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# From *centrally planned* development to *human* development

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# Abstract

This paper examines the links between human development concept and the attempt to implement the communist project in the countries of the former socialist bloc. It argues that the human development performance of the socialist system, despite its beneficial outcome for the ‘working masses’, had little in common with actual human development. It met basic needs in education, health, and living standards. Under the socialist system development approaches were missing two major components of human development – freedom and agency. In this sense an emerging sense of agency in societies in the region is the major transformation outcome. The departure from centrally planned and state-dominated model of development was painful, expensive and took long time. In some countries it is still in process with uneven progress and moments of reverse. But the overall trend is clear and policies that encourage people someone to take responsibility, act and bring about change for improving their own welfare are the best long-term investment in human development opportunities. Still, major questions remain unanswered. The first is to what extent the current – market-based, consumer demand oriented – system is capable of going beyond those basic needs and combine economic growth with other human development dimensions? Has it already gone into the opposite extreme to that of the former communist utopia attempt – subordinating human development to consumer demand driven consumption? Answering these questions goes beyond the scope of the current paper but the socialist countries’ experience could perhaps provide some insights for the answers.

Keywords: human development, basic needs, Europe, Central Europe, Eastern Europe, Central Asia, USSR, CIS, transitional economies, freedom, agency.

JEL classification: P36, N30, O15, O52, P20

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## 1. Introduction

The birth of the human development concept coincided with the collapse of the socialist system. Was this just random coincidence or the history of the socialist experiment should be seen in relation to the evolution of the human development concept itself? <sup>1</sup> To a certain extent the very collapse of the old system of political and economic governance with its underlying ideology made possible the rapid rise of human development from an academic concept into comprehensive development paradigm. In that line of argument until 1990 the ‘sclerotic body’ of the old communist ideology was in fact blocking the emergence of human development as a new paradigm. The attribute ‘human’ and ‘humanistic’ had been seized by the communist ideology and the collapse of the system cleared the scene in that regard.

But was it all that simple? The old system had been delivering in many aspects that are important from a human development perspective. After its collapse, the countries that used to be part of the communist project experienced profound negative backslides in regards levels of human development. The way in which (and the degree to which) human development has been internalized in Europe and Central Asia and translated into policies is also largely linked to the complex relationship between the communist experiment and human development.

All this makes the issue of human development genealogy and its links to the communist period quite relevant, both from an historical and current policy perspective. From the historical perspective it is worth asking why human development as a separate development paradigm didn't

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<sup>1</sup> The ‘socialist experiment’ took on various institutional guises. The most prominently exposed (and studied) was the Soviet- Yugoslav-type socialism in Eastern Europe. When referring to ‘collapse of the socialist experiment’ analysts usually mean ‘collapse of the socialist experiment in Soviet Union and Eastern Europe’. However apart from this attempt to construct new type of social relations, there were (are) other attempts as well. These include three other groups of projects. One is the West European social democracy (labeled as ‘revisionism’ by orthodox communist ideology)—of which the concept of social inclusion can be seen as a descendent. Another (perhaps the biggest in terms of population coverage) is socialism in developing countries (which is still going in some places—Cuba and North Korea being prominent examples but including perhaps Libya and China, at least to the extent of political system and the constitutional role of the communist party. Finally, socially-oriented cooperative communities/sub-national governance structures can be also considered as attempts to implement socialist principles (e.g., Kerala in India but not exclusively). The analysis refers only to the first group of countries – former USSR and Eastern Europe (where actually the attempt to construct the ideal society failed).

emerge, say, in the 1950s or 1960s? Was it due to lack of demand for it – or lack of conceptual, ideological and political space occupied by the socialist ideology? What was socialist period's performance in regards to human development?

These questions have also current practical implications today. The economic crisis triggered by excessive debt-fueled consumption on a global scale has put into question certain basic assumptions about the self-regulatory nature of market economies, repositioning the question, 'Was the socialist centrally-planned system that bad in terms of human development achievements?' from marginalized rhetoric of 'crypto-communists' into practical political agendas. These questions receive new meaning (and new options for response) in globalized economies and societies when magnitudes of disparities and exclusion in some cases reach levels similar to those in pre-revolutionary situations a century ago when the practical implementation of the socialist experiment took off.

The current paper doesn't claim to provide answers to all those questions. Its objectives are rather to encourage a different view on seemingly obvious issues. At the beginning the paper sketches a model of the major features of the society defined as 'socialist' to analyze it from the perspective of 'conduciveness to human development'.<sup>2</sup> We deliberately do not go here into debate on the distinctions between 'core USSR' on the one hand and the rest of the socialist system. The reason is the sheer diversity of each national context and attempt of national (in some cases even local) application of the general model. We assume that this model cuts across specific national contexts being prominent with various degrees in different political, cultural and economic contexts. That degree defined as 'proneness to adopt the socialist model' is highly and correlated positively with the complexity, length and overall costs of transformation later on.

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<sup>2</sup> The sketch is deliberately schematic and in some cases metaphoric thus far from traditional political sciences analysis. It is done like that on purpose. On the one hand, some of the features of the old system can be comprehended only if taken less seriously and with certain sense of humor (this is perhaps a major reason why investigating socialist period's anecdotes can be extremely instructive). On the other hand, in the authors' view, a lot of the socialist classics' works verge on metaphoric statements and part of the problem with the communist project implementation attempt was that they were taken – and implemented – too literally (or in 'dogmatic way' as the old communist jargon would put it).

## 2. Communism or socialism?

What did the people in Central and Eastern Europe experience in the years often defined as ‘totalitarian rule’? This is not an abstract question. In orthodox Marx-Lenin’s theory and subsequent political practice communism was to be the classless society still to come. It was denoting the long-term perspective, life in the future tense while ‘socialism’ was supposed to be the introductory phase to it. Socialism was the reality – now and here; communism was the ideal – almost there, already ‘seen on the horizon’ but never reachable.

In western (and Anglo-Saxon in particular) political science terminology these societies and political systems were commonly referred to as ‘communist’. One reason was perhaps simplicity (to avoid translating the distinctions between ‘socialism’ and ‘communism’ as seen by Lenin’s interpretation of Marx’s theory). Another was to distinguish between ‘socialist’ and ‘social-democratic’ tradition and political parties in Western Europe from their communist counterparts (actively involved in political life and in countries like France and Italy – represented in the parliaments and influential in the post-World War II period). As a result certain confusion was introduced. Thus the same term ‘communism’ was used to denote different meaning. For westerners it meant the current totalitarian reality in the East; for easterners (the people experiencing this reality on daily basis) it was actually the constantly elusive future.

In the current paper we use the term ‘socialism’ to denote the society functioning until 1990 and ‘communism’ to denote either the project that was supposed to be implemented or the set of ideological prescriptions/dogmas under implementation.<sup>3</sup>

Westerners turned out to be right – communism did take place – although partially and in a different form its common reflection on the subject. It took place in 1918-1921, in the brief period of ‘war communism’ introduced after the October revolution in Russia.<sup>4</sup> The common theory tells us that it

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<sup>3</sup> For detailed analysis of the evolution of Marxists theory see Kolakowski (1978).

<sup>4</sup> For the determinants and outcomes of the war Communism see Zimbalist, A., H.J.Sherman and S.Brown (1984: pp. 106-112)

worked sufficiently well for winning the civil war by the Bolsheviks but proved unworkable beyond addressing the urgent task of military-style mobilization. It was abandoned in 1921 immediately after the end of Civil War when command approaches to economic challenges proved increasingly ineffective (not mentioning efficiency at all). The New Economic Policy that replaced the ‘war communism’ in fact brought back elements of the market.

‘War communism’ was abolished but not abandoned. In reality communism **was latently in existence** all the time since then, reemerging on regular basis in different forms, with different levels of implementation and different degrees of ‘proximity to the original design’. In fact the entire history of the USSR – and later on of Eastern Europe – can be seen as a history of competition of two mutually exclusive philosophies and economic systems (the ‘gold’ and ‘sword’ as Gregory Grossman put it<sup>5</sup>) brought together by different extreme circumstances, external or internal, real or invented and imposed on the societies by the political elites. In 1927 the New Economic Policy was abolished in another attempt to fight back against reemerging private segments in the newly-built societies setting a pattern: the entire soviet (and later – East European) modern history was in fact a struggle between the desire to implement the doctrinal theses (inscribed in classics’ works) and the reality of life proving on daily basis the incompatibility of the latter with people-centered life and individual choice.<sup>6</sup>

There are many examples that are indicative of this contradiction. One is the approach to labor power – is it a commodity (workers selling their ability to work) or not (as proletariats – the most progressive class – it can’t by definition). Another is the existence (and toleration) of extensive informal sector (‘second economy’) that was necessary to support the ‘formal’ system and make it

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<sup>5</sup> See Grossman (1966).

<sup>6</sup> This underlying contradiction between the market and the logic of the ‘command economy’ has been investigated in detail by Gregory Grossman (who introduced the very a term of ‘command economy’). See Grossman (1963). For a detailed overview of Grossman’s work see Ericson (2006).

work.<sup>7</sup> The list of such examples of ‘exceptions to the rule’ can be continued indefinitely actually proving that the exception was the rule and not the other way around.

A wide body of literature on the nature of the centrally-planned economies and mono-party rules exists. Their totalitarian nature and usage of overt repression has been documented. But the specific nature of the bond between individuals in society defined as ‘communist’ is often not adequately understood. The current paper is an attempt to position the standard political science interpretation into a broader people-oriented context.

### 3. Cogwheels and clocks<sup>8</sup>

A major characteristic of communism with direct human development implications was its mechanistic vision of the society and the assigned roles of the individual as part of this mechanism. Society was assumed to be mechanistic and predictable, possible to plan centrally. The anticipation of such ‘plannability’ was direct consequence of superficially sticking to the original communist doctrine that sets manageability as a major feature of the communist society derived from utopian ideas developed later by Marx. In this context the communist society is supposed to be a **mechanism**, something like a complex clock. Each screw and cogwheel has its own defined role and limited freedom (if any).<sup>9</sup>

According to the communist ideal model, private property doesn’t exist. The initial idea – lacking ‘private property’ – was reconciled with the reality (the existence of such) through the introduction

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<sup>7</sup> For the role of the informal system and the degree it was interrelated with the ‘command economy’ see Grossman (1965) and Lavigne (1999: p. 41-43). Its role was increasing with the rise of population’s expectation of improved living conditions. Shubin (2007) quotes official figures, showing that in 1979 individual small-scale family farms (*приусадебные хозяйства*) accounted for only 2.8 percent of areas, while accounted for 59 percent of potato production, 31 percent of vegetables, 30 percent of milk, 29 percent of meat and 33 percent of eggs.

<sup>8</sup> This section builds on some of the messages developed in Красен Станчев, Андрей Иванов, Крокодилът е позелен, отколкото дълг. Малка теория на революцията (in Bulgarian). Култура, issue 31 (1745), 31.07.1992.

<sup>9</sup> This approach is reflected in both Lenin’s obsession about redistribution, subordination, the approach to the society as ‘a single office and single factory’ (Lenin, *The state and the Revolution*). That vision was later materialized by Stalin in his GULAG economy. For detailed analysis of the degree and the nuances in which forced labor was integrated into the societal economic system in the period of industrialization see Gregory (2003) and Khlevnyuk (2002). See also Gaidar (2007).

of vague distinction between ‘private property’ over supposedly means of production and ‘individual property’ over goods of daily use – which in reality can be also used for value-added generation. But in reality Marx's idea of the socialization of property was realized in full through nobody's/anybody's state property and the moral acceptance of misappropriation (stealing) from the state was practical manifestation of the major communist predicament ‘everybody contributes according to his/her abilities and benefits according to his/her needs’.

Economically, these were state-owned (although nominally ‘peoples-owned’) economies,<sup>10</sup> with private ownership of assets limited to the unavoidable minimum, with extensive focus on heavy industry over the other sectors (light industry, agriculture, services). In practice it was a centrally-planned system producing chronic deficits, heavily focused on material production at the expense of innovation. Resource allocation was largely ideologically-driven – as was also the policy-making process.<sup>11</sup> Improving the class structure of the society was seen as an important objective and criterion for selecting heavy industry sites. Production by the proletariat was not less (or even more) important than of generation of added value, which explains why such behemoths appeared in resource-scarce locations – but in close proximity to intellectual centers (Nowa Huta near Krakow in Poland is one but not isolated example). As a result the system was insensitive to cost/benefits analysis and was chronically inefficient from orthodox economic perspective (it couldn't be because

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<sup>10</sup> It is important to distinguish again between different national ‘models of socialism’ in which ‘people's ownership’ over economic assets had different meaning – stretching from the Soviet-type state ownership to Yugoslav social (workers' councils') ownership. There were substantial differences between sectors as well (industrial and rural). In the case of the latter, reality was even more confusing being a mixture of approaches and practices. In USSR itself, nominally collective ownership (e.g., *колхозы*) coexisted with state ownership (*совхозы*). In most CEE countries land was not nationalized (private ownership was retained) but pooled into ‘collective farms’ or cooperatives. Collectivization in Central and South-Eastern Europe also varied in intensity in time (being forced in early 1950s and scaled back after 1956). The general pattern however was to retain state (e.g. party) control over assets using different instruments and subordinating the normative frameworks accordingly.

<sup>11</sup> One of the most disastrous political decisions taken by the Politburo of the Soviet Communist Party – the decision to invade Afghanistan in 1980 – was determined by the assessment of the Soviet leadership that the country has taken the ‘path of building socialist society’. As such it was falling into the category of eligible of direct international support including military disregarding strategic, economic or other considerations.

it was using its own definition of efficiency – ‘achieving the mandated objective disregarding the costs, financial, material or human’).<sup>12</sup>

In clock-like societies markets also cease to exist (another Marxist predicament). Instead of market coordination there is allocation by administrative mechanisms, in most evident form in 1918-1921 but maintained in veiled form also later on, throughout the entire socialist period. Without markets money is obsolete as well, which is also entirely in line with the communist doctrine. So-called money comes in the form of coupons for participation in distribution, or money-like lottery tickets whose nominal value is subject to random factors – luck (passing by the distribution point nominally called ‘shop’ in the moment when goods have been just shipped), residence (living in capital versus anywhere else), upcoming party congress or Great Date anniversary (although the latter were regular and predictable making possible individual commoditization planning).

Success of the individual in this society depends on his/her position in the system of distribution. Competitive market pressure was substituted for either permanent ‘security threat’ or soft incentives (*доска почета*). As a result the system was missing incentives for innovation, both at individual and company levels. Promotion patterns were either entirely within or closely related to the party hierarchy. Individual choice was superseded by the collective will embodied in the ‘leadership role of the party’. Even in cases when a multi-party system existed formally (like in central European socialist countries after the expansion of the socialist project after World War II), the ‘leadership role’ of the communist party was inscribed in the constitutions and the multi-party systems were part of a complex ritual with determined outcome.

In a clock-like mechanism individual elements have no interests except that of the entirety (if individual interests emerge, they block the mechanism as a sudden expansion of a cogwheel beyond its correct size would block a clock). Thus there is no need of mechanisms to articulate and defend

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<sup>12</sup> It is also indicative that in Russian language at least until the end of the 1970s ‘effectiveness’ and ‘efficiency’ were being denoted by one term, symbiosis of both – *эффективность*. The issue however is not of linguistic nature. The very concept of efficiency was alien to the command nature of the socialist economy with its focus on physical indicators and obsession with ‘balance’.

individual interests. Interests are replaced by roles. Policy (and politics) is reduced to performance and rituals. The individual choice is the choice of a particular role in the performance. Unwillingness to participate in the show is being punished by direct repression at the initial phases of the socialist project but over time with socialism ‘maturing’ the individual roles are being internalized and accommodated into dual reality – official and private.

The communist determination (the deep belief that ‘communism as the Just Society and future Eden is possible and in the making’) had profound impact on people’s attitudes and perceptions. Even in times of Stalinist repressions (and even among those repressed) the belief in the possibility of such system was paramount. The obvious contradiction between theory and reality was explained by either mistakes of growth or isolated flaws in implementation of the otherwise perfect design – but never as its fundamental flaw. Moral relativism (attributing human rights and justice not universally but according to class affiliation) was particularly helpful for reaching psychological comfort and reconciling the claim of being ‘the most human of all systems’ with the reality of concentration camps – ‘class enemies’ were simply not considered as human and thus the loss of this human life was not considered ‘human loss’).<sup>13</sup>

With communism constantly ‘on the horizon’ the concept of opportunity cost was alien to socialist ideology – what opportunity cost when there is no alternative to communism? This ‘no opportunity cost’ framework was reinforced by the sense of living for the future – tomorrow matters, not today (and thus today’s human suffering is discounted against the marvels ‘on the horizon’). Living in future tense in combination with the ‘feeling of legitimate pride’ (*чувство законной гордости*) of the ordinary soviet people was also important safety value for diffusing social tensions, compensating for the daily shortages and difficulties of meeting even basic needs.<sup>14</sup>

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<sup>13</sup> The phenomenon is best understood through classic literature and not academic analyses. See Dostoyevsky’s ‘*Бесы*’, Андрей Платонов’s ‘*Котлован*’, Alexander Solzhenitsyn’s ‘One Day in the Life of Ivan Denisovich’ and ‘GULAG Archipelago’, Василий Гросман’s ‘*Жизнь и судьба*’.

<sup>14</sup> Another famous soviet anecdote says it all:  
A chukcha is being interviewed to become a member of the communist party.  
- What feelings were working people of Chukotka experiencing before the revolution?

The mono-party rule is also well-known and widely described but usually with a focus on authoritarian mechanisms of decision-making. Even more important however was the paternalistic nature of that rule. The individual has been taken care of by the state (the Party, the Leader) and thus largely released of the burden of responsibility. In fact, the desired role of the individual was that of a nail in the system or a simple cogwheel in the complex mechanism.

Human societies however are not clocks; they tend to resemble clouds.<sup>15</sup> They experience storms and lightning, rains and droughts; they can expand and squeeze, have highs and lows, and usually behave in rather unpredictable manner constantly deviating from the initial design. This constant deviation was accompanying the entire attempt to materialize the communist project.

Applying the clock/clouds metaphor indeed helps us to understand the way communist societies worked and the role ascribed to the individual in them. The socialist experiment (building communist society) was an attempt to transform a cloud into a clock. A necessary precondition in that regard is indeed transforming the role of the individual into cogs and wheels meaning primarily high level of discipline of individual elements.<sup>16</sup> This can (has been) achieved in two ways – through coercion (imposing the discipline externally through fear and repression) or through self-disciplined (by adopting the belief that belonging to the clock mechanism is the historically right choice). Both result in a set of rituals shared and internalized by individuals (individual *Homo Sovieticus*) to different degrees. Some honestly believed in the ritual (and whole-heartedly participate in it); others are aware of and fear the consequences of dissent (and just participate). The share of the former group progressively diminishes as life achieves more and more signs of normality and as knowledge and information spreads.

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- The feeling of cold and the feeling of hunger.
  - And what feelings they experience now?
  - The feeling of cold, the feeling of hunger and the feeling of legitimate pride.

<sup>15</sup> The comparison between clocks and clouds introduced by Karl Popper is strikingly adequate for describing the evolution and collapse of the socialist experiment. See Karl Popper, 'Of Clouds and Clocks,' in *Objective Knowledge: An Evolutionary Approach* (London: Oxford at the Clarendon Press, 1972), 206-255

<sup>16</sup> Evgeny Zamiatin's anti-utopia 'We' is a persuasive illustration of this phenomenon.

The clock metaphor is also useful in responding to the question regarding inclusive aspects of the old system. The cogs are included into the clock by default. Similarly the old society was inclusive of those who shared its principles and followed the rituals (at least nominally). The others were not considered as part of the society and not counted thus easily achieving rate of social inclusion of 100 percent. Those ‘others’ were either treated as ‘alien class elements’ smashed by force or as some kind of ‘defective individuals’ (homosexuals, people with mental disorders, with other disabilities) who were subject to either ‘reeducation or isolation’.<sup>17</sup>

Participating in the ritual was the major determinant of inclusion and a major internal cohesive force of communism. At certain moment however a critical mass of people is not sufficiently afraid anymore and ceases participating in the rituals. That moment marks the end of the socialist project – and this is also the explanation why actually communism collapsed so abruptly. Simply put, there are not enough people to believe – or pretend they believe.<sup>18</sup>

Of course, the pattern outlined above is schematic – and deliberately so in order to illustrate the role and implications of belief and rituals in the implementation of the communist project. The flip side of the story is the historical perspectives and lessons learned (both by societies and the political elites) in the process of the system’s ‘maturing’. Different models of socialism and its reform (Yugoslav, Polish, Hungarian, and Czechoslovak, to mention just the most prominent ones) tested various approaches to and combinations of market and state in the economy as well as various degree of tolerance of ideological and political descent. Market coordination and private ownership (mostly of land in agriculture but also of productive assets in small scale manufacturing) never really went away. As a result of the persistent attempts of reforms and ‘pushing the boundaries

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<sup>17</sup> The approach to disabilities is good illustration in that regard. The standard definition (still) used is ‘invalids’ – people that are not ‘valid’. It has explicit connotation of non-existence and non-belonging to the otherwise bright project. It is not accidental that long after the WW2 there were no disabled people on the streets of Moscow and other big cities – not because war didn’t disable permanently hundreds of thousands but because their image was inconsistent with the new socialist reality and thus those people were kept away from public eyes.

<sup>18</sup> The analysis of Hoffer (1951) is particularly helpful in understanding the internal cohesion of communist societies as a society based on belief.

further', by the 1980s, countries like Hungary and Poland were somewhere in the middle between the typical Soviet model and western-type market economies (which explains their transformation success stories).

The communist *nomenklatura* was evolving and internally diversifying as well. The diversity of models of socialism had its inevitable reflection in diversity of views on its perspectives. The feasibility of 'peaceful coexistence' between plan and market (increasingly apparent in the 1970s and 1980s) led to similar hypotheses in regards to party elite, which was increasingly dominated by technocrats convinced that they could transform their political capital into economic capital. That's how the declining fear from the formerly-omnipotent system in combination with increasing cynicism among part of the nomenclature willing (and ready) to seize the opportunity of reincarnation in the new market-based economy brought about the systemic change in the region. The keyword here is 'combination', which also explains why the system didn't collapse abruptly elsewhere.

#### **4. What development? Basic needs**

Seen from today's perspective it may be amazing how such a society could work – and be maintained for decades. And still, it did. Even more: twenty years after its collapse it still has its fans and supporters. Why the communist idea had such strong appeal? In order to answer that question a human development lens should be used – both to understand its origins and its performance.

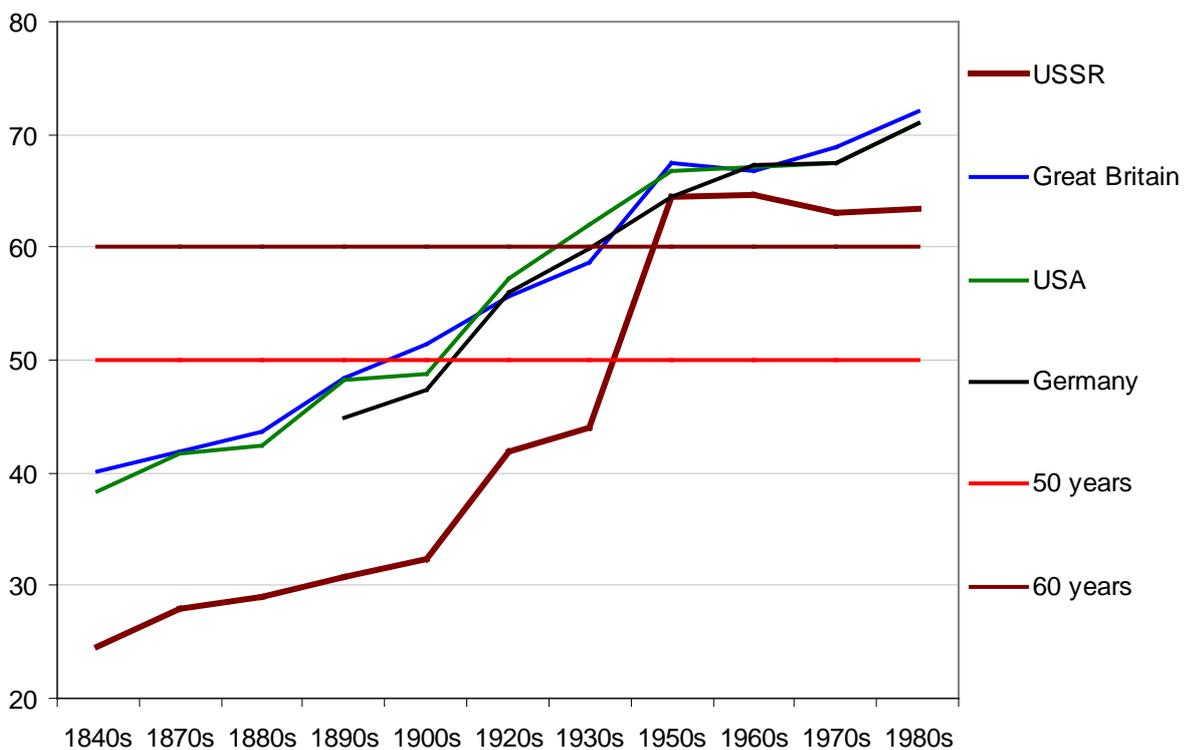
From human development perspective, it is worth remembering that the attempt to realize the communist utopia<sup>19</sup> succeeded in a society 56 years after the abolition of serfdom, heavily rooted in traditional values, marked by deep social cleavages. In these conditions the idea of a society ruled by a monolithic party speaking the voice and advocating the needs of the masses is quite appealing.

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<sup>19</sup> See Aleksandr M. Heller and Mikhail Nekrich, 1982.

The alternative to mono-party centrally-planned pattern of development – parliamentary democracies with autonomous market agents – was rather irrelevant from this perspective. Why maintain a parliament (whose purpose is to build consensus between different interests) when the interest is one – meeting basic needs? Why need civil society or rule of law when ‘we are all equal in our poverty’ and the major law was that of class struggle? That was the Russian society prior to the October revolution (which actually broke out on 7<sup>th</sup> November 1917 new style calendar). Figures 4.1-4.7 provide an idea of the human development gaps the pre-revolution Russia was facing and the dynamics of ‘catching up’ by the USSR.<sup>20</sup>

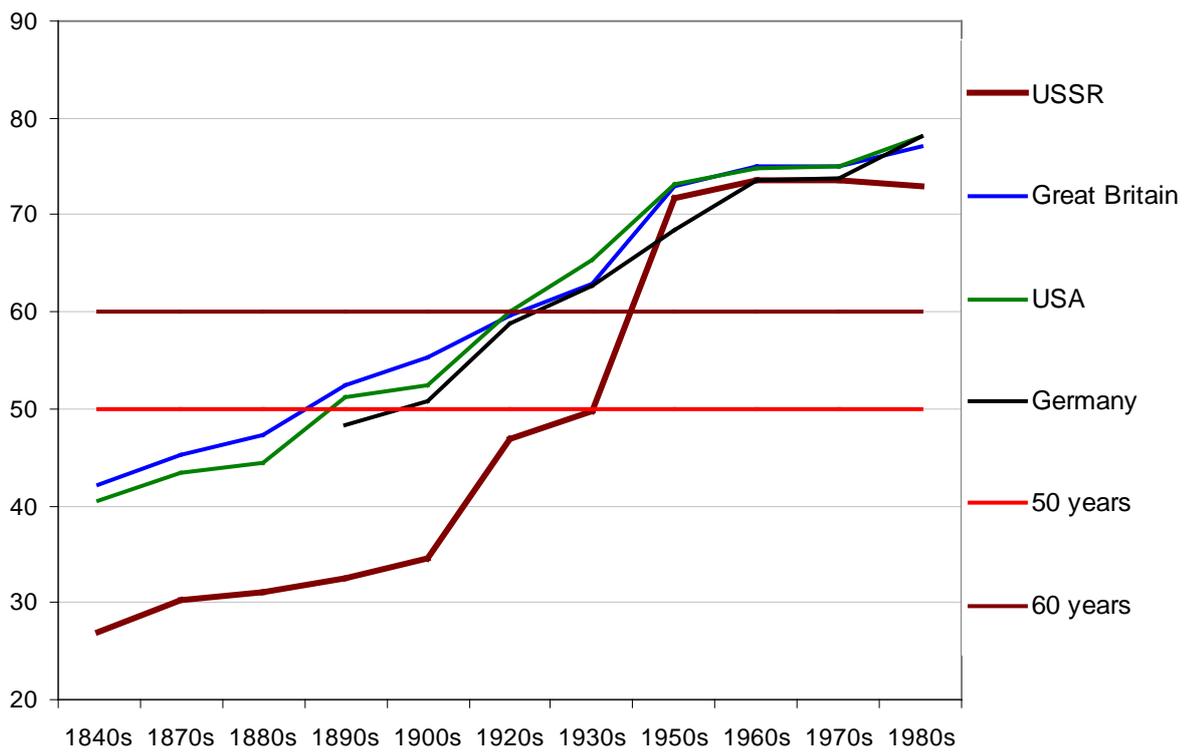
**Figure 4.1. Male life expectancy at birth, years<sup>21</sup>**



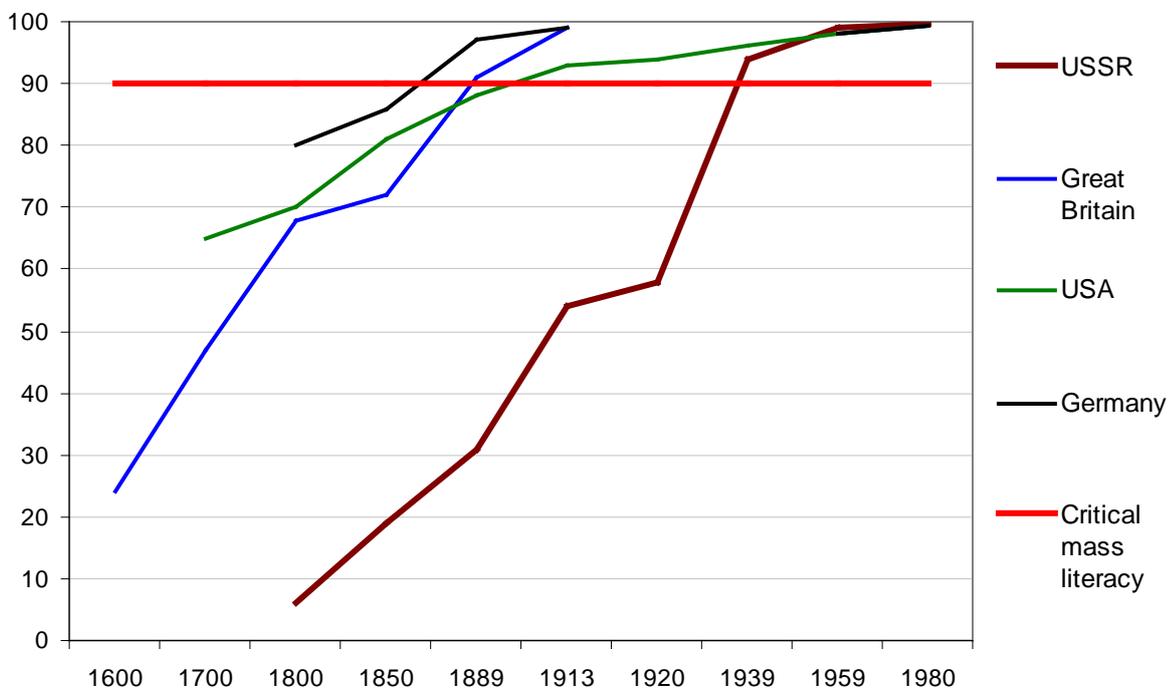
<sup>20</sup> Graphs 4.1-4.6 are based on Mironov B.N., 1991. USSR stands for Russian Empire in pre-revolution years. Graph 4.7 is based on A. Maddison, 2006. The World Economy: historical statistics. OECD, 2006. In Graph 7 twelve Western Europe states include Austria, Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Sweden, Switzerland, United Kingdom; seven East European Countries include Albania, Bulgaria, Czechoslovakia, Hungary, Poland, Romania, Yugoslavia.

<sup>21</sup> In historical charts label USSR in pre-revolution years refers to the Russian Empire.

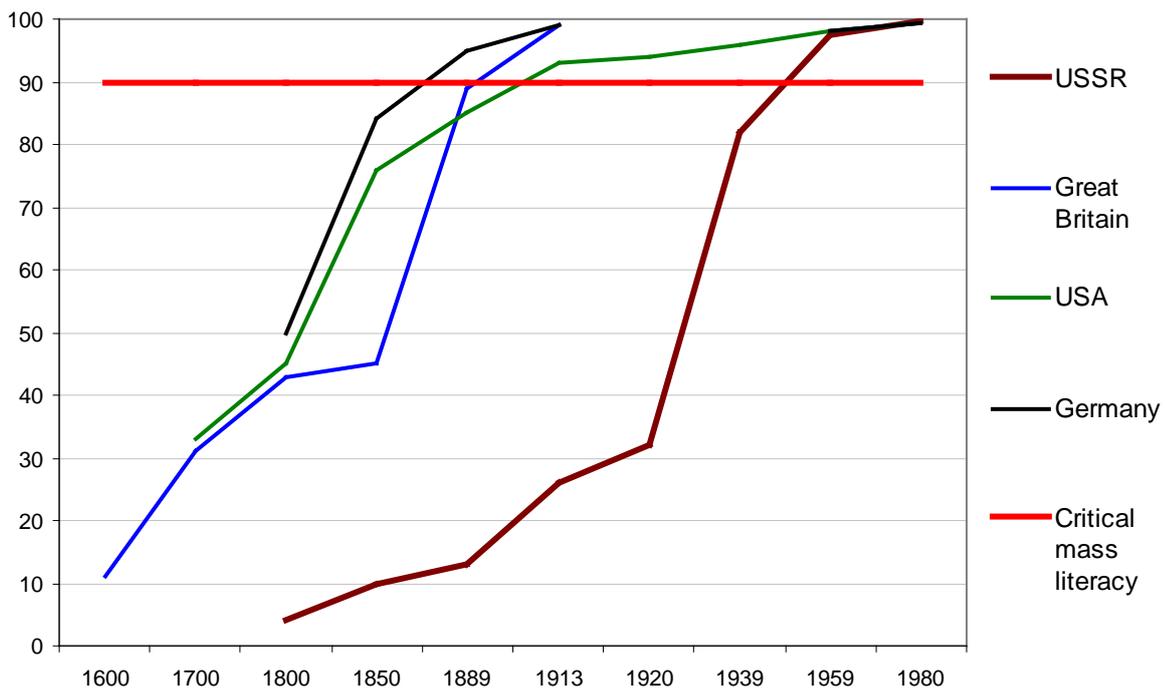
**Figure 4.2. Female life expectancy at birth, years**



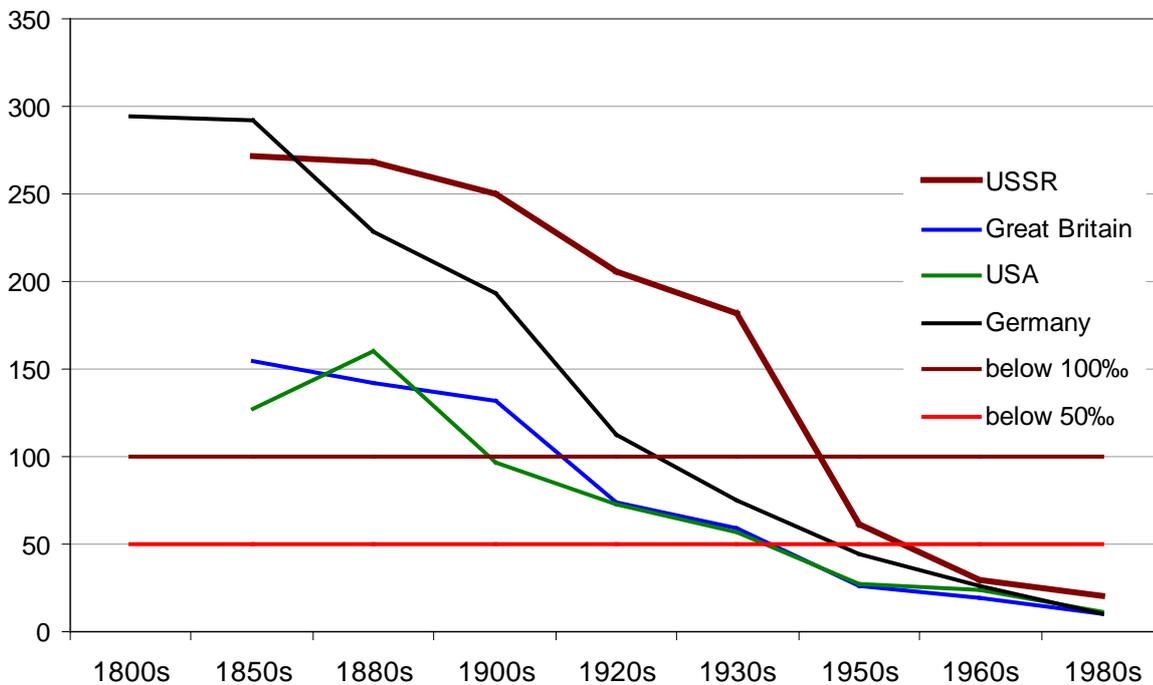
**Figure 4.3. Male literacy rate**



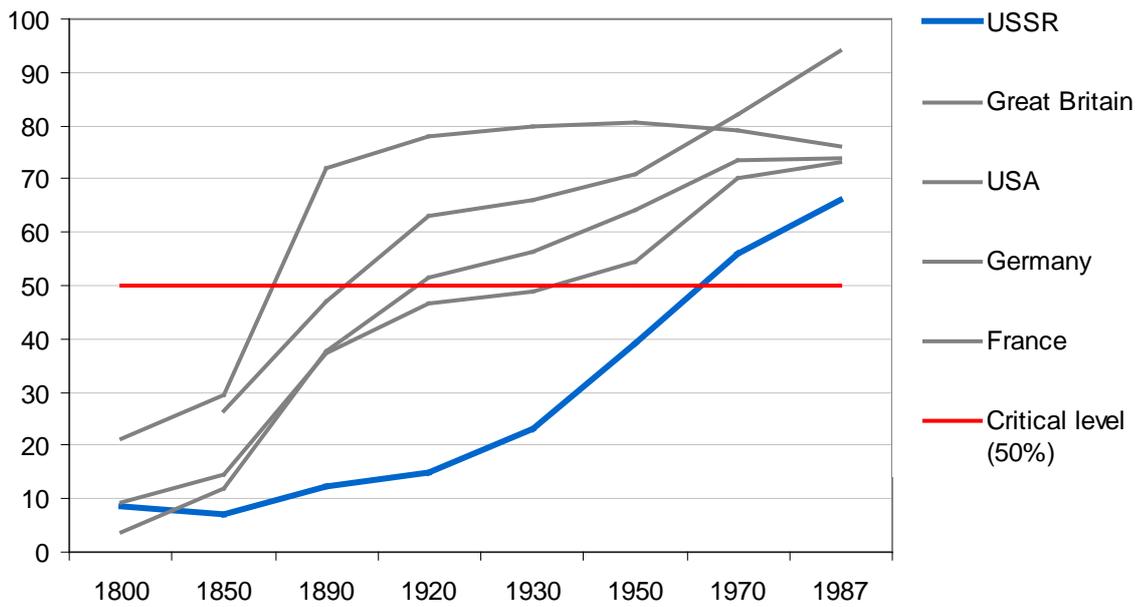
**Figure 4.4. Female literacy rate**



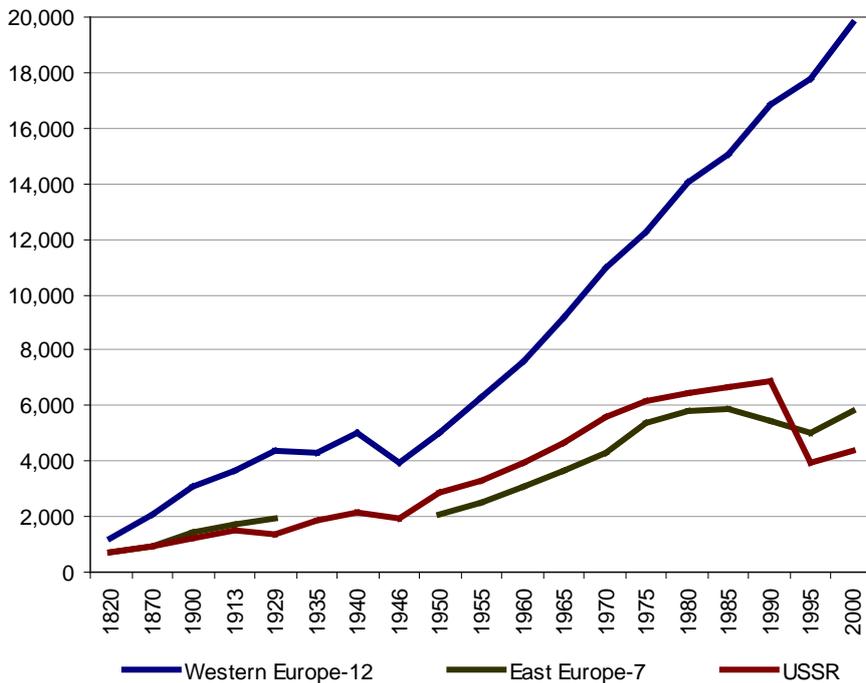
**Figure 4.5. Crude infant mortality rate, per 1000 inhabitants**



**Figure 4.6. Share of urban population**



**Figure 4.7. Per capita GDP (1990 International Geary-Khamis dollars)**



The consistency between the level of sophistication of the task and the response mechanisms is known from a systemic approach. What is often been missed is the adjustment mechanisms due to which the simplicity (obvious nature, clarity) of the task was promoting similar simplicity

(simplification, primitivization) of response mechanisms. This simplicity was more appealing in traditional societies exactly because of the consistency between challenges and mechanisms, which is also one of the major reasons behind the communist ideology's appeal for post-colonial societies facing the challenge of modernization and the task of meeting **basic needs**.<sup>22</sup> With progress in that matter (regardless of the pattern in which it was achieved and its costs) the relative appeal of the ideological simplicity diminishes – and the public conscience becomes more open to human development language and concepts.

Yes, the former system was nominally human-centered and human-oriented. It was promoting brotherhood, equity, justice and equal opportunities. Human dignity was supposed to be at its core and the fact that these ostensibly human-centered objectives were sometimes pursued by non-humane means (including overt repression) was seen as a minor detail. Ideologically and politically, the system claimed the role of the 'most human of all possible systems' and prided itself on protecting human values against 'bourgeois exploitation'. The former socialist bloc's public space was littered with 'human' terminology and slogans in all possible variations reflecting some basic building blocs of socialist ideology. But it was about an abstract human, the one from the poster being dragged through the Red Square on 7<sup>th</sup> November manifestation. It was not the individual citizen because the latter was diluted in the collective body.

Here we come to the first important conclusion regarding the human development performance of the socialist system. Even assuming its beneficial outcome for the 'working masses' (it is highly questionable for the 1920s and 1930 given the human toll of collectivization, forced

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<sup>22</sup> The competition in that matter between 'Marxist Leninist development' and market based approaches to development is illustrative. The 'Basic Needs' concept was articulated by the International Labour Organization (ILO) in 1976 – the time when the socialist system was just starting to experience decline in growth rates and was still appealing in hearts and minds of post-colonial societies. See ILO (1976: p. 15)

industrialization and repressions but is acceptable for the 1960s and 1970s), it had little in common with human development. It was meeting **basic needs** in education, health, living standards.<sup>23</sup>

The data summarized in tables above indeed illustrate the USSR's progress in major human development indicators. What they do not visualize are the two major components of human development that were missing – freedom and agency.

## 5. Freedom and agency

The role of the cogwheel is inconsistent with human development. The communist ideal in its pure form was providing the cogwheels with resources to meet their basic needs. Adding agency and freedom is Sen's contribution that goes beyond simple development economics. Cogwheels are not free – even if their needs have been met and the mechanism well oiled. Similarly, the individual whose will has been diluted in the collective is not an agency even when the members of that collective totally identify themselves with it. In other words, they did not have 'the substantive freedoms he or she enjoys to lead the kind of life he or she has reason to value'<sup>24</sup>; instead they had no choice but lead a way of life they have been expressively persuaded is the only one they have a reason to value. In other words, it was done on their behalf and the only possible alternative was non-participation, internal dissent (*отказничество*).

This conclusion explains the appeal of communist-type projects in societies facing earlier challenges of modernization (and thus the task of responding to their populations' basic needs). The moment when the vision of individual well-being and liberties become 'decollectivized' and the formerly ideologically-driven societies lose their internal cohesion, these societies start cracking. This brings us to the second conclusion: normality (losing the leverages of emergency pressure

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<sup>23</sup> Analysis of HDI trends in 93 countries for the period 1970-2007 suggests that poorer countries see a faster increase in their HDIs than richer countries – largely attributable to drops in child mortality rates and increases in literacy. See Klugman, J., Scott, T. (2009: 17) and Molina, G.G., Purser, M. 2009.

<sup>24</sup> Sen (1999: p. 88).

mobilization) deals the decisive blow to socialist doctrine and its attempt at materialization.<sup>25</sup> Or, put in a different way, the collapsing socialist project opens the way to the human development paradigm. It's almost a remake of Lenin's slogan prior to the October revolution: yesterday (when meeting basic needs was on the agenda) it was too early; tomorrow (when societies go beyond their immediate material concerns) it will be – might be – too late.

The argument works also in reverse. The collapse of the former system can be attributed to improved levels of human development – the moment a critical mass of people turned from cogwheels into individuals with agency, the old system collapsed. Again, following Marx's theory, the old rule bred its own negation.

So why former socialist countries score so well in regards human development? The answer is simple: they score well in regards to meeting basic needs, not human development. Which brings us to the last conclusion: all those 20 years we are promoting an index – HDI – which is in fact BNI (Basic needs Index). Sure, it's better than GDP as a gauge for measuring progress of societies – but we must admit, it's not HDI...

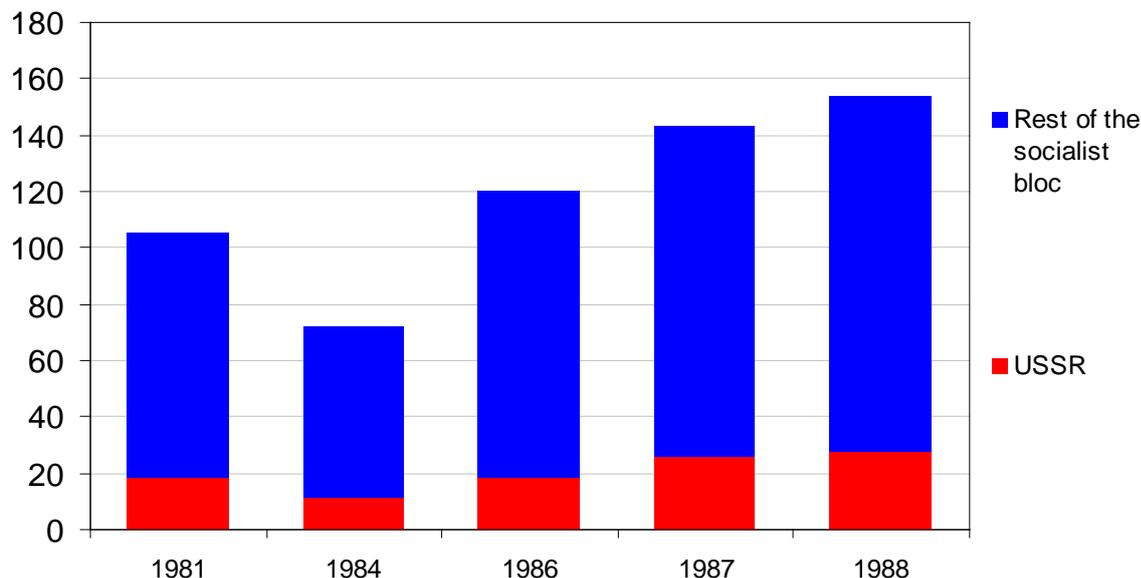
As to the question how the old system managed to strive, the answer is 'at huge cost'. It was capable of maintaining itself only with huge resources and inflow of technologies reflected in increasing indebtedness in 1980s. Figure 5.1 summarizing data on foreign debt dynamics in 'socialist camp' countries illustrates the simple message that the communist project was simply not sustainable economically and was in need of permanent inflow of resources (and this is only partially due to its unaffordable social protection and social spending not matched by respective levels of productivity<sup>26</sup>).

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<sup>25</sup> The statement above is equally applicable both to Europe and China or other post-socialist countries. They simply witnessed different pattern of departure from socialist project – accompanied by dissolution of an empire (USSR) or establishing a 'state capitalist' system under the auspices of the party-state (China). North Korea is another proof in that regard sticking to the old ideological framework – and inevitably resorting to an external threat as means for societal mobilization.

<sup>26</sup> This is what Janos Kornai has called 'premature welfare states' (Kornai, 1992). The real picture of aggregated debt (borrowed living standards) is much more staggering given the complex multi-layer system of allies subsidization through preferential pricing of energy resources or other commodities export. This policy started after the first cracks in

**Figure 5.1. Net foreign debt of socialist countries, bln US\$**



The system was effective in extreme circumstances like winning a major war or sending a man into space – following exactly the pattern of the war communism of 1918-1921. But it was never efficient and was not capable to routinely innovate and modernize and started falling apart in periods of normality, when costs and efficiency became increasingly an issue. This was particularly the case when knowledge and innovation started emerging as a major driver of economic growth and progress of societies in general. As any cogwheel society, it is capable of performing, not reforming. The dynamics and constant need of innovation of post-industrial age makes cogwheel societies increasingly uncompetitive (or competitive at an increasingly high price).

## **6. Lost in transition**

The data outlined above explain why the communist project was appealing for societies facing the challenge of meeting basic needs. But it still doesn't explain the nostalgic attitudes among

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the system after 1956 with preferential grain exports to Poland and other Warsaw pact members and continued for various commodities until 1980s. See Gaidar (2007).

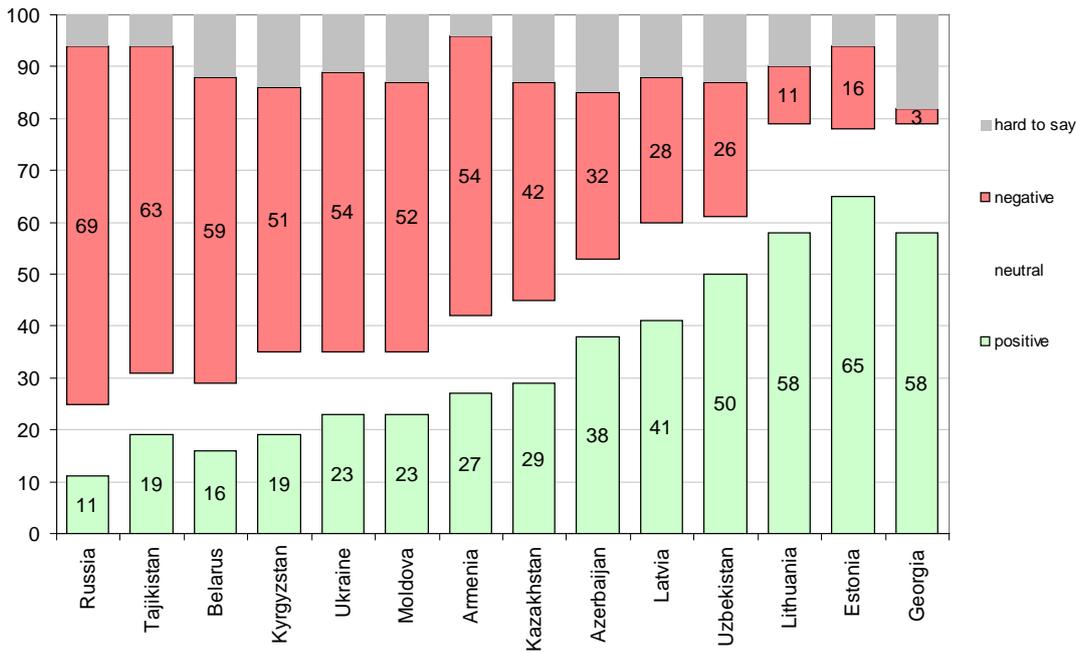
significant number of citizens of the former ‘socialist camp’ even two decades after its collapse. Fading memories of the oppressive nature of the old regime is one commonly used explanation. Lack of personal experience with the repressive or aspects communism or its notorious shortages (when it was taking heroic efforts to secure every-day living) is another. Both of these explanations seem to be missing important aspects of ‘the old system’s hype’.

In order to understand it, we need to look in-depth into what was lost – and what was gained – during the transition. Figure 6.1 summarizes the attitudes of the population of countries – former USSR republics – towards its collapse registered by Wave 11 of representative Eurasia Monitor survey. Not surprisingly, the highest share of negative attitudes towards the collapse of USSR is found in Russia and Belarus while the lowest – in Georgia, Lithuania and Estonia. Figure 6.2 correlates these attitudes (namely the difference between the share of those assessing positively and negatively the collapse of the USSR) with GDP per capita. It generally suggests that the nostalgic attitudes are prevalent among societies with low GDP. Russia’s notable exception (combination of high GDP per capita and high levels of nostalgia) can be attributed to ‘collapse of the empire’ phenomenon. Belarus is the second similar case, most probably due to the delayed political reforms and preferential terms of trade with Russia. The exceptions on the opposite side of the spectrum are Uzbekistan and Georgia.<sup>27</sup> Figures 6.3 and 6.4 test the correlation between USSR nostalgia and major human development indicators – life expectancy and secondary level gross enrollment rate. The correlation is statistically significant.

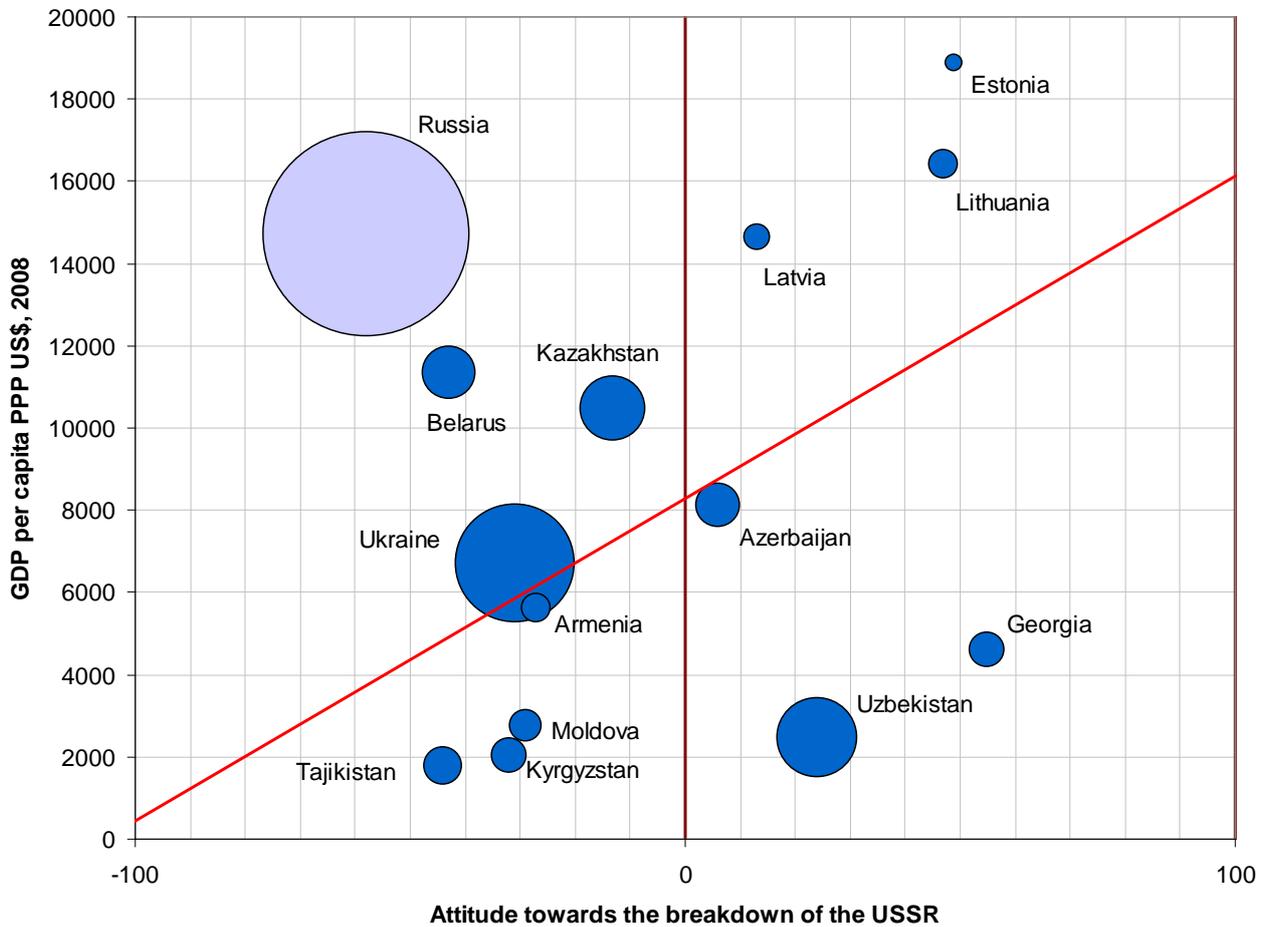
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<sup>27</sup> For graphs 6.1-6.4 perception data are taken from Eurasia Monitor. It uses methodology similar to European Barometer to estimate perceptions in the countries of former USSR. The project was initiated in 2004 by a number of sociological research groups from the countries of the former Soviet Union, including VCIOM in Russia (<http://www.eurasiamonitor.org/eng/about/participants.html>). The study is conducted in waves devoted to particular topics. Wave 11, conducted in mid-2009 looked on the issues of perception of Soviet history. The socio-economic data is taken from the WB WDI database.

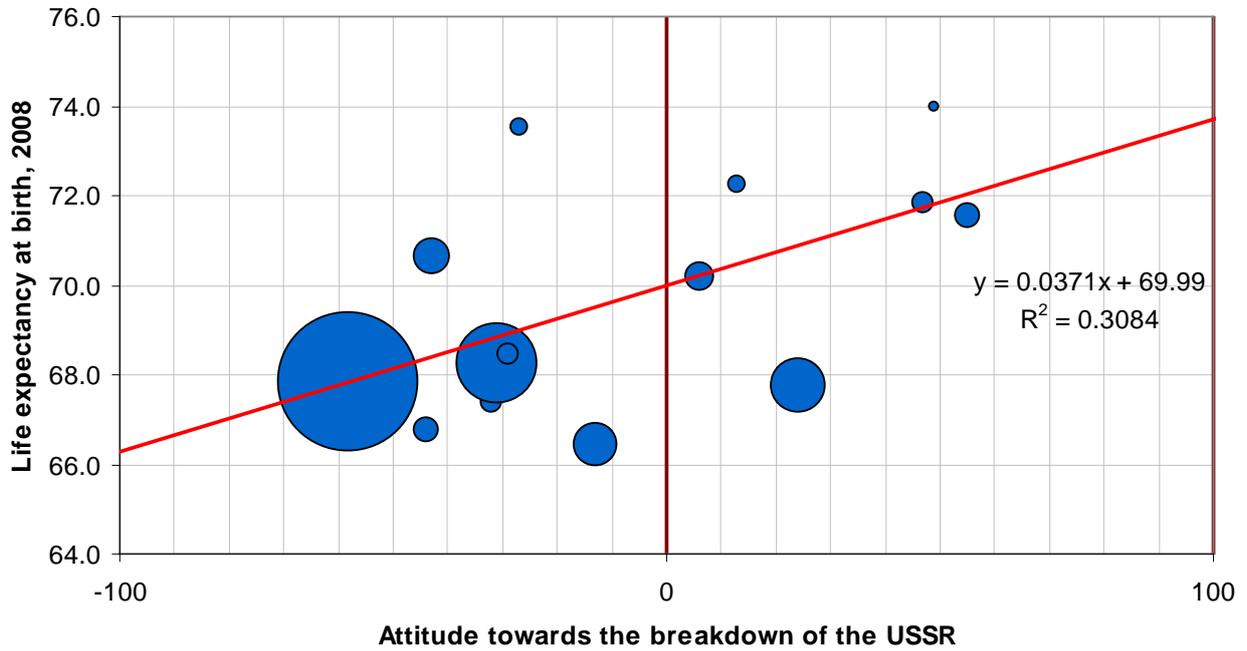
**Figure 6.1. Attitude towards the breakdown of the USSR**



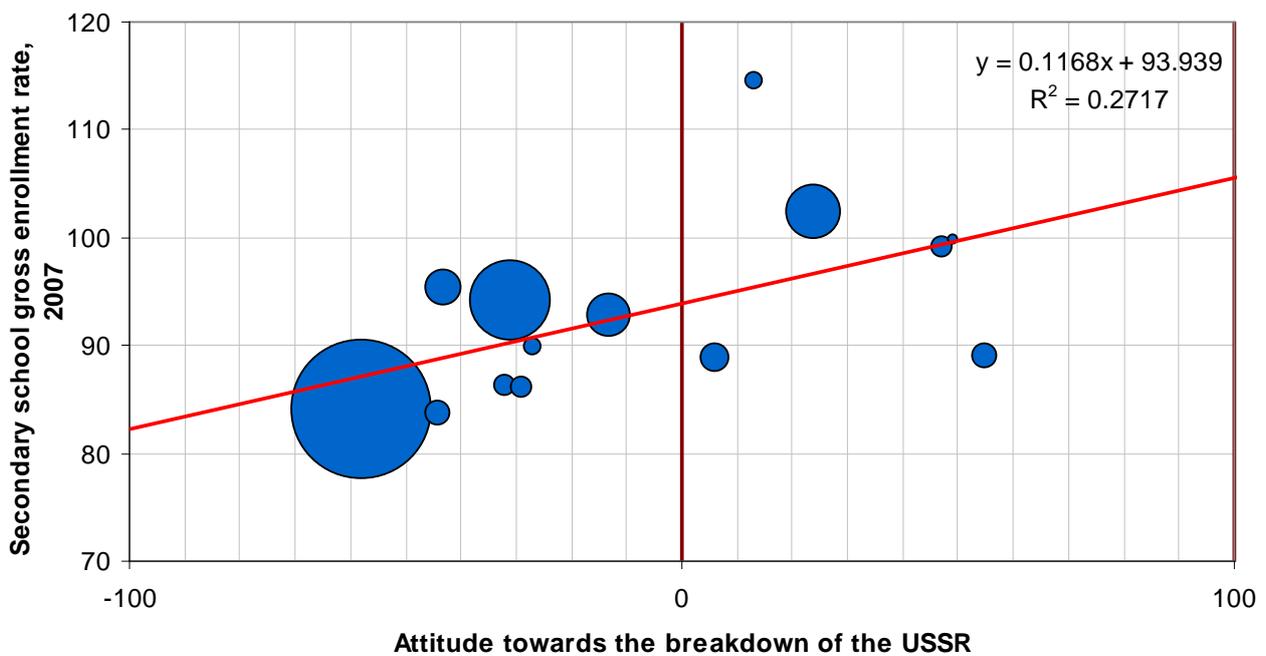
**Figure 6.2. Attitude towards the breakdown of the USSR by GDP per capita, weighted by population**



**Figure 6.3. Attitude towards the breakdown of the USSR by life expectancy at birth, weighted by population**

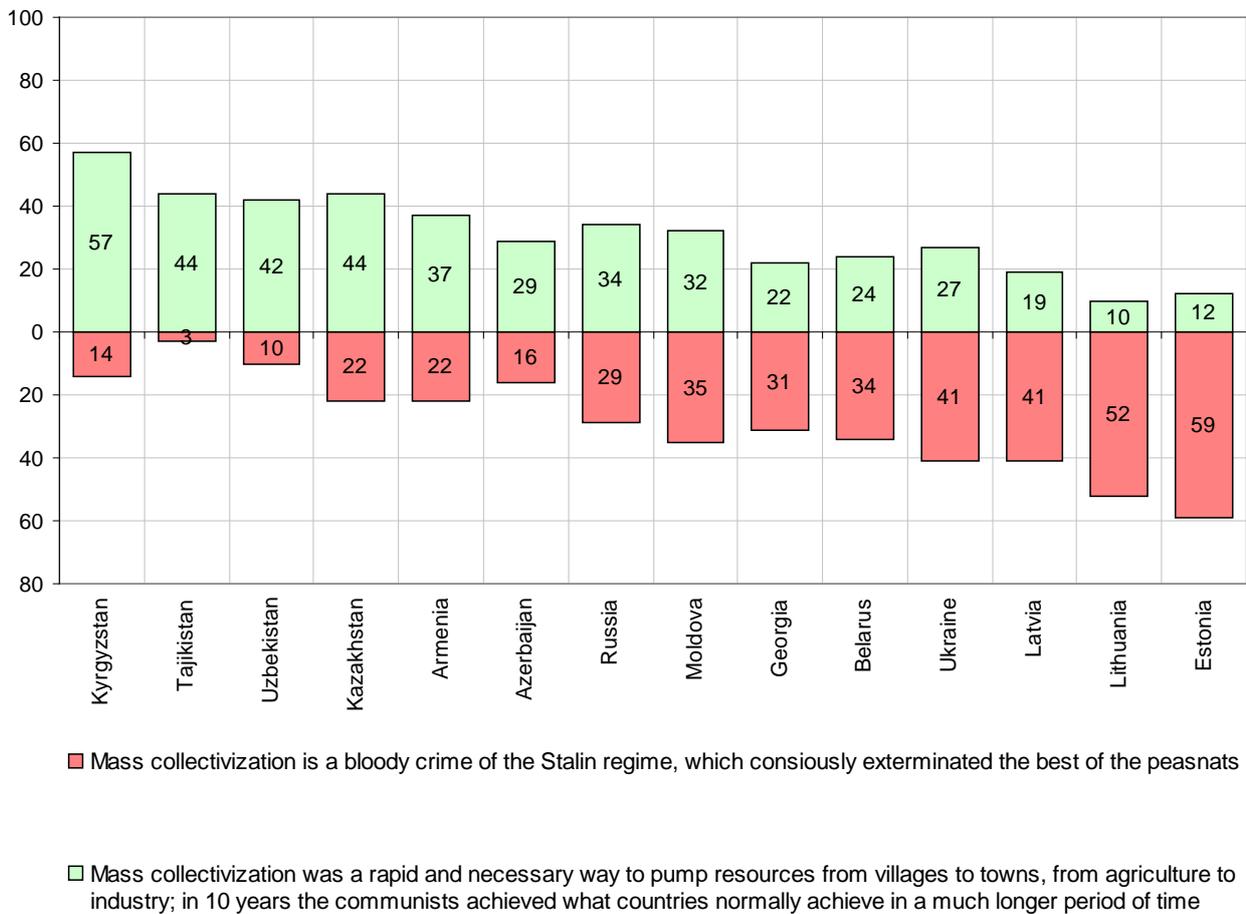


**Figure 6.4. Attitude towards the breakdown of the USSR and secondary school gross enrollment rate, weighted by population**



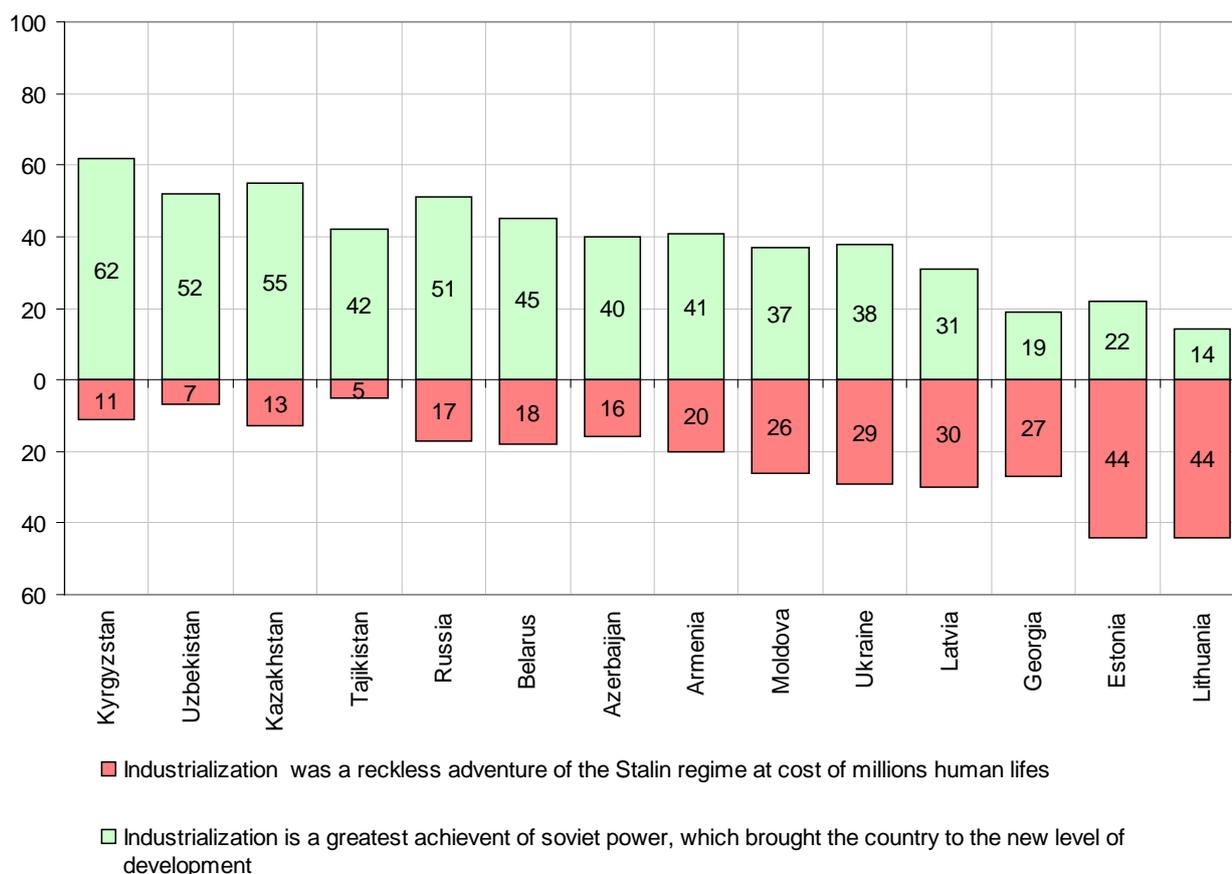
Figures 6.5 and 6.6<sup>28</sup> follow similar pattern and illustrate the attitudes towards two landmark events in Soviet history – mass collectivization and industrialization. The graphs illustrate the shares of respondents having clear opinion excluding those who agree with both options and those who don't have an opinion.

**Figure 6.5. Attitudes towards collectivization**



<sup>28</sup> Source: Eurasia Monitor, Wave 11, URL: <http://www.eurasiamonitor.org/rus/research/event-162.html> and <http://www.eurasiamonitor.org/rus/research/event-155.html>.

**Figure 6.6. Attitudes towards industrialization**



Apart from living conditions (roughly reflected in GDP per capita) and glorification of historical events (reflected in the perception of collectivization and industrialization), a major determinant of nostalgic attitudes are opportunities. The change of the system provided new opportunities but not everyone could take advantage of them (as seen from Figure 6.7 and 6.8 summarizing the results of the recent survey on social exclusion conducted by UNDP in 5 countries of the former ‘socialist camp’<sup>29</sup>). As shown on Figure 6.7, among a set of opportunities only ‘possibility to express what you think’ receives higher share of positive responses than negative in most countries (and cynics would say, this freedom to express yourself has been matched by the freedom to be disregarded). The second is the opportunity ‘to start own business’ – with the notable exception of the two Balkan

<sup>29</sup> Survey on social exclusion, UNDP 2009.

countries. In all six countries surveyed the opportunity to get a job is perceived to have worsened. Amazingly similar is the perception of ‘having access to justice’, which is seen to have worsened in five out of the six countries (with respondents in Moldova seeing no change). Figure 6.8 gives a clue why. Given the fact that former party elites (and party membership related clientelism) reincarnated into market reality through ‘ruling parties businesses’. That largely explains the fact that in most countries surveyed (Kazakhstan being the exception) a significant percentage of people think that today it is more important to be well connected to political elites to get ahead than it was 25 years ago.

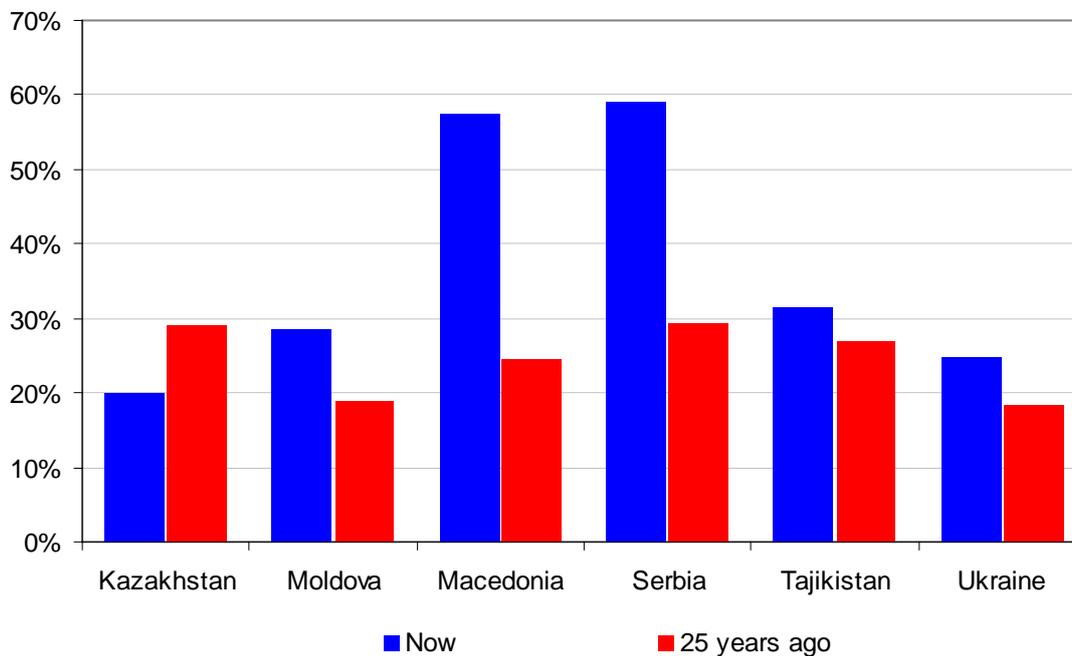
**Figure 6.7. Perspectives now and then**



Note: Chart shows the difference between those seeing ‘better opportunities’ and those seeing ‘worse opportunities’

**Figure 6.8. Importance of connections now and then**

**How important has it been to be well connected to people get ahead in life today and 25 years ago?**



The third bloc of determinants of this frustration with the new system (status and opportunities being the first two) is perhaps the most important from human development perspective. Human development is not just about meeting basic needs – it’s about agency. The emerging sense of agency in societies in the region is perhaps the major achievement of transition.

## **7. Found in transition**

The data on agency<sup>30</sup> are very limited. One way to measure it could be through the World Values Survey. Two of its questions can be related to agency. The first one is about freedom of choice, when people are asked to evaluate their freedom of choice and control over lives on a scale from 1

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<sup>30</sup> **Agency** refers to a person’s ability to pursue and realize goals that he or she values and has reason to value. An agent is ‘someone who acts and brings about change.’ The opposite of a person with agency is someone who is forced, oppressed, or passive. In the context of this paper a cogwheel in a clock is the exact opposite of a person with agency.

to 10 where 1 is 'no control' and 10 means 'a great deal of control'<sup>31</sup>. The second is the perception of the government's responsibility, which shows people's attitude toward government versus individual responsibility in provision where 1 means 'people should take the responsibility' and 10 means 'government should take responsibility'<sup>32</sup>. Data are available for a number of countries of region<sup>33</sup> in a number of waves. One wave was done in the middle of transition, in 1994-1999, the most recent wave was conducted in 2005-2007.

The data from the two waves reveal an interesting picture of 'agency formation' in countries in the region. After the first phase of transformation most of the countries reached similar levels of support for individual responsibilities over one's life. But as Figure 7.1 shows, this support was loosely correlated with the perception of governments' responsibilities most probably reflecting the momentum of socialist-period perception of the state as 'caretaker'.

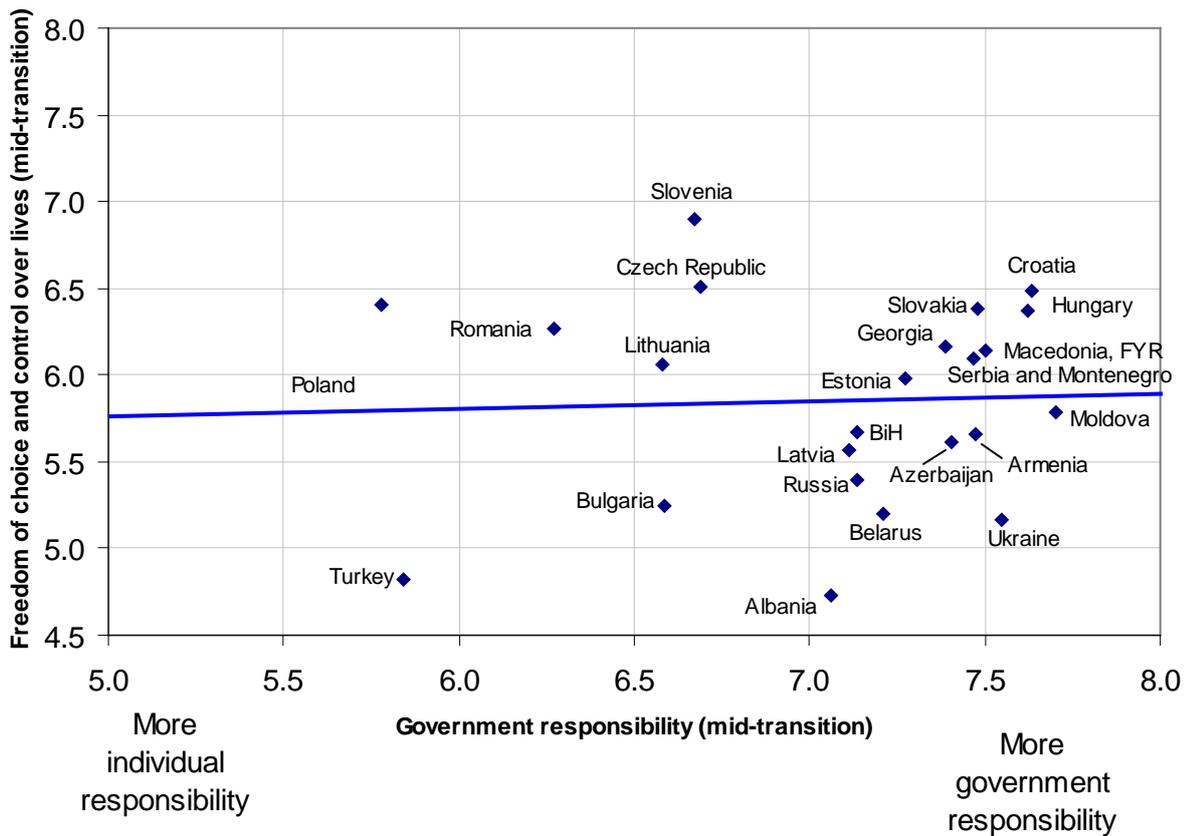
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<sup>31</sup> The question was formulated in the following way: 'Some people feel they have completely free choice and control over their lives, while other people feel that what they do has no real effect on what happens to them. Please use this scale where 1 means 'none at all' and 10 means 'a great deal' to indicate how much freedom of choice and control you feel you have over the way your life turns out.'

<sup>32</sup> The question was formulated in the following way: 'People should take more responsibility to provide for themselves (1) versus the government should take more responsibility to ensure that everyone is provided for (10)'

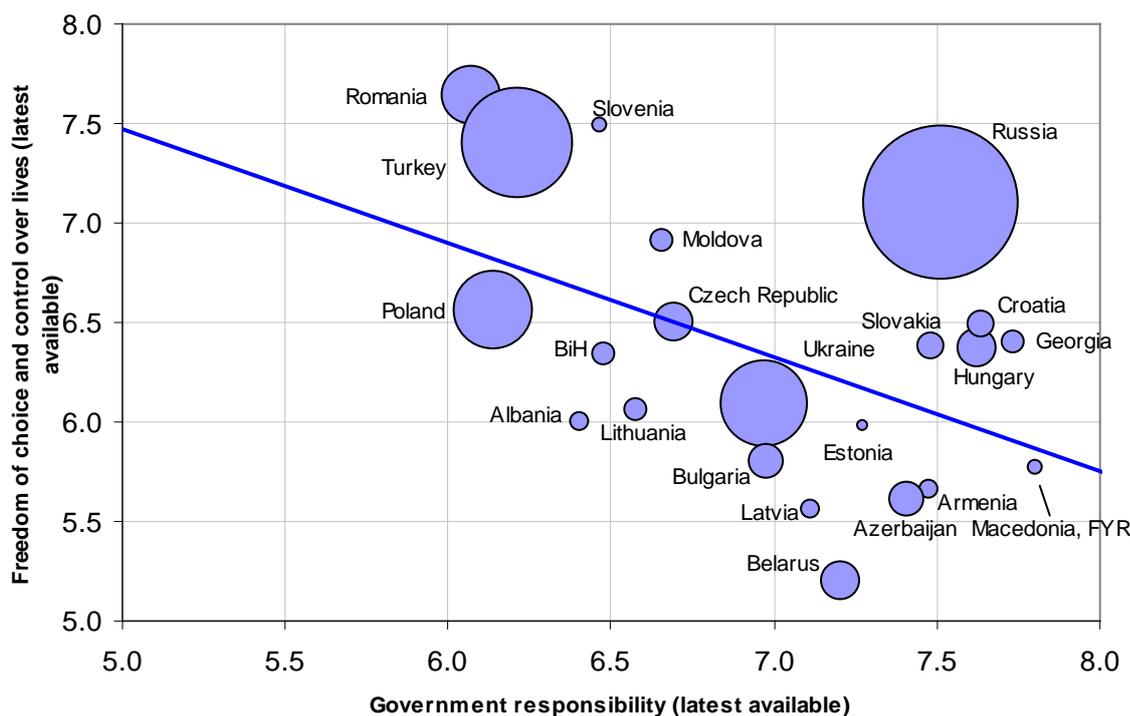
<sup>33</sup> Former USSR: Azerbaijan, Armenia, Belarus, Georgia, Kyrgyzstan, Moldova, Russian Federation, Ukraine. New Member States: Bulgaria, Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, Slovenia. The Balkans: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Serbia, Turkey

**Figure 7.1. Attitudes towards individual versus government responsibilities**



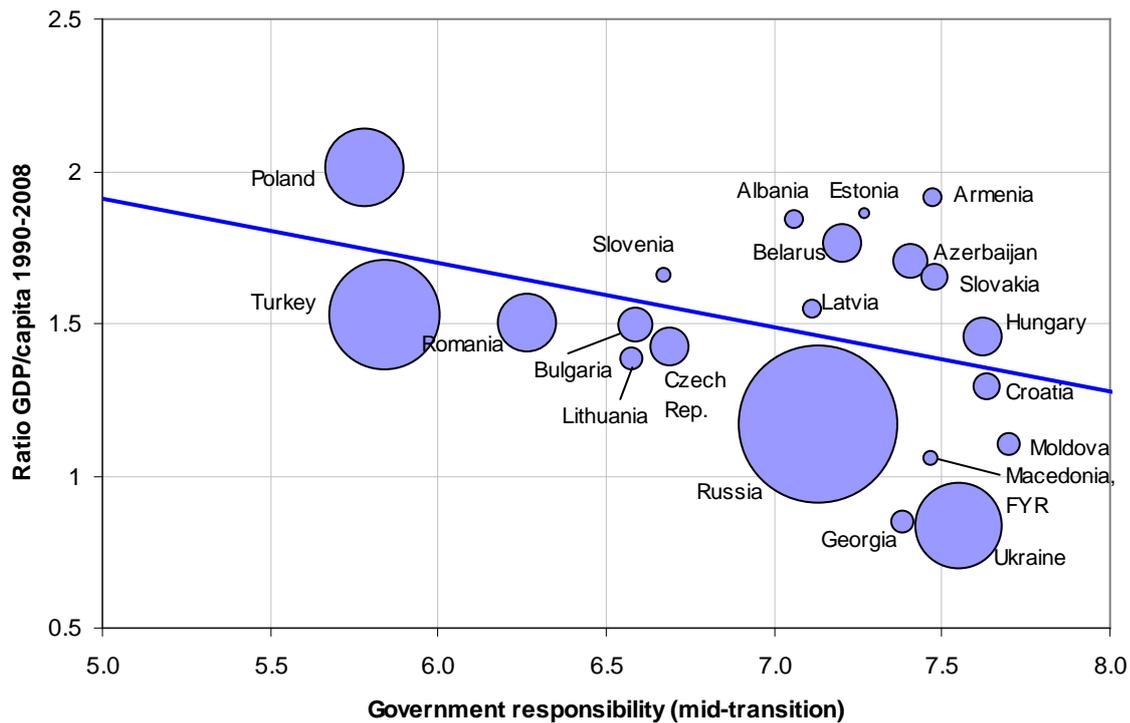
The situation changes substantially in 2005-2007 when the longer term transformation implications have kicked in (Figure 7.2). Most of the countries shifted up the vertical axis suggesting that in general feeling of freedom and control over own life increased. What is even more important, the correlation between the two variables (feeling of freedom and perception of governments' responsibilities) changes. If at the first stage of transition higher support for government responsibility was associated with the feeling of higher freedom of choices, a decade later the relationship reversed. Now, the desire for higher government provision is associated with lower feeling of freedom and control over one's life. However, despite this change in attitudes, the overall level of support for development associated with more government responsibilities still remains high in the region as shown in Figure 7.2 where the bubble size correspond to the population of the country.

**Figure 7.2. The potential support for individual versus state responsibilities**



Having said ‘development’, it is interesting to look at possible correlations between the emergence of agency and development outcomes. Figures 7.3—7.4 outline the correlation between results of transition and attitude toward government responsibility. We use the ratio of GDP per capita PPP in 2008 to 1990 as a proxy of success of transition. Another indicator of transition performance is transitional decline (percentage loss of GDP per capita PPP between 1991 and 1996). Both charts reveal a similar picture—transition performance and transition outcomes negatively correlate with reliance on government. In other words, higher expectations of government provision are associated with deeper transition decline and with worse per capita GDP ratio. It is important to notice that this correlation does not imply causality, which could be indeed reverse: worse economic performance could encourage people to demand more actions from government.

**Figure 7.3. Economic dynamics and anticipated responsibilities of the government**



**Figure 7.4. Anticipation of government responsibilities and transition outcomes**

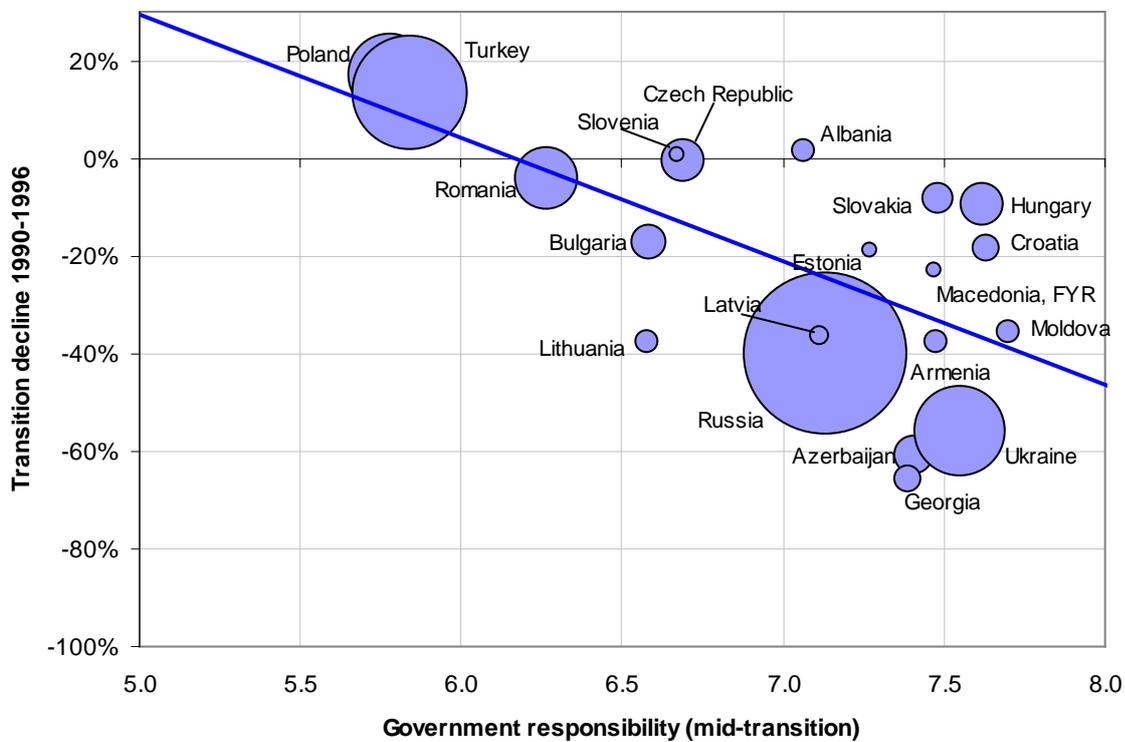
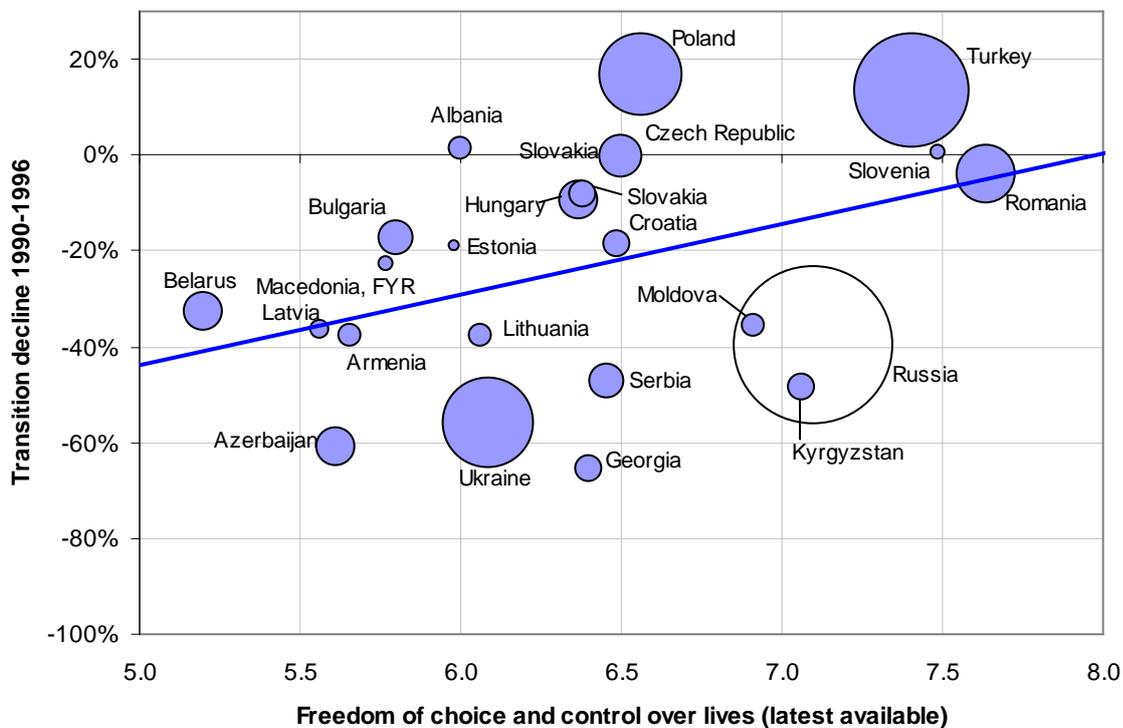


Figure 7.5 outlines the same phenomenon but from the perspective of freedom of choice. Higher level of freedom of choice and control over one's life is correlated with lower levels of transition decline. This graph is not entirely symmetrical to Figure 7.4 because of the more nuanced relationship between anticipated governments' role and individual responsibilities. They can indeed go hand in hand, depending on the specific meaning and scope of responsibilities as well as the overall level of crisis-induced economic insecurity increasing support for increased governments' role. The remark regarding the causality is valid in this case as well.

**Figure 7.5. Freedom of choice and transition outcomes**



The data summarized in the graphs above should be seen in the broader context of a system that for decades was nominally promoting human development values. The former socialist bloc's public space was not just littered with 'human' terminology and slogans and the problem (from the system's perspective) was that at certain point those slogans and nominal values were gradually internalized. People started believing that life can be just, that they are part of a noble endeavor of

erecting a new society and new type of relationships based on human values. The ‘feeling of pride’ was half sarcastic but in fact was gradually internalized. People started to take it seriously.<sup>34</sup>

To what extent this was genuine belief, and to what extent it was just a psychological escape mechanism that was helping manage the stress and desperation associated with everyday life within the communist project is hard to say. This attitude was surely determined by the place the particular cogwheel was holding in the complicated mechanism. It is also difficult to assess the extent to which official ideology was promoting the human-oriented sound bites in order to disguise its own failures in meeting basic needs, versus the extent to which the failures were genuinely seen as the inevitable cost of achieving the goals of higher level of moral value.<sup>35</sup> However regardless of the underlying intentions, the system was explicitly focused on knowledge, culture and individual development opportunities that went beyond the narrow materialistic dimensions.

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This aspect of the old system is usually misinterpreted and underestimated. The focus usually is being put on the social aspects of the socialist society. Given the chronic shortages and overall

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<sup>34</sup> The tone in that regard was set by Mayakovski in his poem ‘Soviet passport’.

<sup>35</sup> One particular phrase encompasses it nicely – *нам не до этого*. It means, ‘We have much more important challenges to address now and can’t waste time on prosaic issues like the production of bread or manufacturing of some home appliance of decent quality. The Bigger Goal was the justification of the current suffering and shortages. It was always in future tens and could include producing a nuclear bomb (to respond to imperialists’ threats), to catch-up with steel production or simply, at the most general level, to reach the desired communist society.’

focus on gross indicators, on mass scale it was not delivering beyond basic needs.<sup>36</sup> But it was not supposed to! The communist project was explicitly non-materialistic in its basic values being promoted and this was one of the foundations of its appeal. Consumerism was an object of disgrace in the official propaganda (again, both in a self-explanatory loop to justify the failure of meeting ‘higher level’ consumer needs but to certain degree in a sincere belief in superior non-consumer values). Failure to deliver on the consumer side for some time was been compensated by delivery on the symbolic side; when the production of symbols and abstract ‘human values’ or ‘pride’ was exhausted came the beginning of the end.

Perhaps the most crucial aspect of the human development implications of the old system is related to the latter’s internalization of its own messages. Once the internal contradictions between nominally promoted human values and repressive instruments were resolved through the denial of ‘being human’ for ‘alien class elements’, the rest of the ‘progressive masses’ were entitled – and if necessary, forced into – human development as understood by the communist ideology. One of its major elements was literacy, education and culture. Promoting these incremental aspects of human development was perhaps the major achievement of the communist project. Given however the link between knowledge, education and individual values, these policies were increasingly undermining the foundations of the system (the cogwheel nature of the individual) ultimately bringing the system to an end.

This is how two human development related trends determined the collapse of the communist project. On the one hand, its decline was largely related to the quest for a better life – both in terms of individual freedoms and material goods. Despite its deep internal contradictions, the socialist societies were able to maintain apparent stability at high human and financial cost. The proportion between the two was changing over time with direct human losses being brought to minimum in the

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<sup>36</sup> Another word of caution is necessary here. The very meaning of ‘shortage’ was relative. It meant one thing in USSR and something completely different in Yugoslavia, Czechoslovakia, or East Germany. In the case of the latter the phenomenon of the ‘socialist showcase’ should be also taken into consideration – a society and economy being subsidized within COMECON in order to visualize socialism’s virtues vis-à-vis the adjacent capitalist West (Berlin).

1980s (usually associated with ‘decay of socialism’). The financial costs of maintaining the system, the opposite, was soaring – largely covered from debt. The old system was replaced by a new one – much better equipped to meet consumers’ demand in efficient way. But on the other, it was made possible thanks to maturing of cogwheels into individuals and the emergence of agency. The latter was the ultimate outcome of the old system’s deliberate investments in education and culture.

Seen from the perspective of former socialist economies’ human development record, one can observe a striking similarity with the situation today. The global economy has replicated one of the features of central planning that led it to its collapse: debt-financed consumption and shifting the burden to future generations. The difference is in the mechanism of utilizing the cash injections – in the former system these were compensating for the ineffectiveness and inefficiency of the economic systems; in the current globalized market economy they have typical job-creation purpose supposedly boosting demand through boosted consumption. This is an area in which both systems (the ideologically based communism and market based global capitalism) dangerously concur. The former was remote from human development incentives. The latter is driving away from these incentives. The role of agency is being increasingly replaced by the ‘creation of demand’ that is supposed to generate the markets for the supply.

The focus on people and their well-being as the ultimate objective of economic growth is what makes the concept of human development intuitive and appealing. Prospects for the enhancement of people’s potential to be and do are placed at the core of the human development paradigm. In the human development context, to have is a means, rather than the end of human progress. The old system entirely disregarded the ‘means’ function trying to substitute it for noble but hollow slogans. The system that replaced it went to the opposite extreme – at least in developed economies today where the relationship between output and human development has been reversed. Consumption (economic output) has turned from a means for achieving functionalities and expanding opportunities into an end in itself. The consumer is being increasingly flooded with cheap

‘disposable’ goods that may meet demand, but only less so (if at all) meet real needs with each consecutive increase of commodities contributes less to human capabilities.

The moment a commodity acquires a value that is independent of the needs (functionalities) it is supposed to fulfill, we are facing the phenomenon of ‘commodity fetishism’, which starts underpinning the structure of economic incentives. The growth in production and output in the last decade increasingly became an objective in its own right, subordinating consumption needs and thus turning people’s capabilities into a macroeconomic residual. An increase in consumer spending – regardless of its type (does it expand people’s capabilities or not?) and sustainability (is it credit or savings-based?) is still seen as the way out of the crisis. The fact that consumers in most of the world are now reducing spending in order to reduce personal debt (the paradox of thrift) is seen as a disaster from a macroeconomic perspective. In fact, consumers are behaving rationally from a human development perspective—unlike governments, which are attempting to restore pre-crisis consumption patterns, thus reinforcing the very system that brought about the crisis. Shopping for things you never even thought you might need could turn into a patriotic duty and personal input into the rescue of the global economy.

The reference to Marx’s ‘commodity fetishism’ is not accidental. Paradoxically human development is an important factor both at the beginning of the communist project and at its end. It was a response to 19th century societies’ inability to provide such opportunities to its citizens and it collapsed largely because of the same failure. The open question is to what extent the current consumer-driven society can address the same task better. While in the socialist era the freedoms to lead the life one has reason to value were limited by ideological institutions, in post-socialist societies the limitations are increasingly coming from peer citizens and result in social exclusion of people who don’t share prevailing consumerism values or resist to succumb to the pressure of the new ‘trend economy’.<sup>37</sup> With economies being increasingly driven by fashion trends when imposing

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<sup>37</sup> Russian band *Leningrad* performed a song ‘Manager’ with the following lines:

new models and designs with the same functionalities is incremental for maintaining the demand-supply cycle perspectives to genuinely address human development challenges are not certain at all.

## 8. Conclusions

To summarize, the story of the attempt to implement the communist utopia was expensive and inefficient modernization experiment. It provided opportunities to meet basic human needs that were effectively preparing the ground for the human development paradigm. The further the society moves away from a ‘clock design’ to a ‘cloud design’, the higher the chances for human development approaches to take root. The argument works also the other way around – the higher ‘degree of cogwheel-ism’, the slimmer the chances of human development. The question of the cost – and efficiency – of meeting basic needs in the framework of the socialist system, were there alternative options and would they have been more efficient is hard to answer.

Emergence of agency increasingly appears as a major gain of transition for the societies in the region. The departure from centrally-planned and state-dominated model of development was painful, expensive and took long time. In some countries it is still in process with uneven progress and moments of reverse. But the overall trend is clear and policies that encourage people someone to take responsibility, act and bring about change for improving their own destiny are the best long-term investment in human development opportunities.

Still, major important questions remain unanswered. The first is to what extent the current – market-based, consumer demand oriented – system is capable of going beyond those basic needs. To what extent can it combine economic growth with other human development dimensions? Has it already

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For me money are papers  
For you they are freedom  
American dream is trendy now  
And you are rushing toward this dream:  
To work as a robot for this paper dream.  
[...]  
This is your age, your computer era  
The most important is not a person but his career  
You are lucky, you are different  
You are working in an office now

gone into the opposite extreme to that of the former communist utopia attempt – subordinating human development to consumer demand driven consumption? Answering these questions goes beyond the scope of the current paper but the socialist countries’ experience could perhaps provide some insights.

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