

PREFACE

A quarter of century has passed since the Soviet economy collapsed. Interest in the Soviet economy seems to be waning, although the new Russian economy is attracting continuous attention. I started studying the Soviet economy as a postgraduate student in 1980 when the Socialist system was still towering despite ominous signs of stagnation and disintegration. Over the next 10 years, the entire socialist system abruptly fell apart; the subject of my study disappeared. Frankly, my interest in the Soviet economy had also been waning after its collapse, even though I always felt that I had only partially finished my study. Important questions, such as whether the Soviet economy was inherently unsustainable, whether the Soviet strategy for economic development was applicable to other economies, and what determined the timing of the systemic collapse of 1990, did not seem to have been fully answered. Although these questions lingered in my mind, it seemed difficult to empirically investigate these questions, because relevant Soviet economic data was lacking.

The opening-up of Soviet archives was indeed a revelation on the ways to study the Soviet economy further. To a scholar who had been struggling with scant, unsystematic Soviet economic data, the archives, now open to the public, seemed like a veritable treasure trove. Later, I understood that the Soviet archives are comparable to a huge treasure island where it was difficult to locate the treasures. However, I may have had beginner's luck as I found data both from original archive materials and from publications collecting archive materials to build a minimum data set for the analyses in this book.

This book approaches the Soviet economy from a monetary perspective and uses new data and methods. I do not believe that the different approach and new data and methods have fundamentally changed the previous understanding of Soviet economy; rather, they have strengthened and supplemented this previous understanding. In addition, this book sheds new light on the image of the Soviet economy: The Soviet economy was fundamentally unsustainable because it lacked a functioning mechanism to manage fiat money. It seems almost impossible to establish a mechanism to manage fiat money, which can coexist with an administrative command economy that is functioning by material planning. Soviet authorities and economists had never been successful in answering how to manage fiat money under material planning. I do not have any idea how to manage fiat money without using market mechanism either.

If more data become available, it would be possible to analyze the Soviet economy more thoroughly using rigorous methods; even quantitative studies that compare long-term economic development in the Soviet Union with that in other countries might become possible. The Soviet economy was a huge experiment that used an entire socioeconomic system as the test bed. I believe that the potential of Soviet economic studies to contribute to the advancement of general economics is still large.

This project on Soviet monetary management was, in a way, a spin-off of a larger project on Russian historical statistics. This larger project is, in turn, part of an even larger project by Hitotsubashi University on Asian historical statistics, which includes 10 Asian countries, the Central Asian region, and Russia. I am deeply indebted to the head of the Russian historical statistics research group, Masaaki Kuboniwa, and the members of the group, Ken Ishikawa, Kazuhiro Kumo, Sadayoshi Ootsu, Masayoshi Shida, Manabu Suhara, Shinichiro Tabata, Tomoko Tabata, and Akira Uegaki, for discussions, comments, data, and information. I am grateful to Kyoji Fukao, Konosuke Odaka, and Osamu Saito, the project leaders of Asian historical statistics, for their comments and supports. I also thank Iikka Korhonen, director of the Bank of Finland Institute for Economics in Transition (BOFIT), for hosting me as a visiting fellow and for discussions and comments, and Laura Solanko of BOFIT for helpful comments and advice on Soviet foreign trade. Discussions with Prabir Bhattacharya, Phillip Hanson, Paul Hare, Stefan Hedlund, and Byung-Yeon Kim were indispensable. Special thanks go to Vice-Director

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This book is partially based on my previous papers: Chap. 3 uses “Productivity versus elasticity: a normalized constant elasticity of substitution production function applied to historical Soviet data,” *Applied Economics*, 47, pp. 5805–5823, 2015; Chap. 4 uses “Did the Soviet command economy command money? a quantitative analysis,” *Europe-Asia Studies*, 63(7), pp. 1133–1156, 2011; Chap. 5 uses “Soviet banking, 1922–1987: an analysis of Gosbank balance sheets,” *Comparative Economic Studies*, 55(1), pp. 167–197, 2012; and Chap. 6 uses “Money supply and foreign trade taxes in the Soviet Union: an international comparison using new Soviet data,” *Journal of European Economic History*, XLIV, pp. 85–120, 2015. Readers who are interested in the technical details of the methods and the data used in this book may consult the papers. I thank the publishers for their generous copyright arrangements. This work was financially supported by the Japan Society for the Promotion of Science (JSPS) Grants-in-Aid for Scientific Research (KAKENHI), Grant Number 15H01959.

Yokohama, Japan

Yasushi Nakamura

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Nakamura, Y.

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