

The Economics of the Gulag

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Recommended Citation

Gallen, Michael P. () "The Economics of the Gulag," *The Histories*: Vol. 4 : Iss. 1 , Article 2.
Available at: https://digitalcommons.lasalle.edu/the_histories/vol4/iss1/2

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Articles

I

The Economics of the Gulag

By Michael P. Gallen



The Soviet prison camp system, known as the Gulag, played a major role in the Soviet economy from 1929 to 1953. Gulag inmates worked in various branches of Soviet industry, including lumbering, mining, and construction, often in remote regions with harsh climates. The Soviet leadership saw the Gulag as a means to enforce state economic policy and develop the frontiers of the Soviet Union. However, the camps proved to be economically harmful because they wasted manpower and resources, straining the Soviet economy. Furthermore, to ensure their own survival, inmates frequently engaged in various forms of resistance, such as faking work results and self-mutilation, which disrupted camp production. Ultimately, the drawbacks of the Gulag system of forced labor far outweighed its advantages.

During the early years of the Soviet Union, the prison system played only a minor role in the economy. In 1918, the People's Commissariat of Justice issued a resolution, "On Prison Worker Teams," which had called for prisoners to perform hard labor in government projects. Another resolution, "On Deprivation of Liberty as a Measure of Punishment and Procedures for Its Implementation," issued later that year, allowed the creation of workplaces intended especially for prisoners. Prison workplaces were established across the country, with 352 workshops and 18 farms run by the Chief Administration of Forced Labor (GUPR).ⁱ Nevertheless, only forty percent of all prisoners worked during most of the 1920s.ⁱⁱ The early camps did not contribute to the New Economic Policy, and required increasing subsidies from the central government to remain functional.ⁱⁱⁱ

In 1929, however, steps were taken to establish the prison camps as a major economic force. In June, the Politburo released a resolution entitled "On the Use of Prison Labor," which called for all prisoners with sentences of three or more years to be transferred to camps governed by the OGPU.^{iv} Then, in October, the First All-Union Conference of the Prison Agency of the People's Commissariats of the Interior proclaimed:

ⁱ Galina Mikhailovna Ivanova. *Labor Camp Socialism: The Gulag in the Soviet Totalitarian System*. Donald J. Raleigh, ed. Carol Flath, trans. Armonk, NY: M. E. Sharpe, Inc. 2000. pp. 69-70.

ⁱⁱ John L. Scherer and Michael Jakobson, "The Collectivization of Agriculture and the Soviet Prison Camp System," *Europe-Asia Studies*, Vol. 45, No. 3, 1993. pp. 534-535.

ⁱⁱⁱ Ivanova, *Socialism*, p. 70, and Scherer and Jakobson, "Collectivization," p. 535.

^{iv} David J. Nordlander, "Origins of A Gulag Capital: Magadan and Stalinist Control in the Early 1930s," *Slavic Review*, Vol. 57, No. 4, Winter 1998. p. 795.

The Five Year Plan of industrial development and the collectivization of agriculture established economic tasks involving great demand for unskilled labor. Local conditions [bad climate and shortages of food and housing] sometimes present serious obstacles to the recruitment of labor. It is here that the place of confinement, having at their disposal excess labor in great quantities which is not engaged in production near places of confinement, can assist those economic enterprises which experience labor shortages. v

The new emphasis on forced labor was a response to conditions associated with the Five Year Plans. First, with increased industrialization, there was a marked rise in the need for workers. A conference of the Commissariat of Labor in February 1930 reported that the forestry and construction industries faced shortages of workers numbering in the hundreds of thousands.vi For example, in the Urals region alone, the forestry industry would require more than 500, 000 workers in 1929 and 1930. Matters were further complicated by the terrible conditions at many civilian work camps. Workers faced inadequate food and housing, and frequently fled their jobs.vii Many industrial officials saw forced labor camps as a means to correct this problem. As James R. Harris notes, "They tended to see the solution to the problem in the camp system, not in transforming their entire factories into labor colonies, but rather in using forced labor for those jobs with particularly harsh conditions, from which the rate of 'leakage' (*utechka*) was especially high."viii Prison camps would provide workers who could not run away.

Simultaneously, there was a massive inflow of prisoners into the Soviet judicial system. The collectivization drive associated with the First Five Year Plan was resisted by millions of peasants who hoarded their grain. The Soviet regime responded with harsh measures:

To break the kulaks' resistance, the regime revived, in effect, the old Czarist tradition of the administrative deportation order. From one day to the next, trucks and wagons simply arrived in a village and picked up entire families. Some kulaks were shot; some were arrested and given camp sentences.ix

Although the majority of peasants were exiled, at least 100,000 of them were sentenced to service in the forced labor camps.x To deal with this massive influx of new inmates, the OGPU created a new division called the Main Administration of Corrective Labor Camps and Labor Settlements on April 7, 1930. Originally known by the acronym GUITLP, which proved to be unpronounceable for many bureaucrats, its name was shortened to *Glavnoe Upravlenie Lagerei* or Main Camp Administration, known by the acronym GULAG.xi

v Scherer and Jakobson, "Collectivization," p. 538.

vi James R. Harris, "The Growth of the Gulag: Forced Labor in the Urals Region, 1929-31," *Russian Review*, Vol. 56, No. 2, April 1997. pp. 266-267.

vii *Ibid*, pp. 270 and 272.

viii *Ibid*, p. 270.

ix Anne Applebaum. *Gulag: A History*. New York: Doubleday, Random House, 2003. p. 47.

x *Ibid*.

xi *Ibid*, p. 656, and Scherer and Jakobson, "Collectivization," p. 540.

Initially, the efforts of Gulag prisoners were focused on the forestry industry. Starting with a July 1929 order to the OGPU, camps were established to harvest forests in remote regions. For instance, in the northern regions of the Urals, there were unexplored forests that could supplement the supply of timber from previously harvested forests whose lumber supply had been exhausted.^{xii} However, in 1930 and 1931, Great Britain and the United States began to boycott Soviet goods that had been manufactured with forced labor. In America, the Tariff Act of 1930 prohibited the importation of products created with the use of “Convict labor or / and forced labor,” resulting in the barring of Soviet matches and pulpwood from American borders.^{xiii} Because lumber and wood products had been major Soviet exports since 1925, the Soviet government shifted forestry work from Gulag prisoners to exiled peasants. The stage was set for Gulag labor to expand into heavy industry.^{xiv}

One area of heavy industry dominated by Gulag labor was mining. The Gulag established camps in remote regions of the Soviet Union to mine various metals. The most infamous mining camps were part of the *Glavnoe upravlenie stroitel'siva Dal'nego Severa NKVD SSSR* or Far Northern Construction Trust, known by its acronym Dalstroi. As David Nordlander notes, “The construction of labor camps around Magadan occurred for one reason—the presence of huge gold reserves throughout the region.”^{xv} Prisoners in Kolyma and other Dalstroi camps extracted gold from the frozen ground. The Dalstroi system as a whole, which covered an area larger than Western Europe, extracted 14, 458 kilograms of pure gold in 1935 and 33,360 kilograms in 1936. Gold was a valuable economic resource for the Soviet Union because it could be sold in exchange for foreign currency to support the industrialization effort.^{xvi}

Another important mining camp was the Norilsk Correctional Labor Camp, also known as Norillag. This camp was dedicated to extracting the minerals of the Norilsk region, which included nickel, copper, cobalt, and platinum. Nickel was used in making steel, while the other metals became important in later years. This camp proved to be one of the most profitable of the Gulag system. As Simon Ertz writes:

According to 1939 data, Norilsk's deposits of nickel made up “48 percent of all deposits in the USSR and 22 percent of world deposits, not including the USSR.” Copper deposits equaled “10 percent of USSR deposits and 2 percent of world deposits.” According to an October 1938 report, platinum deposits “...appear to equal 549,780 tons, which puts them in first place in USSR and accords them status of world significance.”^{xvii}

^{xii} Harris, “Growth,” p. 271 and Scherer and Jakobson, “Collectivization,” p. 537.

^{xiii} Applebaum, *Gulag*, p. 60.

^{xiv} Scherer and Jakobson, “Collectivization,” p. 538.

^{xv} David Nordlander, “Origins of a Gulag Capital: Magadan and Stalinist Control in the Early 1930s,” *Slavic Review*, Vol. 57, No. 4, Winter 1998. p. 794.
Magadan was a newly constructed city around which the Dalstroi camp system was centered.

^{xvi} David Nordlander, “Magadan and the Economic History of the Dalstroi in the 1930s,” in *The Economics of Forced Labor: The Soviet Gulag*. Paul R. Gregory and Valery Lazarev, eds. Hoover Institution Press, 2003. pp. 108 and 110.

^{xvii} Simon Ertz, “Building Norilsk,” in *Economics*, pp. 129-130.

The Gulag also became involved in major construction projects. Some of these projects were meant to provide infrastructure for various Gulag camps. For example, during the first two years of the Dalstroï camp system's existence, prisoners' efforts focused on constructing its capital city, Magadan, as well as a highway to provide transportation to the gold mines.^{xviii} Other construction projects, however, were independent entities not associated with any other camps. For example, the White Sea-Baltic Canal was constructed by prisoners from the Belomor-Baltiiskii Labor Camp or Belbaltlag between 1931 and 1933. The canal extended for 141 miles, connecting the Baltic Sea near Leningrad to the White Sea near Kern. It permitted ships carrying lumber and minerals from the White Sea region to travel to the commercial ports in the Baltic Sea, thus easing the transport problems of the Soviet regime.^{xix}

The Soviet government did not consider the work of these camps to be their only economic benefit. The Gulag was also seen as a convenient method to develop the resources of the Soviet Union's most isolated regions. In order to develop the Kolyma and Norilsk regions, the government needed workers to augment the short labor supply in these under-populated territories. Unfortunately, bringing in free workers was difficult and expensive. For example, the Soviet government launched a campaign to develop the Norilsk mining region in 1930, but had only succeeded in attracting 500 workers there by 1933.^{xx} Free workers who chose to serve in such isolated regions had to receive extra benefits in compensation for the hardships they faced. Free workers in Norilsk in the late 1940s received extra pay, a six month paid vacation, and free transport to and from the mining camps.^{xxi} To Soviet economic planners, it seemed easier to use forced labor than to attract workers to harsh, distant regions.

The Soviet government also used the Gulag as a means to maintain workplace discipline in the civilian labor market. Criminal punishments were introduced for various infractions in the workplace. As Andrei Solokov notes:

In January of 1939, the Council of People's Commissars decreed that tardiness of 20 minutes or more constituted an unauthorized absence from work. On June 26, 1940, the Presidium of the Supreme Soviet approved the decree "On the transition to an eight hour work day, a seven day work week, and the prohibition of voluntary departures of workers from enterprises and institutions." The June 1940 law tied the worker to the enterprise and introduced criminal punishments for laziness, poor discipline, and tardiness. In August of 1940, criminal punishments were introduced for minor workforce infractions, such as drunkenness, hooliganism, and petty theft. ^{xxii}

^{xviii} Simon Ertz, "Building Norilsk," in *Economics*, pp. 129-130.

^{xix} Nordlander, "Origins," p. 808.

^{xx} Applebaum, *Gulag*, pp. 59, 62-63 and Ivanova, *Socialism*, p. 76.

^{xxi} Ertz, "Building Norilsk," in *Economics*, p. 128.

^{xxii} Leonid Borodkin and Simon Ertz, "Coercion versus Motivation: Forced Labor in Norilsk," in *Economics*, p. 83.

Arresting workers for minor disciplinary infractions was a drastic method for making Soviet workers give their maximum effort. Although most workers never experienced this, as John L. Scherer and Michael Jakobson note, "It did not really matter how many people were arrested for being inefficient or tardy. What mattered was that the government *did* arrest people for these actions, and people *knew* that this might be their fate."^{xxiii} Deportation to the Gulag substituted for the capitalist practice of firing a worker.

A term in the Gulag was not a punishment reserved for blue collar workers. Soviet managers could face sentences to the camps if they failed to meet the goals set by their production plans. Failures to fulfill the plan, called *proryv*, resulted in a search for scapegoats who could be blamed and punished, sometimes by deportation to the Gulag.^{xxiv} This became common during the Great Terror of 1937 and 1938:

In an inspection trip of August-October 1938 to investigate plan failures in coal mining, NKTP's deputy director, a Comrade Makarov, inspected various coal mines and heard reports from the field director and from directors of different mines. After evaluating these reports, he declared that mines with 35 percent fulfillment were doing "disgraceful work," those with 40-60 percent fulfillment were doing "definitely bad work," and those with 85 percent fulfillment were doing "unsatisfactory work." Makarov identified the reasons for failure, placed blame on specific individuals, and suggested remedies. He was also authorized to levy punishment. He turned some mine directors over to the courts for punishment.^{xxv}

To the Soviet leadership, the Gulag system seemed to be an economic boon to their country. It was a productive part of the mining and construction industries which allowed them to develop the resources of the most isolated regions of the Soviet Union without much expense. At the same time, it provided a tool for ensuring workplace discipline. However, the Gulag system actually suffered from severe economic disadvantages. It was wasteful in its use of human and material resources, and its coercive methods drove prisoners to try to circumvent the system in order to survive.

The Gulag often wasted its most precious resource, its workers, before they even reached the camps. Because the camps were an organ of the Soviet state, their labor supply was subject to the policies of the Soviet government. They received their inmates from the Soviet courts, which would often sentence people to death for political reasons, without regard to the service they could provide to the camps. As Oleg Khlevnyuk writes, "A significant part of [those executed] were able-bodied men, highly qualified specialists and workers, who were constantly in short supply at NKVD projects."^{xxvi}

^{xxiii} Scherer and Jakobson, "Collectivization," p. 540.

^{xxiv} Paul R. Gregory and Andrei Markevich, "Creating Soviet Industry: The House That Stalin Built," *Slavic Review*, Vol. 61, No. 4, Winter 2002. p. 800.

^{xxv} *Ibid*, pp. 800-801.

^{xxvi} Oleg Khlevnyuk, "The Economy of the OGPU, NKVD, and MVD of the USSR, 1930-1953: The Scale, Structure, and Trends of Development," in *Economics*, p. 49.

Statistics from Leningrad alone illustrate the deleterious effects of these executions on the Gulag workforce. 26.3 percent of the people executed in Leningrad between August and October 1937 were *rabochie*, members of the working class who could have been effective hard laborers for the Gulag. Even more of the condemned, 30.9 percent, were *sluzhashchie*, members of a broad group that included the technical personnel so valuable in Gulag operations.^{xxvii}

The conditions within the Gulag camps also resulted in much waste of human resources. Prisoners often contended with such wretched living conditions that they quickly became unable to do productive work. While a complete analysis of conditions within the Gulag is beyond the scope of this essay, one major contributor to the decline of prisoners' working ability was the camps' tiered ration system. Under this system, the amount of food an inmate received was determined by his or her work output. This system, devised by a former prisoner turned guard, Naftaly Frenkel, became standard for all the Gulag camps. According to Anne Applebaum:

He divided the prisoners of SLON into three groups according to their physical abilities: those deemed capable of heavy work, those capable of light work, and invalids. Each group received a different set of tasks, and a set of norms to fulfill. They were then fed accordingly—and the differences between their rations were quite drastic. One chart, drawn up between 1928 and 1932, allotted 800 grams of bread and 80 grams of meat to the first group; 500 grams of bread and 40 grams of meat to the second group; and 400 grams of bread and 40 grams of meat to the third group. The lowest category of workers, in other words, received half as much food as the highest... Fed relatively well, the strong prisoners grew stronger. Deprived of food, the weak prisoners grew weaker, and eventually became ill or died.^{xxviii}

As a result of the conditions in the Gulag, millions of prisoners died, depriving the camps of valuable workers. The numbers of inmates estimated to have died in the Gulag vary widely. The NKVD records of the number of deaths in the Gulag are extremely unreliable because efforts were made to conceal the true number of victims by camp commanders who feared reprimand from their superiors.^{xxix} For instance, J. Arch Getty, Gabor Rittersporn, and Victor Zemskov acknowledge only 200,000 deaths resulting from the camps between 1937 and 1939, while Robert Conquest estimates that deaths in that period ranged from 1.6 million to 2.6 million victims.^{xxx}

^{xxvii} Melanie Ilic, "The Great Terror in Leningrad: A Quantitative Analysis," *Europe-Asia Studies*, Vol. 52, No. 8, December 2000. pp. 1521-1524.

It should be noted that the *sluzhashchie* was an extremely broad group which included, aside from technicians, judges, artists, and actors. Thus, not all of those executed who belonged to this group would have represented a material loss to the Gulag. *Ibid*, p. 1523.

^{xxviii} Applebaum, *Gulag*, p. 36.

Frenkel, a prisoner of the Solovoki Camp during the twenties, developed plans for a self-sufficient camp system that earned him the kudos of Soviet authorities. He eventually became head of the economic section of the Special-Purpose Camps. Ivanova, *Socialism*, p. 77.

^{xxix} Camp commanders would often release dying prisoners so that they would not have to report them on their mortality statistics. *Ibid*, p. 583.

^{xxx} Steven Rosefield, "Stalinism in Post-Communist Perspective: New Evidence on Killings, Forced Labor, and Economic Growth in the 1930s," *Europe-Asia Studies*, Vol. 48, No. 6, September 1996. p. 962.

Statistics compiled by the Gulag itself indicate that roughly five percent of its population died in many years, although, once again, these statistics may be incomplete.^{xxxix} Despite the differences in numbers, the statistics all point to the same conclusion: the Gulag lost many workers through starvation and other factors, and did not make the best use of its human resources.

The Gulag also wasted its mechanical resources. It had little capacity to use the equipment it was provided with. First, it often lacked the resources to properly use the equipment. For instance, one dispatch from a camp reads: “Wrecking in Kargopollag: tractors were sent, but no oil; but our camp chief is resourceful: he can get the tractors to run without oil.”^{xxxix} Problems such as this damaged the equipment, reducing its life-span. Furthermore, in many cases the Gulag camps lacked people competent to run the machinery necessary for a task. At one camp factory, an official reported that “...An imported 320 kilowatt transformer has been standing idle for two year because...no one has been able to figure out what it is for.”^{xxxix} Varlam Shalamov satirized the incompetence of many camp officials in dealing with machinery in his short story, “The Injector.” In this story, an engineer writes to the Director of Mines asking for a new boiler injector to thaw the ground. The old one he has been working with has ceased working. The Director, however, misinterprets the problem, as is evident from his response:

1. For refusing to work for five days and thus interfering with the production schedule, Convict Injector is to be placed under arrest for three days without permission to return to work and is to be transferred to a work gang with a penal regime.
2. I officially reprimand Chief Engineer Gorev for a lack of discipline in the production area. I suggest that Convict Injector be replaced with a civilian employee.^{xxxix}

Although this story is an exaggeration, it still makes the valid point that many administrators in the Gulag did not understand the machinery used in their work, and consequently did not properly maintain it.

The Gulag also suffered from various forms of inmate resistance, which impeded its productivity. To escape the harsh conditions of the Gulag environment, inmates developed various strategies to protect themselves. For example, there was the widespread practice of *tufta*, or cheating the boss. The object of *tufta* was to give Gulag officials the impression that one was doing the required amount of work, when one was actually doing far less. *Tufta* could be committed on an individual level, or on a collective level such as a work brigade or even an entire camp. It ranged from some prisoners putting a stone in a bag to make it seem as if it is filled with dwarf cedar needles, as in Shalamov’s story “A Pushover Job,” to falsifying the work records of a camp.^{xxxv}

^{xxxix} Applebaum, *Gulag*, pp. 582-583.

^{xxxix} Ivanova, *Socialism*, p. 89.

^{xxxix} *Ibid*, p. 91.

^{xxxix} Varlam Shalamov, *Kolyma Tales*, John Glad, trans. London: Penguin Books, 1994. p. 49.

^{xxxv} Applebaum, *Gulag*, pp. 350 and 359, and Shalamov, *Kolyma*, pp. 29-30.

This type of resistance not only deprived the camp of work, but it also distorted the production figures of the entire camp system, making it impossible for economic planners to truly gauge its effectiveness. As Anne Applebaum comments, the production figures of the Gulag system are, on the whole, “meaningless.”^{xxxvi}

Other inmates resorted to more extreme methods to avoid performing hard labor. The most gruesome was the practice of *samorub*, or self-mutilation. Gulag inmates deliberately injured themselves in an attempt to escape from work or even to leave the camp. Many inmates believed that if they were rendered invalids, they would be granted an amnesty and be allowed to leave the camp.^{xxxvii} Shalamov described how one inmate injured himself to escape work in his short story, “The Businessman”:

While the work gang is being issued tools, we take a burning log from the fire and go behind a heap of mined rock. We stand shoulder to shoulder, and all three of us hold the capsule—each with his right hand. We light the fuse and—Zap!—fingers fly everywhere.^{xxxviii}

Blowing up a hand was only one way of committing *samorub*. Inmates developed a variety of methods including rubbing acid in one’s eyes, deliberately infecting cuts, and burning oneself. In committing these acts of self-mutilation, inmates not only harmed themselves; they harmed the camp as an economic institution. First, they were depriving the camp of their labor by injuring themselves. Second, because they would be punished with a second camp term, these inmates were a drain on the camp’s resources, eating food and using the camp’s facilities without performing any meaningful labor. The problem became serious enough that Gulag administrators felt compelled to issue a proclamation stating that invalids would not be freed. Although the majority of prisoners did not go to these lengths to avoid work, those who did were a burden on the Gulag economy.^{xxxix}

Ultimately, the Gulag system weakened the Soviet economy rather than strengthening it. Although it provided an attractive means for harvesting the resources of isolated regions and enforcing workplace discipline, its benefits were offset by its inefficiency and waste of human and mechanical resources. Ultimately, the Gulag stands as a testimony to the failure of the Soviet command economy.

^{xxxvi} Applebaum, *Gulag*, p. 360.

^{xxxvii} *Ibid.*, pp. 377-378.

^{xxxviii} Shalamov, *Kolyma*, pp. 323-324.

^{xxxix} Applebaum, *Gulag*, pp. 377-379.

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