

# **The Corrosive Moral Character of Soviet Central Planning**

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## I.

What exactly is corruption? For a lot of the West, corruption often takes cartoonish forms — the mental image of a sneering bureaucrat taking cash from an equally slimy lawyer, for example. And while that image might even be true at times, the general lack of personal corruption — not institutional, which we'll come to later — often clouds a Western observer's perceptions when dealing with the post-Soviet sphere.

For those on the Western Left, especially those leftists of a particular anti-imperialist bent, corruption is often not even considered. For example, the Chavez and Maduro administrations in Venezuela are horrifically corrupt, and there is no shortage of evidence to prove it, ranging from bribe-taking in the Chavismo parties to outright fraud and theft in the national oil company. But oddly, corruption (aside from the corporate kind) is barely even mentioned in a leftist analysis.

Yet, a majority of respondents in the post-Soviet sphere, according to a polls, believe that corruption, over imperialism, environmentalism, and so on, are the most pressing problems in their society. But what, exactly, is corruption?

The easiest way to understand corruption is to consider corruption a separate, parallel governing institution that awards benefits based on personal relations and incompetence. Corruption isn't just a judge taking bribes, or a bureaucrat taking kickbacks for awarding a lucrative contract — it is the system that underlies, reinforces, and in some ways, performs more efficiently than the official governmental processes themselves.

## II.

On a macro-scale, the scale of megacorporations and nation-states, corruption is less an aberration (as the neoliberal class would claim, an exception to the 'rules-based international order') and more a simple fact of life. At a nation-state level, squeaky-clean Nordic functionaries will happily mingle and chat with blood-soaked oligarchs from the post-Soviet states, and very rarely will a Russian oligarch be excluded from Davos, or a Brazilian strongman from the OAS.

A lot of that has to do with the nature of realpolitik — yes, so-and-so's national leader is a giant crook and should be rotting in a cell in the Hague, but they are still the president, and we need to work with them to do anything. And a lot of that has to do with the nature of twenty-first century imperialism — actually occupying a country makes tons of bad press, but working with someone local makes it a local problem, and we're just doing business.

Corruption on the global stage is simply how things are done. Tax havens, offshore accounts, untraceable apartments in Miami, billions of dollars in stolen and appropriated art, that's all how things just are. In fact, bringing attention to it, via exposes like the Panama Papers, the Paradise Papers, etc., has nearly zero effect.

When a Western observer looks at these disclosures, or reads about Deutsche Bank laundering billions for Mexican drug cartels, or any other incontrovertible proof of corruption, there's always a slight sense of bemusement. *Surely we choose good people to lead us. What's going wrong?*

### III.

There is an idea, in US political philosophy, known as the ‘civil religion.’ The civil religion as understood typically refers to a syncretic meld of Protestant Christian beliefs and American state symbology, often raising secular figures, such as the Founding Fathers of the United States, to quasi-saintly status. It is the source of doctrines such as American exceptionalism, and American global leadership.

But this civil religion extends far beyond religious symbology. It is present in the speech and mannerisms of every politician and public figure in the country. The core precept, of the secular civil religion of the United States, and by extension every proponent of the ‘rules-based order’, is that institutions are generally good, and the people in those institutions are generally competent and well-meaning.

However, this is not a true belief. Its contradictions are present in the disproportionate sentencing rates of minorities versus whites, in the unfair wage discrepancies between men and women, in the double standards set by Western countries against developing ones. These institutions, the people that comprise them are no more morally or ethically rigorous than your average drug dealer. They simply have a better system of rationalization, and more degrees of separation between them and the consequences of their actions.

But for all that, it is still a fact that Western countries are, as a whole, less corrupt than developing contemporaries. Actions taken almost for granted in China, Russia, or India would be unthinkable in the United States or the United Kingdom. Even the laws, objectively lax and vague as they are against corruption in the West are incomparably better than similar situations in the non-Western world.

### IV.

There are a few pre-conditions necessary for effective governance. The first, and most important precondition, is the understanding on the side of the public servant that they are not there to enrich themselves. To efficiently administer a group of people, the leader, or functionary, or administrator, must necessarily place their own personal desires after whatever is needed for that group. By definition, acting otherwise would be sub-optimal.

Another precondition must be a belief in facts. Humans generate a lot of data, and that data must be analyzed accurately in order to produce a satisfactory outcome. In order to ensure that an analysis is signal instead of noise, an efficient administrator has to be able to believe certain sets of data, those that correspond best to the state of the world, are true. Using tainted data, or disbelieving some data due to personal or political expediency, will again, by definition, be sub-optimal.

And finally, a third precondition: an efficient administrator must believe that his fellows are also trustworthy. Even dictators delegate, and even tyrants need intelligent bureaucrat to enforce and implement their edicts. Without trust in other functionaries – in other words, trust in an institution, since an institution is nothing more than a group of functionaries tasked with fulfilling some purpose – legitimate change is impossible to create. Even the most basic of policies fail if one bureaucrat cannot trust another to put it into practice.

When all three pre-conditions are met, efficient and effective governance can begin. Obviously, these three conditions are far from the whole of political philosophy, but they are the core on which all other policy is built. They also, not incidentally, completely prevent even the formation of corruption among the ruling class.

## V.

Clean government, as a rule, is a generally new development in human history. For most of it, policy was developed and enacted by an unelected aristocracy or elite, and generally functioned on the principle of ‘What’s good for the king is good for the country, and what’s good for the country is to be good to the king.’ Even after the development of modern democracy, clean government took a while to settle in – corruption in the United States, for example, only really started to falter post-World War 2 – unsurprisingly, this coincides with the flowering of the American civil religion.

In many parts of the world, government is not seen as ‘for, by, and with the consent of the people’, but as a tool for the ruling class to self-perpetuate. In other words, government has generally been seen and used as an instrument of the elite to ensure their safety and prominence over the hoi polloi, and in light of history, it is perhaps more surprising that some countries no longer consider that to be the case.

One of the greatest examples of this disconnect, between a popular understanding of government (in service to the governed), and the practical, historical method of its functioning, is the post-Soviet sphere, and the corruption therein. In the post-Soviet sphere, with some few exceptions, corruption has continued unabated and unchanged from the Soviet era, with the same faces and the same tricks taking precedence over actual government.

Why is corruption such a problem? To understand why the Western observers of the early 90s were horrifically naive in their understanding of the continuing development of the post-Soviet world, and the mistakes they continue making today, we must first consider the lack of the three preconditions for good governance outlined above.

## VI.

The Soviet Union had a very loose association with the truth. Aside from the more famous examples of deletion practiced by Stalin and the KGB, truth was twisted into lies and falsehoods on a more personal basis. The newspapers, such as the ironically named *Pravda*, was a pure propaganda organ, and dissension was not typically treated lightly. To tell the truth in the Soviet Union was not simply a mistake, it was, oftentimes, a political crime.

The entire system was predicated on the continuation of lies. For example, if a Moscow bureaucrat decided that this month, the country needed 1000 units of widgets to sell, then, that was now the reality. No matter what, those 1000 widgets must be produced, and they must be produced on the time-scale dictated by the bureaucrat. Anything else was counter-revolutionary.

Imagine that you are the manager of a widget factory. You receive a mandate to produce 1000 widgets. However, there are a few obstacles. Let’s say that your factory does not have the capacity for 1000 widgets in that timeframe, but 500. Let’s say as well that the steel foundry you

source your raw materials also only has capacity for 500 units of steel to send to your factory, and besides, the factory has other obligations with other factories as well.

You know, as the manager of that factory, that there is no physical way – not political, not human – that you can produce 1000 widgets in the time allotted to you. Yet you still must produce 1000 widgets. How do you solve this problem? Well, there are a few options:

The first, and most obvious, is simply to tell the central bureaucrat that you cannot produce these widgets. It's impossible. You can send the complete list of all of your resources, supplies, produce graphs and charts, take a train to Moscow, and explain in no uncertain terms that your factory, physically, is incapable of meeting that quota.

If the Soviet Union was a rational government guided by good governance, the bureaucrat would acknowledge your arguments, and simply adjust his planning to include those new contingencies. However, if the bureaucrat needs to answer to a Party minister, who in turn needs to answer to the General Secretary, who in turn needs to prove to the other Party elites that he is an effective and competent administrator and is thus too important to undergo 'review' by the secret police – then, that bureaucrat is incentivized to not accept your argument, and further, is incentivized to report you for counter-revolutionary sabotage to the secret police, after which you will be replaced by another manager.

Let's assume that you do not want to be sent to an interview room with a few KGB agents, so you need to consider other solutions.

One common solution in the Soviet Union, when faced with simply unrealistic demands, was to unofficially buy the widgets from some other factory with a surplus. After all, the Soviet Union was a pretty big place, and there was usually some surplus somewhere – if you knew how to find it. So, in order to purchase the shortfall of 500 widgets, you would need to scrounge up some money.

Despite being a 'communist' country, the Soviet Union wasn't cashless, and everything was still priced in currency. But, since salaries were low, you couldn't exactly buy the widgets yourself – you needed to find money in the budget. Luckily, the budget was one area where you had oversight. So, you could, for example, 'forget' to pay your workers in rubles – instead, you pay them with ration cards, so they could still purchase food, for example, but you can now appropriate the stolen wages to purchase the widgets from some other factory, claim them as yours, and present the 1000 widgets to the Kremlin bureaucrat. Or, you could skim money from a discretionary fund, such as a vacation fund for your workers, or a medical fund, or anywhere where you had access to the books, and the people who would suffer from that lack wouldn't be able to contradict you.

Like all large, centrally-run organizations, skimming funds when you hold the checkbook wasn't particularly noticeable if the amounts were small. But skimming enough money for 500 widgets, presumably, might even be an amount that the secret police would notice. So instead, you try a third option: bribery.

Ultimately, everyone involved in this game – the factory manager, the central planning bureaucrat, the Party minister, the General Secretary and the Politburo & know that the thing, the trick, is not to actually do things – doing things is dangerous, risky, and could bring down the secret police – but to *seem* like things are done. The General Secretary, for example, needs 1000 widgets to look good, but he isn't going to wheel them into the Kremlin in front of the Politburo and strut around like some provincial plebe. All he needs is the appearance of 1000 widgets.

So you, as the factory manager, who wants to take the path of least risk of ending up in an interview room with Comrade Colonel Belkov and Comrade Lieutenant Lenski, skim just enough funds to procure a sizable bribe, let's say a bribe large enough for the bureaucrat to obtain a summer house in Sochi, or purchase a French washing machine, or buy some Belgian sausages and wine. Often, the bribes weren't rubles, but objects, corruption by barter instead of currency.

That way, while a few of your workers may notice that their salary was a little bit lower than usual (perhaps assuaged with a few extra days of medical leave around Labor Day), the skimmed funds are almost unnoticeable, and you can now persuade the bureaucrat to take the 500 widgets, but write 1000 on the bill. The bureaucrat will of course need to use a portion of the bribe you paid him to the inspectors, Party minister, and so on, but they won't squeeze you too much, because despite the reality that you need to deliver 1000 widgets, even an incompetent functionary can understand that there is no physical way to deliver it.

A few weeks later, you see on the news a parade hosted for Comrade General Secretary, who is being lauded for his efficient, competent administration of widgets, and who had managed to even produce 1000 widgets in a resource shortage. You may even get a promotion, thanks to your hard work in instilling your factory workers with the patriotism needed to do the impossible.

It's enough to make a man a cynic.

## VII.

This was, of course, not an isolated incident, but the typical working process of the Soviet Union as a whole. The workers, the teeming mass of the proletariat, knew that something was up – after all, they know how much they made, yet their boss just got a promotion for under delivering.

The values then delivered, were not the wholesome socialist values of hard work, integrity, and honesty and generosity to your fellow man, but lies, deceit, and corruption. As a result, the workers slacked off themselves – what's the point in working hard, if no one cares about the results of your work?

Truth, like *Pravda*, became nothing more than a word used to enforce whatever the reality of the moment was, even if that truth was nowhere close to reality. And, impossibly, this system functioned for nearly a century, until it collapsed under its own weight following the disastrous Afghan war.

It was primarily due to the incompetence of the central planning bureaucrat, and the political rent-seeking of the ruling elite, that this whole sorry mess came about in the first place, but it was, up until the grave miscalculation of the Afghan war, a relatively self-sustaining system. So what if it led to shortages and shortfalls in nearly every conceivable industry on a pretty regular basis? The Soviet Union was never meant to be a proletariat government.

Ironically, it was the very capitalist experiences of the Soviet ruling class that led them to the kleptocracy and corruption we see now. The lack of a civil religion – or the destruction of a civil religion more openly false than the Western variant – meant that when the Soviet Union did collapse, there was an outright hatred and mistrust of any institutions that would arise.

It didn't help that the people running those institutions, in realpolitik, remained in power, instead of being carted away in chains. And those people continued functioning just as they had under the Soviet Union – even worse, because now they had no checks on their behavior (in

terms of the secret police), so the factory manager (who became a factory owner, after selling the factory to his wife for a ruble), no longer needed to skim just enough to bribe the bureaucrat. He could skim the whole thing, and then buy an apartment in London! And if he was scared of the secret police then, well now he could hire dozens of ex-secret policemen for his own 'security company', and never have to worry about being carted off in the middle of the night again.

And the central planning bureaucrat did the same. And the Party minister did the same. And the ex-General Secretary, who is now seen as an 'elder' of politics and a Father of the Nation? Well, all he has to do is keep his mouth shut and enjoy his retirement while his children went off to Oxbridge and the Ivies.

There was no civil religion for these elites to cling to, no accounting for them to answer to. There was simply a lack of threat, and an opportunity.

## VIII.

The Soviet Union was a flawed project. In many ways, it was reality TV before reality TV – everything you see on the screen is fake, yet presented with a sheen of truth. But the people weren't stupid, and all that reality TV-as-government caused nothing but widespread disbelief in truth, in facts, and in institutions, from the lowest worker to the highest Party member.

It's often said that there is no ideology in the post-Soviet sphere, aside from a milquetoast nationalism and the inherent tribal structures humans always cling to in chaotic situations. But that isn't entirely true. There is an ideology – it is simply kleptocratic and feudalistic, and never expressed. It isn't an ideology you'll read about in the papers, or see spoken by academics. It is, instead, the shape of something inferred by the actions of those that believe in it, even if they believe in nothing but themselves.

Truth is dead. Long live capitalism.



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