 201–5.

68. Moskoff cites evidence that goods were considered to be of a higher quality and were handled in a more sanitary way in the commercial shops, see Moskoff, *The Bread of*

like ration cards, the limit books helped turn commercial shops into a conduit for goods to the market. Already by the fall of 1944, trade officials pushed to reduce the discounts offered to Red Army officers because they were being abused by speculators to buy up commercial goods for resale.⁶⁹ Moreover, commercial prices could not undercut market prices, especially for food products, in spite of repeated reductions. The commercial price of meat in Moscow, for example, was reduced from 400 rubles per kilogram to 320 rubles per kilogram on June 1, 1944; however, by August, the average market price was 150–250 rubles per kilogram, down from 450 rubles per kilogram in April.⁷⁰ Analogous price dips were observed in other cities across the Soviet Union. Market vendors were well aware of their competitor's prices and quickly adjusted; Soviet trade officials, by contrast, reacted much more slowly.

Already by the end of the year, it was clear that the Soviet government's experiment in commercial trade was not panning out. During its discussions regarding what would eventually become the currency reform of 1947, the Ministry of Finance repeatedly returned to the question of how prices could be used to recalibrate the money supply and its distribution between town and countryside, as well as ensure that profiteers did not benefit as prices came down after the war and raised the purchasing power of their ill-gotten gains. In a December 1944 planning meeting, three main suggestions were put forward. The first involved the continued expansion of commercial trade and gradual raising of prices, thereby depreciating the value of money and of wages.⁷¹ The second involved lowering commercial prices and simultaneously raising unified prices, followed by the redenomination of the currency, which would ensure that "a person who has 100,000 rubles should not be able to buy 500 pairs of shoes, but 50."⁷² The third revolved around the use of "administrative measures" against those who had illegally accumulated money, in other words, taxes and other penalties.⁷³ Minister of Finance Arseny Gri-gorevich Zverev emphasized that he did not yet advocate one approach or another, but outright rejected the further expansion of commercial trade, arguing that: "our commercial trade cannot solve the problem even if it were to be expanded, because the kind of person who has lots of money does not go to commercial stores."⁷⁴

Market prices continued to undercut state commercial prices after Victory Day in spite of continued reductions over the course of 1945–46. In the case of some products, a wide gap between commercial and market prices had

Affliction, 166. Elena Tverdiukova paints a different picture, arguing that the quality and quantity of goods in *Osoborg* shops was frequently no different than that of regular state shops, see Elena Tverdiukova, "Osoborg," *Rodina* 1, no. 10 (2010): 133.

69. RGASPI, f. 82, op. 2, d. 685, l. 30 (Undated report on commercial trade from Mikoian and Liubimov to Stalin, circa fall 1944).

70. *Ibid.*

71. "A. G. Zverev: 'Ia ne za odin proekt ne vyskazyvaius'; Stenogramma soveshchaniia u narodnogo komissara finansov SSSR tov. Zvereva A. G. 4 dekbriia 1944 g.," in L. N. Dobrokhotov et al., eds., *Denezhnaia reforma 1947 goda: dokumenty i materialy* (Moscow, 2010), 95.

72. *Ibid.*, 94.

73. *Ibid.*, 97–98.

74. *Ibid.*, 104–6.

emerged. The commercial price of one liter of vodka was reduced from 300 to 250 rubles in order to bring it closer to market prices, which were 180–220 rubles per liter in Moscow, 230 in Kiev, 140 in Stalinogorsk, and 175 in Batumi.⁷⁵ In late May 1945, commercial prices were reduced by an average of 15.8% in an effort to stimulate sluggish commercial trade turnover.⁷⁶ Another commercial price reduction was announced in December, this time applying to sugar, candy, clothing, socks, and bread, among other more essential products. The public's response to the new prices was mixed: reports indicated that some customers felt gratitude for the lower commercial price of bread and claimed that "the market will feel it now," while others felt that the price decreases were limited to a small range of products and commercial prices were still far too high.⁷⁷

Stalin addressed popular discontent regarding high prices at a meeting of voters in Moscow on February 9, 1946, foreshadowing his price policy in the years to come: "Special attention will be paid to expanding production of consumer goods, and to increasing workers' living standards by means of consecutive price reductions for all goods," he promised to "wild applause."⁷⁸ His speech was immediately followed by yet another round of commercial price reductions by the end of the month, and the Five-Year Plan for the Reconstruction and Development of the National Economy adopted in March set lower retail prices among its chief priorities.⁷⁹ On July 2, commercial prices were reduced once again and the unpopular limit books were finally phased out.

Reducing prices was one thing; ensuring there was anything to buy at those prices was quite another. By the summer of 1946, severe shortages of bread had begun to emerge in the ration system, resulting from the devastated state of the agricultural sector and a drought in the grain-growing regions of the Soviet Union. This necessitated pushing back the planned date for the abolition of rationing, as well as more draconian measures. In mid-September, the state lowered commercial prices once again and raised ration prices—a measure it described as "drawing together" (*sblizhenie*) the two sets of prices in anticipation of the end of rationing.⁸⁰ Commercial prices dropped significantly: the price of meat was reduced by almost two times, sugar by three times, butter by 35%, and fish products by 64%.⁸¹ However, the ration prices of staples like bread, butter, meat and sugar increased two to three times, a change that affected millions of citizens who still depended on rations for their survival.⁸²

75. GARF, f. 5446, op. 47, d. 1847, l. 44.

76. GARF, f. 5446, op. 47, d. 1844, l. 24–25 (Report on lower commercial prices, May 1945).

77. GARF, f. 5446, op. 47, d. 1867, l. 36.

78. I. V. Stalin, "Rech' na predvybornom sobranii izbiratelei Stalinskogo izbiratel'nogo okruga goroda Moskvy, 9 fevralia 1946 goda," *Sochineniia, tom. 16* (Moscow, 1997), 14.

79. *Zakon o piatiletnem plane vosstanovleniia i razvitiia narodnogo khoziaistva SSSR na 1946–1950 gg.* (Leningrad, 1946), 51, 56.

80. "V sovete ministrov," *Izvestiia*, September 17, 1946, 1.

81. G. A. Dikhtiar, *Sovetskaia torgovlia v period sotsializma i razvernutoho stroitel'stva kommunizma* (Moskva, 1965), 262.

82. Donald Filtzer argues that the price increase was a reaction to the harvest failure and intended to depress consumption of grain, see Filtzer, *Soviet Workers and Late Stalin-*

It was followed by a September 27 decree on economizing grain consumption that cut millions from the ration lists. By December, just over 59 million citizens received rations, down from 88 million citizens in September.⁸³

In spite of critical supply problems, the government forged ahead with the return of open retail trade at unified prices over the course of 1947. Elena Zubkova points out that ration cards had, by then, become a very symbol of wartime hardships, and pressure to abolish rationing also emanated from below: the corruption-prone ration system was widely viewed as the cause of shortages, especially after the increase in ration prices in 1946.⁸⁴ By the late fall of 1947, the government was putting the finishing touches on the currency reform decree. As the date of its announcement approached, information leaked to the public. Soviet citizens responded by panic buying virtually anything they could get their hands on.⁸⁵ Market prices rose to staggering heights.⁸⁶ Citizens rushed to dispose of their rubles before they became worthless.

The 'Reunification' of Prices

The currency reform unveiled on December 14, 1947 was the product of several years of planning.⁸⁷ It introduced a new ruble, abolished rationing, and reunified state retail prices. In the currency reform decree's preamble, it emphasized that ration prices did not increase during the war (it remained mute about the September 1946 price rise), but market prices had allegedly increased ten to fifteen times and speculative elements had taken advantage of the gap between state and market prices to accumulate large sums of money at the population's expense.⁸⁸ "Now, when the next thing on the agenda is the transition to open trade at unified prices, the large amount of money issued during the war impedes the abolition of rationing, because excess money in circulation inflates prices, raises demand for goods, and facilitates speculation," the decree went on, "we should not allow speculative elements . . . to be able to buy up goods after the end of rationing." As a result, cash holdings would be

ism, 47–48. Julie Hessler, on the other hand, suggests it was consistent with the policy of narrowing ration and commercial prices that had governed distribution since 1944, a policy that was predicated on the idea that postwar distribution would advance through the stages laid out during the mid-1930s transition to non-rationed trade, see Hessler, *A Social History of Soviet Trade*, 305.

83. "Dannye TsSU o normirovannom snabzhenii naseleniia 1942–1947 gg.," in A. Ia. Livshin and I.B. Orlov, eds., *Sovetskaia povsednevnost' i massovoe soznanie, 1939–1945* (Moscow, 2003), 205.

84. Elena Iur'evna Zubkova, *Russia After the War: Hopes, Illusions, and Disappointments, 1945–1957* (Armonk, 1998), 52.

85. On panic buying and the mood in Moscow as news of the currency reform spread, see Zubkova, *Russia After the War*, 53–54.

86. See the reports on skyrocketing market prices in "Eshche raz o slukhakh," in L. N. Dobrokhotov, *Denezhnaia reforma*, 374.

87. The working group on reforming the ruble appears to have first met in early 1943, see "Stenogramma vystupleniia A. G. Zverev na soveshchaniia po voprosam denezhnogo obrashcheniia, 28 ianvaria 1943 g.," in L. N. Dobrokhotov, *Denezhnaia reforma*, 32.

88. "Postanovlenie soveta ministrov SSSR i TsKP(b) o provedenii denezhnoi reformy i otmene kartochek na prodovol'stvennye i promyshlennye tovary," *Pravda*, December 15, 1946, 1

converted at the punitive rate of 10:1, while deposits in savings banks and investments in state bonds were converted at relatively better rates. The decree promised that, although the reform would affect everyone, “this manner of conversion will strike a blow, most of all, at the speculative elements who have stashed away large reserves of money and hold on to them in ‘piggy banks.’”⁸⁹ The unified state retail price system of the late 1930s was reintroduced, with a major difference: the number of price zones was reduced from eight to three. The new prices were either decreased from ration levels or established as “tending toward the level of existing ration prices.”⁹⁰ Higher prices went into effect for consumer goods in the countryside. While the new decree did not apply to prices in the kolkhoz markets, it promised that “consumers will receive significant gains from the further lowering of prices, since unified prices in open state trade often entails lower prices in the kolkhoz market.”⁹¹

The new state prices, indeed, shocked kolkhoz vendors. Reports from across the Soviet Union reveal that, on December 16, the day the new state prices went into effect, the markets were virtually empty.⁹² In Kiev, the handful of peasants who showed up that day sold their products for prices that were half of what they had asked for only one day earlier. One Soviet official noted drily that representatives of the collective farms in the Kiev region were seen at state stores that day, “acquainting themselves with the new prices, and conducting a peculiar ‘reconnaissance.’”⁹³ By the next day, sales started to pick up again and the assortment of goods peasants brought to the markets began to improve. Yet, as one report noted of Moscow’s Danilovskii market, only one peasant was selling meat for eighty rubles per kilogram, while at the Zapetskii and Rogozhskii markets, five or six peasants were selling meat also at high prices.⁹⁴

The December 1947 reforms were successful in bringing down the market prices of formerly rationed products. By the end of the month, Soviet statisticians reported that market prices for most foods had dipped below state prices. Of one hundred cities surveyed, in sixty-two meat prices were lower than state prices; in fourteen they were equal; in sixteen not more than five rubles higher; and only eight had prices ranging from six to twenty rubles higher than state prices.⁹⁵ In Moscow, the market price of one kilogram of beef spiked to 127 rubles on December 13, 1947, reflecting the panic buying going on in response to rumors about the currency reform. The average market price of one kilogram of beef plummeted on December 16, matching the new unified state retail price of 30 rubles per kilogram.⁹⁶ After a brief increase around the

89. Ibid.

90. “Otmena kartoček na prodovol’stvennye i promyshlennye tovary,” *Pravda*, December 15, 1947, 2.

91. Ibid.

92. See GARF, f. 5446, op. 49, d. 4606 (Local reports on kolkhoz market trade, December 16, 1947).

93. GARF, f. 5446, op. 49, d. 4607, l. 27 [Report on kolkhoz market trade in Kiev, December 16, 1947].

94. GARF, f. 5446, op. 49, d. 4609, l. 98 (TsSU reports on kolkhoz market trade, January 3, 1948).

95. GARF, f. 5446, op. 49, d. 4609, l. 79.

96. GARF, f. 5446, op. 49, d. 4608, l. 170, 225 (Daily reports on meat prices in the kolkhoz markets of major Soviet cities, December 1947–January 1948).

winter holidays, average daily market prices for beef were only a few rubles higher than the state price through the end of January 1948.⁹⁷ Market prices remained relatively stable into the new year.

The Soviet leadership was convinced that these measures were successful in strengthening the ruble, raising real wages, and bringing down market prices. A group of officials from Gosplan, the Ministry of Finance, Gosbank and the Central Statistical Office reported to Stalin in April 1948 that the ruble's purchasing power had increased 41% since the reforms.⁹⁸ The sum of trade conducted in state and cooperative shops in the first quarter of 1948 dropped by 13.4 billion rubles compared with the same period in 1947 due to the state's decreased prices. This was believed, however, to have had less impact on purchasing power than decreased prices in the peasant markets.⁹⁹ Purchases in the peasant markets totaled only 8.1 billion rubles in the first quarter of 1948, 18.4 billion rubles less than citizens had spent there in the first quarter of 1947. Workers' average real wages had risen, they calculated, by 51%.¹⁰⁰

These calculations were overly optimistic. The Soviet Union was only beginning to recover from the famine by the start of 1948 and grain shortages often left whole regions without bread for days. Closed shopping practices persisted: many shops set their own internal limits on how much bread could be bought by one customer or sold only "according to lists" (*po spiskam*) of shoppers who were granted access. Party workers and other elites were often allowed to exceed these purchasing norms for bread, while ordinary workers struggled to procure it.¹⁰¹ The basic cost of living remained extremely inflated. According to the Moscow price index, by the fall of 1948, only the retail prices of one kilogram of cabbage, carrots, and beets had returned to prewar levels, while the price of one kilogram of potatoes was slightly higher than what it cost in state stores in 1940.¹⁰² The prices of basic manufactured foods such as tea, meat cutlets, herring, butter, sweetened condensed milk, and wheat bread were all two to two and one-half times higher.¹⁰³ In the meantime, workers' wages remained static or even declined as they returned to peacetime production norms. When it had increased ration prices in 1946, the government offered a wage and pension cash supplement, the so-called "bread allowance" (*khlebnaia nadbavka*), which remained in effect after the end of rationing, but it had prohibited workplaces from raising workers' wages.¹⁰⁴

Stockpiles of manufactured goods soon began to accumulate in state

97. GARF, f. 5446, op. 49, d. 4608, l. 207, 225.

98. "O povyshenii pokupatel'noi sposobnosti rublia i real'noi zarabotnoi platy," in L. N. Dobrokhotov, *Denezhnaia reforma*, 437.

99. *Ibid.*, 438.

100. *Ibid.*, 440.

101. See, for example, RGASPI, f. 17, op. 135, d. 10, l. 77–79.

102. GARF, f. 5446, op. 51, d. 2610, l. 77 (Coefficients of existing retail prices for the main food products in the city of Moscow versus prices in 1940, undated but circa January 1948).

103. GARF, f. 5446, op. 51, d. 2610, l. 75 (Coefficients of existing retail prices for the main manufactured consumer products versus prices in 1940, undated but circa January 1948).

104. "Telefogramma I. B. Stalina L. P. Berii o proekte postanovleniia o zapreshchenii povysheniia zarplaty," in *Politbiuro TsK KPSS(b) i Sovet Ministrov SSSR 1945–1953* (Moscow, 2002), 210.

warehouses because they were simply too expensive. Furthermore, market prices often undercut these goods' state prices by a significant margin. The price of a half-liter bottle of "Moskovskaia" vodka in 1940 had been eight and one-half rubles; as of March 25, 1948 it cost sixty rubles.¹⁰⁵ Many industrious citizens had figured out that it was much cheaper to buy up state-produced bread, sugar, and yeast at retail prices and make their own homebrew or distill their own *samogon* (moonshine).¹⁰⁶ The market price of *samogon* undercut the state's retail prices for mass-produced alcohol by up to 50%. The alcohol industry, along with other consumer industries holding on to massive stockpiles, pressured the central government to reduce retail prices in order to clear out their reserves.¹⁰⁷

In an effort to move these long unsold products, the Soviet government reduced their prices on April 10, 1948. Cars, motorcycles, sewing machines, watches, record players, vitamins and caviar, among other goods' prices, were cut by 10–20%. The price decrease was depicted as the next step in the process of bringing down prices after the 1947 currency reform, "a new display of Stalin's care for workers" which would be gratefully and happily received by all Soviet people and would "inspire toilers in the cities and countryside alike to dedicate new deeds of valor to the glory of the Fatherland."¹⁰⁸ No mention of stockpiles was made. Ordinary workers benefitted little, in fact, since the cost of many of these goods remained exorbitant on their wages. The price of a Moskvich car was 10,000 rubles in 1948; even with a 10% decrease, it cost 9000 rubles, remaining financially out of reach for the average worker.¹⁰⁹

Unsatisfactory trade turnover persisted into the next year. As of January 1, 1949, reserves of unsold consumer goods reached a total retail value of 48.4 billion rubles, up from 30.1 billion rubles on January 1, 1948.¹¹⁰ Nearly three billion rubles in shoes, 3.3 billion rubles in tobacco, 4.5 billion rubles in vodka, and 3.4 billion rubles in salt reserves were held. The Soviet government held 1.5 years' reserve supply of salt, which cost 1.50 rubles per kilogram, up from 11 kopecks in 1940.¹¹¹ These growing stockpiles were worrying to Soviet leaders not only because they required scarce storage space. Weak consumer demand was blamed for the fact that an estimated 37.3 billion rubles were in circulation, five billion more than what was deemed normal and, by the end of 1948, that figure was anticipated to surpass forty billion.¹¹² The retail prices of non-essential consumer goods in the Soviet Union contained a commodity tax, the so-called "turnover tax" (*nalog s oborota*). Vodka, in particular, had

105. GARF, f. 5446, op. 50, d. 2435, l. 23.

106. GARF, f. 5446, op. 50, d. 2435, l. 32.

107. See, for example, GARF, f. 5446, op. 50, d. 2435, l. 15–16, 39–47 (Petitions from the alcohol and fish industries to reduce retail prices of overstocked goods, March–April 1948).

108. "Vtoroi etap snizheniia tsen," *Izvestiia*, April 10, 1948, 1.

109. Their high price was not the only thing that made cars unobtainable. As Lewis Siegelbaum notes, these 'deficit' commodities belonged overwhelmingly to the state. See Lewis H. Siegelbaum, *Cars for Comrades: The Life of the Soviet Automobile* (Ithaca, 2008), 183.

110. *Ibid.*

111. GARF, f. 5446, op. 51, d. 2610, l. 34.

112. *Ibid.*

a high share of commodity tax built into its retail price. Turnover tax represented a massive source of revenue for the Soviet government and was its largest source of all tax receipts.¹¹³ In the state's calculations, Soviet citizens were bringing in far too much money income and not spending enough of it in the state sector of the consumer economy. The excess cash in circulation contributed to market price inflation.

The resulting price decrease announced on March 1, 1949 was presented as yet another step in the process of bringing down retail prices and raising the purchasing power of the ruble.¹¹⁴ It was more successful in stimulating demand for manufactured goods because, this time, it also applied to essential food products. Over forty categories of products, including flour, meat, household appliances, radios, televisions, and jewelry saw price reductions ranging from 10–30%. In forty major cities across the Soviet Union, sales increased significantly over the previous month: sales of meat rose by 13.2%, oil 27%, cheese 57.9%, salt 16.4%, vodka 57.9% and wine 67.4%.¹¹⁵ Across thirty-five major cities, purchases of consumer goods multiplied: bicycles, by over four times, gramophones, by four and-one-half times, watches by over two times, and radio sets by nearly two times. Sales of stockings rose 35.8%, shoes 30.6%, motorcycles 28.6%, perfume 23.9%, tobacco 13.9% and wool fabric 10.3%.¹¹⁶ As shortages of those products began to appear, sales increases tapered off toward the end of the month: total retail trade turnover in March increased by only 6.6% over February 1949.¹¹⁷ Sales of some basic products such as bread and tobacco even dropped, but trade authorities attributed this to citizens diverting larger portions of their overall expenditures to consumer durables. The party also closely monitored the behavior of prices in the kolkhoz markets. Peasants' prices immediately dipped in most urban areas in response to the new prices: in Moscow, Gor'kii, Sverdlovsk and other major cities, the price of a kilogram of beef on the peasant markets dropped by one or two rubles after the first decrease of March 1, 1949.¹¹⁸ In Moscow, butter prices dropped by five rubles per kilogram, staying slightly below state prices by the end of the month.¹¹⁹

Consecutive Price Reductions

In the early 1950s, Stalin delivered on the promise he had made in February 1946: each successive spring through 1954, the retail prices of dozens of categories of basic foods and consumer goods were reduced. The Soviet propagandist Dmitri Shepilov depicts Stalin as the driving force behind this policy. According to Shepilov, Stalin reasoned that in the absence of private manufacturing

113. On the importance of the turnover tax in the Soviet state budget, see Franklyn D. Holzman, *Soviet Taxation: The Fiscal and Monetary Problems of a Planned Economy* (Cambridge, Mass., 1955).

114. *Pravda*, March 1, 1949, 1.

115. RGASPI, f. 17, op. 135, d. 22, l. 60.

116. RGASPI, f. 17, op. 135, d. 22, l. 61.

117. RGASPI, f. 17, op. 135, d. 22, l. 76.

118. RGASPI, f. 17, op. 135, d. 22, l. 77.

119. *Ibid.*

and with virtually no domestic competition among enterprises, a monopoly on foreign trade that shielded the country from the world market, strict control over prices, and even with a shortage of consumer goods, “systematically lowering prices is the most effective means of stimulating higher productivity and better quality. Lowering consumer prices prevents sloth and stagnation and is the best way to raise wages in real terms.”¹²⁰ Shepilov, who strongly endorsed the policy, claimed that the price reductions helped to raise living standards and Stalin’s esteem in the eyes of workers.¹²¹

Other Soviet leaders were less enthusiastic, at least in retrospect. In his memoirs, the Minister of Trade, Anastas Mikoian, offered an ambivalent assessment. He claimed that Stalin grew irritated when Mikoian objected to his plan to reduce the prices of meat and butter, citing deficits of those products.¹²² Mikoian feared it would have a ripple effect upon peasants’ procurement prices and agricultural production, causing shortages that merely would result in longer lines for and increased speculation in those goods. “The government will only lose and it will be of no interest to workers at all,” Mikoian alleges he argued.¹²³ Although Stalin “knew and understood a great deal [about trade],” Mikoian claimed, “his desire [to reduce prices] was understandable, but absolutely incorrect because there was not enough of these products in the country and the population was poorly provisioned with them.”¹²⁴

The policy was more economically sound when it came to overstocked manufactured goods. Growing reserves was one of the main justifications offered for launching another comprehensive retail price reduction in the spring of 1950. Gosplan reported in May 1949 that already by April 1 of that year, stockpiles of many products, including vodka, textile goods, perfume, and soap, were still 44% above normative reserve levels in spite of that spring’s price reductions, and the wage fund was predicted to rise that year.¹²⁵ March 1, 1950 saw the retail prices of 236 categories of goods reduced by 10–50%, for a total of not less than eighty billion rubles in ‘savings’ to Soviet consumers.¹²⁶ Substantial discounts were offered on vodka, liquor and other goods in oversupply, including a 40% discount on dish soap and a 50% discount on toiletry soap.¹²⁷

The price reductions also held enormous propaganda value, as Shepilov alludes to in the quote above. They were presented as clear evidence of the

120. D. T. Shepilov, *The Kremlin’s Scholar: A Memoir of Soviet Politics under Stalin and Khrushchev*, ed. Stephen V. Bittner, trans. Anthony Austin (New Haven, 2007), 245.

121. Shepilov, 19. Shepilov, who was ousted as a member of the Anti-Party group that tried to remove Khrushchev in 1957, also claimed that the policy of abandoning routine price reductions during the “khrushchevshchina” was detrimental to the economic and political situation of the country and gave rise to covert and overt price increases then. See Shepilov, *The Kremlin’s Scholar*, 245.

122. Anastas Ivanovich Mikoian, *Tak bylo: razmyshleniia o minuvshem* (Moscow, 1999), 355.

123. *Ibid.*

124. Mikoian, 518.

125. GARF, f. 5446, op. 120, l. 202.

126. “O novom snizhenii gosudarstvennykh tsen na prodovol’stvennye i promyshlennye tovary,” *Pravda*, March 1, 1950, 1.

127. *Ibid.*, 2.

Soviet Union's rapid recovery from the war's damage at a time when rationing was ongoing in Europe, and as proof of its ascent toward abundance: "The material wellbeing of our country's workers is ceaselessly rising on the basis of the constant growth of the national economy. With each passing day, life becomes ever more rich and prosperous," *Pravda* promised its readers on the occasion of the March 1, 1950 price reductions. It attributed these achievements to the wise leadership of the Communist Party and to "our father and friend, great Stalin's unceasing care for the needs of workers."¹²⁸ A recurring line in both media depictions and internal Party correspondence was that trade in state shops in the days following the spring announcements was "like a holiday." The Soviet government had long been releasing reserves of foods and certain luxury items like champagne and chocolates around the time of state holidays.¹²⁹ The price decreases of the early 1950s were similarly accompanied with increases in supplies.¹³⁰ This helped create a mental association between lower prices and consumer abundance, at least in the major cities and for those who shopped in department stores, but not for rural residents and those who shopped in factory stores, which often did not receive the full assortment of newly reduced-price goods on time, if at all.¹³¹

By 1952, retail prices had been cut in half, on average. Yet, at the October Party Congress that year, the Soviet population was told it could expect even more price reductions in the future, founded upon the country's massive successes in industry and agriculture. The party resolved to "unswervingly conduct further retail price reductions on mass consumer goods, keeping in mind that lowering prices is the main means by which the real wages of workers and peasants are systematically increased."¹³² That year, in connection with his intervention into an ongoing discussion about the creation of a textbook on Soviet political economy, Stalin wrote that a major precondition for "real and not just declaratory communism" was the "cultural advancement" of society, which depended upon a rise in real wages through direct wage increases and the systematic reduction of retail prices.¹³³

128. "Na osnovne postoiannogo rosta narodnogo khoziaistva . . ." *Pravda*, March 1, 1950, 1.

129. Jukka Gronow, *Caviar with Champagne: Common Luxury and the Ideals of the Good Life in Stalin's Russia* (Oxford, 2003), 42.

130. See, for example, RGANI, f. 5, op. 30, d. 68, l. 49.

131. It was extremely common for the "departments for workers' provisioning" (otdely rabocheho snabzheniia, ORSes) to be closed for the entire first day after the price reductions while they repriced the goods, and for newly cheaper goods to be unavailable there. See the hundreds of reports regarding problems of implementing the price reductions in the ORSes contained in GARF, f. 5451, op. 30, d. 151; 152; 244; 353; 385 (trade union reports on trade at the new lower prices, 1949–54).

132. "Deviatnatsyis'ezd KPSS, Moskva, 5–15 oktiabria 1952 g.," *Kommunisticheskaia Partia Sovetskogo soiuzu v rezoliutsiakh i resheniakh, s'ezdov, konferentsii i plenumov*, t. 8 (Moscow, 1985), 280.

133. I. V. Stalin, *Ekonomicheskie problemy sotsializma v SSSR* (Moscow, 1952), 69. This text was included in an addendum to Stalin's main remarks on a draft version of the textbook. It was Stalin's response to criticisms expressed by L. D. Iaroshenko, a minor Soviet economist, who argued that, under socialism, concern with the scientific organization and rationalization of productive forces should have replaced concern with money, commodities, credit, and other capitalist categories. Stalin disagreed, labeling

In other areas of social and economic policy, Soviet leaders switched course soon after Stalin's death, implementing reforms that Stalin had long dismissed out of hand.¹³⁴ Yet, retail price reductions were conducted another two times, and more cuts were promised. The April 1, 1953 price decrease featured reductions on 124 categories of goods, with purported savings of forty-six billion rubles.¹³⁵ It was promised to be "one of the biggest gains workers have received from lower prices in the entire postwar period" because decreases extended to all categories of mass consumer goods and because they were most substantial on basic foodstuffs like bread, flour, grains, fish, sugar, and meat.¹³⁶ The prices of fruits and vegetables, the mainstays of market trade, were cut by 50%. Both Georgii Malenkov and Nikita Khrushchev, the main contenders for Stalin's mantle, explicitly promised to continue the policy of retail price reductions, even as they launched desperately needed agricultural tax and procurement price reforms to improve the plight of the peasantry and incentivize production, initiatives that Stalin had long resisted as concessions counterproductive to his industrial goals.¹³⁷ In his speech announcing the measures in August, Malenkov promised that the government would increase the procurement prices paid to collective farmers for meat, milk, wool, potatoes and vegetables, emphasizing that this would be done "without raising retail prices in trade and ceaselessly realizing the principle of their further reduction."¹³⁸ In his own speech on agricultural reforms in September, Khrushchev reiterated that raising procurement prices was designed to give collective farmers a "material interest" in increasing their deliveries, but would necessarily be implemented without raising retail prices for workers, which, he emphasized, "is not in the people's interest. It goes without saying that the Party and the Government can't and won't go there."¹³⁹

By the time of Stalin's death, however, the policy's shortcomings were beginning to become undeniable. The Soviet government knew that it did not possess sufficient supply to meet demand at lower prices, especially for food. Mikoian openly acknowledged this in a speech to the Council of Ministers on March 30, 1953. Although meat prices were scheduled to be reduced by 15% that year, "we are, for now, mainly satisfying demand for meat and meat products in the major industrial centers," he admitted, adding that: "in other cities, we are provisioning cafeterias, but the supply of meat in stores is

Iaroshenko a "retrograde Marxist" spouting "unholy twaddle." See Ethan Pollock, *Stalin and the Soviet Science Wars* (Princeton, 2006), 207–9.

134. As Yoram Gorlizki and Oleg Khlevniuk note, Stalin increasingly delegated authority in the postwar period but rejected out of hand any talk of "reforms." In the meantime, his colleagues came to realize that certain policy areas were in crisis, such as agriculture, and began reforms soon after his death. See Yoram Gorlizki and Oleg Khlevniuk, *Cold Peace: Stalin and the Soviet Ruling Circle, 1945–1953* (Oxford, 2004), 123–24.

135. "O novom snizhenii gosudarstvennykh tsen na prodovol'stvennye i promyshlennye tovary," *Pravda*, March 1, 1953, 1.

136. "Novoe snizhenie roznicnykh tsen," *Pravda*, April 1, 1953, 1.

137. On Stalin's approach to reforming the countryside after the war, see Gorlizki and Khlevniuk, 136.

138. "Zasedanie verkhovnogo soveta SSSR; rech' predsedatelia Soveta ministrov soiuza SSR tovarishcha G. M. Malenkova," *Pravda*, August 9, 1953, 2.

139. "O merakh dal'neishego razvitiia sel'skogo khoziaistva SSSR," 2.

insufficient.”¹⁴⁰ The same shortages applied to animal fats and potatoes. Although he portrayed his stance differently in his memoirs, Mikoian rationalized the sharp planned decrease in the retail price of agricultural products at the time: many of these foods’ prices were still very high, he explained, and potatoes and vegetables occupied a place of “vital importance” in the diets of low-earning workers who could not afford meat. He claimed that cost-cutting measures in their production and transportation had facilitated slashing their prices.¹⁴¹

The Soviet government was also aware that retail price reductions were no longer having as significant an impact upon market prices as they had in the past.¹⁴² This was especially the case for the prices of meat, milk and butter—the very same products that were in short supply.¹⁴³ Back in 1950, by the end of the month, the market price of a kilogram of beef had dipped two to five rubles below state prices in Moscow, Leningrad, Gor’kii, Stalingrad and Cheliabinsk after the March 1 price reductions; however, by the end of March 1953, market prices were still two to eight rubles higher than state prices for meat.¹⁴⁴ A liter of milk in state stores in Moscow cost 2.90 rubles, and cost an average of 4.10 rubles at the market.¹⁴⁵ In Stalingrad, the discrepancy between state and market prices was even starker: a liter of milk in state stores cost 2.50 rubles and cost six rubles at the market.¹⁴⁶ Intimately aware of shortages of animal products, peasants did not adjust their prices.

In the mid-1930s, the Stalinist government linked economic and revolutionary progress to reducing prices in state stores and in the markets, a plan that was derailed by the Second World War. As they dismantled the ration system and attempted to reverse wartime price distortions in the late 1940s, Soviet leaders looked back to that time. As Julie Hessler notes, they emerged from the war with their pre-war conceptions regarding the organization of distribution intact and, in the realm of retail trade, imagined a properly functioning version of what had been in place in 1935–39.¹⁴⁷ That necessitated resuming the stalled project of lowering prices. After the abolition of rationing, consecutive retail price reductions were believed to be the most effective way to raise real wages and living standards as the Soviet Union resumed the Stalinist path toward communism. This principle was made an explicit economic doctrine by 1952.

If the late Stalinist state entered into a “Big Deal” with the middle class after the war, legitimizing consumerist values in exchange for their political

140. GARF, f. 5446, op. 120, d. 1057, l. 65.

141. GARF, f. 5446, op. 120, d. 1057, l. 64.

142. RGANI, f. 5, op. 30, d. 68, l. 13–14 (Report from Mikoian to Malenkov and Khrushchev on the state of Soviet retail and kolkhoz market trade, April 20, 1954).

143. GARF, f. 5446, op. 120, d. 1057, l. 65 (Mikoian’s speech to the Council of Ministers regarding agricultural supplies ahead of the April 1 price decrease, March 31, 1953).

144. RGANI, f. 5, op. 30, d. 68, l. 13.

145. RGANI, f. 5, op. 30, d. 68, l. 14.

146. *Ibid.*

147. Julie Hessler, “Postwar Normalisation and its Limits in the USSR: The Case of Trade,” *Europe-Asia Studies* 53, no. 3 (2001): 446.

compliance and help rebuilding the Soviet system, by the early 1950s, it had struck a broader and more basic bargain with ordinary workers, revolving not around consumption per se, but around the cost of living.¹⁴⁸ Lower prices held important symbolic value as a dramatic gesture after wartime hardships and amid the burgeoning economic competition of the Cold War. Responding to Chuev's question of why the Soviet government pursued this policy after the war and why price reductions became a matter of routine, Molotov answered matter-of-factly: "It was a huge moral victory. A huge plus."¹⁴⁹ Dismissing Khrushchev's later assertion that the consecutive price reductions were simply political "opportunism" (*avantiurizm*) on the part of Stalin, Molotov concluded: "It was the correct policy to lower prices after the war. Everyone remembers it fondly and received it well . . . we reduced prices seven times after the war. By two to three times in seven years. That's good, that's outstanding! And they still had rationing in England."¹⁵⁰

Continuous price reductions were unsustainable in the long term. Much like the ration prices of the early 1930s, the retail price subsidies of the early 1950s were another gift to workers at the expense of the peasantry that would have to end if the government sought to create a 'real' price policy, as Stalin expressly desired in the mid-1930s. Unlike manufactured goods, whose prices were often reduced when excessive supplies accumulated, food prices were reduced with little consideration for supply which, as Stalinist leaders were well aware, was grossly insufficient and which fed market price inflation. Furthermore, as Elena Zubkova notes, workers were becoming habituated to the state's "beneficence" and "little holidays" and began to develop a dependency complex.¹⁵¹ As their basic needs began to be met, their demands began to grow.

The post-1953 government was left to contend with the fraught legacy of the doctrine of price reductions. Though he had publicly praised them and, as already mentioned, promised to continue to reduce prices, Khrushchev harbored his doubts about the policy. In the fall of 1955, as he prepared toward his coup at the Twentieth Party Congress, he recommended against major retail price decreases until the state could ensure sufficient supply to meet demand.¹⁵² His tenure as Soviet leader was marked by the absence of consecutive retail price reductions; rather, any price reductions were to be "economically-grounded" (*ekonomicheski obosnovannye*), based upon a reduction in the costs of production instead of subsidies. The 1961 Party Program confirmed that "the main direction of price policy during the period of

148. On the "Big Deal," see Vera Sandomirsky Dunham, *In Stalin's Time: Middleclass Values in Soviet Fiction* (Cambridge, Eng., 1976), 3–23.

149. Chuev, 366–67.

150. Chuev, 442.

151. Elena Iur'evna Zubkova, *Poslevoennoe sovetskoe obshchestvo—politika i povsednevnost'* (Moscow, 2000), 87–88.

152. "Zapiska N. S. Khrushcheva v presidium TsK KPSS po voprosam uporiadocheniia zarabotnoi platy i pensionnogo dela," in N. G. Tomilina et al., eds., *Nikita Sergeevich Khrushchev: Dva tsveta vremeni, dokumenty iz lichnogo fonda N. S. Khrushcheva, v 2-kh tomakh* (Moscow, 2009), 279.

building communism is the systematic, economically-grounded lowering of prices upon the basis of a rise in productive labor and lowered costs of production.”¹⁵³ However, it proved remarkably difficult for Khrushchev to shift course. In his efforts to move toward a new approach to pricing, he underestimated the doctrine of price reductions’ political significance. The absence of price cuts was widely viewed as a broken promise, and the price increase in the summer of 1962 as a betrayal.

153. “Programma kommunisticheskoi partii Sovetskogo soiuza,” *Pravda*, July 30, 1961, 6.