

What is a Command Economy?

The economic system that often accompanies a Socialist or Communist government

In a dictatorship, decision-making is in the hands of a few, who use the economy in a manner which protects the state. In the case of the U.S.S.R., the government controlled production and prices in order to divert more money to the military and the development of weapons in order to compete with the U.S. in the arms race during the Cold War.

Decisions are made about the following:

- What to produce?
- Where to produce it?
- Who produces it?
- Who will be eligible to purchase it ?
- How much will be produced?
- How will it be produced?
- What will be charged for it?

Why have a Command Economy?

- Socialism and a Command Economy seemed like a good idea to people in Russia because, under the old Czarist regime, workers suffered in poor working conditions, and there was an unequal sharing of wealth.
- Many writers of the time wrote of this suffering and moved people toward change.
- Socialists and Communists organized from writings and championed change.
- Early advocates of the Command or Planned Economy included Karl Marx – German philosopher and writer. He wrote *Das Kapital* and *The Communist Manifesto*. In these writings, Marx referred to “Class Conflict,” which he said was,

“A struggle between workers and the capitalists, or owners. The only way to change this is for the worker to seize the control, as the owners would never give this power up.”

Elements of the Command Economy

Cooperation – Working toward a common goal, in theory the job is adapted to fit the needs of the worker. Although wages were pre-determined and could not be changed, if workers met their goals, they would be awarded a bonus for production. However, the production goals were often impossible to meet because of problems with supply chains and manufacturing.

Collectivization – The idea is that collectively you are stronger. By collecting your talents together in a cooperative effort, you will accomplish more.

Collective Farms – A Collective Farm in a command economy shares the talents of all on the collective to reach “common” goals, which have been delivered by the direction of someone above (the “Command”).

Public Ownership of Property – State ownership of all property allows for control of resources, including human labor. Central ownership will make the best use of the land. Where private ownership is allowed, it is restricted and secondary to the common land.

Equality – All members have the same opportunity to share in the wealth and produce of the land

Everyone has the same right to a defined “minimum” standard of living and job security for life, no matter how poorly they perform.

Salaries only meet the basic needs of workers, so many steal from their places of employment and sell the items on the Black Market to supplement their income.

Black Market – The illegal business of buying or selling goods in violation of restrictions, such as price controls or rationing

Purchase prices of goods on the black market are often many times the prices in government-run stores.

Kick-backs or Bribes – Routine way of doing business in Communist countries, in order to accomplish goals

Central Planning – A group of economic “experts” study the economy and recommend production needs and targets to the governing body

Certain sectors of the economy can be allowed to suffer in order that nation may make “planned” advances in other areas. Stalin’s commitment “Heavy Industry” at the expense of food is one example.