**Underground Entrepreneurs and the Soviet Shadow Economy under Late Socialism:**

**The Kyrgyz Affair, 1950-1962**

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In the summer of 1962, at the height of the Khrushchev-era Thaw, 49 highly successful Soviet entrepreneurs, their sponsors, and their partners publicly described the ways they had created a thriving business empire manufacturing and selling clothing in a particularly challenging environment over many years. These entrepreneurs, representing six Soviet nationalities, told their audience in detail how they had evaluated consumer demand, acquired raw materials, hired the most productive labor, manufactured, and distributed their merchandise, and maximized revenues and profits, all while taking steps to mitigate their substantial risks.

It turns out that this public forum was a criminal trial. On July 13, 1962, a traveling panel of judges from the USSR Supreme Court found 21 of these men and women guilty of “serious crimes that pose a special social danger” in this case of “theft of state property and bribery in especially great amounts,” and sentenced them to be shot.[[1]](#footnote-1) According to newly issued Soviet decrees, which judges applied to these convictions retroactively, these activities were crimes that posed an especially grave danger to Soviet society and to the foundations of the socialist economy. Five months later, on the night of December 18-19, 1962, after their request for pardons were rejected, 18 of them were executed before a firing squad in a KGB prison in Frunze, Kyrgyz SSR. Seven more of their partners were later sentenced to death for accepting bribes after another trial; two of them ultimately were executed after another trial in the fall of 1962 for a total of 20 executions in this one case of shadow economic activity.)

In 1961 and 1962, the USSR Supreme Soviet introduced the death penalty for so-called “economic crimes.” USSR Ministry of Justice reports indicate that between 1961 and 1965, Soviet courts assigned 317 death penalties for egregious cases of theft of state property, bribery, counterfeiting, and speculation in hard currency.[[2]](#footnote-2) Since the introduction of the death penalty for theft of state property and bribery, it has been something of a mystery why so many people were sentenced to death during this brief but intense campaign against what the criminal code labelled crimes against “socialist property” and the planned economy. (In the Khrushchev period, the category “economic crime” was used by political figures to include the theft or embezzlement of state property and bribery, often in schemes that used state-owned resources to create illicit production arrangements within regular factories.) It is especially puzzling why judges assigned so many death penalties (28) in this *one* case of non-violent crime, a criminal operation that had no victims apart from the state budget. It seems likely from the (admittedly incomplete) evidence that this case resulted not only in the most death penalties of any economic crime case in Soviet history, but in the most death penalties in *any* post-Stalin capital case of any kind, with the possible exception of scattered war crimes cases.

The shadow economy, or the “left” economy (in the Soviet vernacular), is a subject that is ripe for social-historical study on its own terms, from the inside, on the basis of archival and interview material. Supported by new archival material, this article delves deeply into this landmark case to explore several aspects of the social, economic, and cultural history of illegal production and markets in the Soviet 1950s-1960s. The goal of the article (and the larger project from which it draws) is to use deep archival research to shed light on major themes in Soviet history. It aims to advance three important and promising fields: everyday life under late Soviet socialism; the history of crime and law in this period; and the history of entrepreneurial activities within the hyper-centralized state-allocated economy, including the dynamics of the underground economy under an authoritarian socialist government.

This study is not animated by economic questions, as was, for example, the research by the greatest specialist on what he called “the second economy,” the economist Gregory Grossman, who was interested in measuring and quantifying the output and relative efficiency of underground production and trade, the proportion of the population’s income that came from second economy activity, and so on.[[3]](#footnote-3) I am interested in exploring, instead, certain social-historical and even cultural questions attached to the illegal economy. This article will explore the notion that associated with and fully permeating the shadow economy one sees many varieties of attitudes and mores, practices, relationships, social habits, moral outlooks, informal modes of negotiation and informal agreements, and understandings about the purported “sanctity” of state property. Naturally, these could and did vary from place to place, from scheme to scheme, and from person to person. I would argue that they were pervasive and impossible to extricate despite the party-state’s efforts.

My aim is not to add yet another study to the already volunimous research that concludes that Soviet-style economies were dysfunctional and irrational (and rife with small deceptions by managers), catalogued quite well by scores of economists and economic historians.[[4]](#footnote-4) Instead, I would argue that completely intertwined within an inefficient and even self-destructive official economy were many well-functioning—if improvised—shadow economies with illegal schemes at their hearts. Some of these operations were quite elegant, and often quite cleverly imagined and realized, despite having their own frailties. To paraphrase (and repurpose) a Russian joke from the 1990s: If the Soviet economy was so chaotic, why was economic crime so organized?[[5]](#footnote-5)

This article argues that many of these shadow actors can be understood as underground, criminalized “entrepreneurs.” I do not simply mean that they found ways to buy and sell at a profit. The idea of entrepreneurship contains elements of risk and creativity, of innovating within existing structures and institutions to do something novel.[[6]](#footnote-6) For me, understanding organizers of major Soviet shadow economy schemes as “outlaw” entrepreneurs has been a fruitful way of exploring aspects of the social history of the illegal economy in the post-Stalin USSR. Using this approach, one can analyze the development of robust underground economies under a repressive one-party state, among people producing and distributing illegally produced goods in ways that violated the law and were intended for self-enrichment. The activities of these entrepreneurs highlight a kind of unexpected social dynamism (albeit illegal) amid dictatorship and stultifying rules.[[7]](#footnote-7)

A central precept that has framed my work and shaped my method (including in my most recent book, *The Art of the Bribe*) is the notion that certain types of crime and corruption often were highly creative acts. (*The Art of the Bribe* focused mainly on informal (mostly criminalized) relationships and practices in the postwar Stalinist period, with particular emphasis on the legal system.) The shadow economy had many adaptive and even inventive elements, which were all the more important in a society where involvement carried a high degree of risk. This approach—seeking signs of success in the shadow economy rather than dwelling on the screaming signs of failure in the official economy—can be more revealing about everyday life. It can take use further than attempts simply to account for the shadow economy’s “functionality”—that is, the “lubricating” or “wheel greasing” function corruption served to “get things done” in a chaotic economy.[[8]](#footnote-8) Conceptualizing the underground economy as purely “functional” can render bland and mechanistic the actions of people who were often quite agile and inventive actors, maneuvering in the curious world in which they lived.

This article will employ use a case-study approach, discussing what was known in the Central Committee as the “Kyrgyz Affair,” one of the most significant cases of illegal enterprise in the history of the Soviet Union (the trial for which was mentioned at the beginning of this article). This case was both typical and extraordinary. This highly developed operation can be understood as something of a blueprint for—and prelude to—major schemes that flourished during the boom in shadow economic activity during the final three decades of the USSR. The Frunze case was in some ways extreme, but in other aspects it shines a bright light on key features of economic and social life in the 1950s-1980s. These features were not unique to just one operation. In fact, similar practices can be seen in many cases of underground manufacturing and sales that police and prosecutors were investigating at about the same time.Many of the practices that the Frunze schemers engaged in were already widespread by the late 1950s, and would define the later, more developed shadow economy through the 1980s and later. From the perspective of the country’s political leadership and legal specialists, the Frunze case revealed troubling, exaggerated examples of many of these unsettling practices.

This study draws from a number of archival collections. Most of the material is located in central Russian repositories and is drawn especially from the collections located in GARF, including the USSR Procuracy, the Ministry of Justice, the Supreme Court of the USSR, the USSR Supreme Soviet, and the MVD’s police force responsible for rooting out economic crimes (OBKhSS). I have located the transcripts of the trial of the Frunze case (six volumes totaling about 1,500 pages) in the State Archive of the Russian Federation (GARF).[[9]](#footnote-9) Other material is located among communist party documents in RGASPI and RGANI, in the collections of various departments of the Central Committee of the CPSU. Investigative materials go far beyond press accounts and reveal important elements of the scheme. These sources are imperfect, to be sure, but still offer a great deal of insight.

Most observers who have written about the black market or petty theft have described the small-scale schemes that Soviet people encountered in their everyday lives, largely involving relatively limited, usually improvised pilfering of merchandise in retail trade, together with illicit provision of services.[[10]](#footnote-10) Typical shadow economy operations were small and focused on minor insider theft of retail goods, small-scale production and resale (known as “speculation”), often centered around markets, or foreign currency transactions practiced by so-called *fartsovshchiki* (black market speculators).[[11]](#footnote-11) These activities were technically prohibited by law. By all accounts, however, petty pursuit of private profit by individuals and –- to some extent—by economic managers was widespread and mostly tolerated by the authorities.[[12]](#footnote-12)

Yet there is evidence that state authorities were more concerned about the major cases that came to his attention. Like the Kyrgyz Affair, these large schemes could involve penetration of economic institutions from top to bottom, from production, to storage, to the distribution and retail network, frequently involving the misappropriation of hundreds of thousands or even millions of rubles worth of raw material and finished goods. In many cases, operations went on for several years before police broke them up.

**The *Ukazy* of 1961-62**

Indeed, signals were reaching the party leadership between 1958 and 1962 about what seemed to be a major upsurge in large-scale theft of state property by officials, grandiose embezzlement schemes, bribery, and black-market enterprises inside state institutions. Such activities are well-documented in trade, state and economic administrations, and in the legal agencies themselves.[[13]](#footnote-13) The press described some of these arrangements in sensational (if selective) detail. Between 1958 and 1964, the USSR Procuracy was investigating cases that were similar to the Frunze operation if somewhat less elaborate, in Leningrad and Moscow, and in the Latvian, Kazakh, Uzbek, and nearly every other republic. Many of these cases involved the stealing of raw and finished materials by retail- trade network employees and collective farms, whose actions were often covered up by senior officials prominent in local power structures. Khrushchev was infuriated by just this—the involvement of “trusted people” in positions of authority in the party, the economic administrations, and in law enforcement who enabled—and profited from—these schemes. Khrushchev likely understood that these grand cases were simply the tip of the iceberg—the most egregious examples of widespread phenomena.

In 1961 and 1962, against the backdrop of this new urgency about protecting state property and fighting what authorities saw as a surge in the irresponsible behavior of functionaries, the USSR Supreme Soviet designed high-profile laws allowing for the death penalty for the worst cases of white-collar and economic crime.[[14]](#footnote-14) On May 5, 1961 the Presidium of the USSR Supreme Soviet published an all-Union decree, “On strengthening the struggle against especially dangerous crimes.” The legislation declared that the theft and embezzlement of state property in particularly large amounts, repeatedly, or in other aggravating circumstances was punishable with execution by firing squad (alongside other crimes including treason, sabotage, terrorism, banditry, counterfeiting, and premeditated murder.)[[15]](#footnote-15) Later that summer, a decree of July 1, 1961 made heinous cases of large-scale or continuous speculation in foreign currency or securities subject to capital punishment.

And on February 20, 1962, another well-publicized edict added bribery to the list of crimes eligible for the death penalty. The decree, “On Strengthening Criminal Responsibility for Bribery,” made convictions for the most serious instances of bribe-taking subject to the firing squad. An offender could be subjected to capital punishment if bribes were taken habitually, were received by an official in a position of high authority, or were very large.[[16]](#footnote-16) Soviet law now treated the most serious economic crimes (which typically lay at the heart of shadow economy operations) as severely as it did the malicious and planned killing of an innocent person.

**The Paradox of Consumerism**

It is no mystery what provided the engine for large-scale shadow economy schemes. With the country’s material recovery from World War II and the gradual growth in living standards, Soviet people were becoming more educated and urbanized. The proportion of the workforce who were white-collar employees was growing, including engineers and technical specialists. They had more cash in their hands and savings in the bank.[[17]](#footnote-17) The increasingly affluent urban population was also becoming somewhat more knowledgeable about superior material living standards in Western Europe and (more commonly) in Eastern Europe. Many had ambitions to achieve a relatively comfortable, “middle-class” lifestyle, complete with a one-family apartment stocked with household goods, clothing, home appliances, and labor-saving machines. Authorities promised that Soviet socialism would soon provide abundance for all, as the USSR made the transition to full-scale communism.[[18]](#footnote-18) Suppressed demand for consumer goods had built up during the privations of the war and postwar reconstruction. The postwar “baby boom” meant that growing families needed to find children’s clothing, furniture, and school supplies. People wanted televisions, children’s toys, dishes and pots, and costume jewelry, washing machines, refrigerators, record players, and the spare parts to keep them working. High quality goods, including the occasional “luxury” item, provided a certain social status for the middle class.[[19]](#footnote-19)

A new emphasis on consumption under Khrushchev (as enshrined in the Third Communist Party Program, published by the 22nd Party Congress in October1961) helped to drive demand by explicitly connecting the country’s realization of socialism and the “transition to communism” by 1980, to rising living standards and consumption. Khrushchev predicted, “In the coming ten years all Soviet people will be able to obtain amounts of consumer goods in sufficiency, and in the following ten years consumer demand will be met in full.”[[20]](#footnote-20) For both the USSR and the United States, the success of their national mission rode on ideas of an abundance of food and consumer goods for their citizens. Khrushchev said that a socialist country that could not provide its people with enough clothing—a “communism without trousers”— would be “a kind of perversion.”[[21]](#footnote-21)

Yet in spite of rising expectations, shortages of consumer goods remained rampant throughout the Soviet period, of course.[[22]](#footnote-22) The command economy was not set up to mass produce consumer goods in sufficient quantities, nor to guarantee their quality in any meaningful way, nor effectively to distribute them through retail channels to meet demand.[[23]](#footnote-23) The major motor for underground economic activity was fueled by perpetual shortages of consumer goods. A fundamental and ultimately damaging paradox of the Soviet economy was that the state encouraged consumption and promised abundance, yet the official economy could not come close to meeting the demand that the state itself helped to create. This article discusses one example of a sophisticated alternative system of shadow production and distribution that aimed to respond to consumer appetites. It was left to illegal, “left” production to fill in the gaps.

And one type of *defitsinyi* merchandise that consumers demanded was good-quality clothing for men, women, and children made of wool, cotton, rayon, silk and other fabrics.

**The Case of the Frunze Knitwear Factories**

This pent-up consumer demand provides some context for one remarkable criminal operation that was dedicated to producing popular merchandise for consumers. Judging by party, Procuracy, and Supreme Soviet archival sources, the so-called Kyrgyz Affair was the most notable economic crime and corruption case that came to the authorities’ attention in the Khrushchev years, one that combined prodigious amounts of theft and illegal production with vast allocations of payoffs. Indeed, it was one of the two or three of the most striking of such cases in postwar Soviet history. What can the case tell us about the practices and attitudes of one group of entrepreneurs who participated in a notable shadow economy scheme?

This operation was set in two clothing factories in Frunze (now known as Bishkek), the capital of the Kyrgyz SSR. Investigators opened the case at the beginning of 1961. Because of the scale of the operation, because it had been going on for so long, and because of the alleged collaboration of a number of high-ranking officials in republic-level economic administrations and government agencies, the KGB bypassed local law enforcement and took charge of the investigation. Most of the participants were arrested between January and May 1961 and the first interrogations were conducted in March 1961.

Like most shadow economy operations, this one started quite modestly, at first involving only small-time underground production and sale of clothing. Mordko Gol’dman was a Rumanian Jewish refugee who left to the Soviet Union in 1941 at the age of 30. He had lived to that point in the market town of Bairamcha, Rumania, not far from the Black Sea, working as a salesperson for what he called “a wealthy merchant.” Shortly after the Nazis invaded, Gol’dman fled to the USSR in June 1941. Between 1941 and 1947 he was mobilized to work in military construction.[[24]](#footnote-24)

In 1948, amid wartime deprivation, he landed in Frunze, a regional textile center. Seeking steady work, and likely excluded from many professions as a Jew, he lived on the margins of Soviet society. A self-described illiterate man, he bounced around from menial job to menial job. By early 1950, however, he had become the foreman of the knitwear workshop in a clothing factory, soon known as the Alamedin Knitwear and Cloth Factory. Within a few months he became the shop’s chief. In a story that could have been told by literally thousands of industrial managers across the Soviet Union, he informed investigators that he quickly came to understand that regional planning agencies would never allocate his workshop enough fabric to meet its production quotas. Gol’dman testified that a local party boss verbally assailed him for failing to fulfill his plans, albeit with non-existent or poor-quality cloth. At meetings of the party cell, he said, “they would scream at me.”[[25]](#footnote-25)

Gol’dman’s initial motivation for entering into shadow economic activity, then, developed from a desperate need to figure out a way to obtain decent-quality raw materials to meet unrealistic targets and get his bosses off his back. The economy’s curious matrix of incentives began to show him how to operate in this environment. He learned how to acquire things on the side to relieve some of the pressure to meet targets. The atypical stresses of the planned economy revealed opportunities in the shadows. It was a relatively small step from making deals “in the interest of production” (Soviet parlance for managers’ informal bending of the rules in order to trade and maneuver to obtain scarce resources and meet targets) to the creation of an alternative economy inside the factory, one that reached into the city of Frunze and even into other republics. Gol’dman’s goal became both fulfilling quotas and enriching himself and his colleagues.

To address these shortages of cloth, Gol’dman and his brother Usher bought up waste fabric, in both large and small amounts. Sometimes these lengths of cloth were dozens of yards long; in other cases, just a few yards. All plan targets (in textiles and all other industries) built into their projections the assumption that a certain proportion of raw material would be unusable. In textile industries it was the norm that from 0.5 percent to 2 percent of all fabric would be written off as “waste” material that was in some way too flawed to be used in production. Under the cover of the necessary and inevitable disposal of a factory’s waste, Gol’dman re-purposed the tossed cloth to manufacture new clothing. Such recycling was but one key way that the peculiar mechanisms and assumptions of enterprises’ plans nurtured the shadow economy, enabling enterprising (if desperate) managers to “create surpluses” (as prosecutors disparagingly referred to it) out of thin air.

From discarded fabric, Gol’dman and his colleagues used the factories’ archaic machines to make items of clothing. He testified that every month between early 1950 and September 1953, he and his brother could fashion between 700 and 1,000 shirts and pairs of women’s pants from this cast-off cloth, worth 7,000-9,000 rubles at retail prices. In this way, they were able to make more than enough clothing to meet their production quotas. They spent some of the money they earned on necessary tasks, such as repairing machinery and buying kerosene to provide light in their workshop. But they also failed to report all of the clothing they made in the factory’s accounts. This hidden product was called “unreported production” by prosecutors. Indeed, this “unreported production,” manufactured from illicitly created “surpluses” was the life’s blood of the shadow economy in consumer goods manufacturing.

Instead of tallying the surplus clothing in the enterprise’s books, they quietly sold it around Frunze, with the illegal help of the managers and salespeople in stores and kiosks that sold the clothing. They were now guilty of the crime of theft of state property. They paid retail employees to sell their illegally-made merchandise, normally about 10-15 percent of the list price. In case the police checked up on the salespeople, they meticulously maintained an elaborate system of phony receipts and two or three sets of parallel account books. They sold the shirts for 10 rubles and pants for 11 rubles, 90 kopecks. Mor’dko Gol’dman split the profits with his brother, Usher. This unreported income added several thousand rubles a month to their take-home pay. At the time, Mor’dko’s salary was 700 rubles a month.

The Stalinist economy served as a training ground that provided the skills and methods people used to navigate in the shadow economy. After experiencing some success with this venture, the Gol’dmans soon expanded their operation to include several of their relatives, some of whom had also come from Rumania. Around the country were many thousands of similar, localized and illegal petty manufacturing operations of the type that had existed, albeit typically in smaller form, since the late 1920s (and earlier).

In its early stages, then, the Frunze scheme was a standard, low-level shadow-economy operation based on a kind of purposeful pilfering from one’s workplace. It was a small, family affair. At this point, the group included two brothers, two brothers-in-law, and one nephew. This side operation required capital little beyond a couple of the factory’s machines (part-time), some discarded waste fabric, and a car to haul the clothing to some kiosks and stores in Frunze. Between 1950 and 1954, according to prosecutors, this small group stole raw material and merchandise that the authorities valued at about 650,000 rubles, a sum that increased their annual incomes manifold.[[26]](#footnote-26)

After Stalin’s death, however, the operation expanded gradually over the next several years until it reached a remarkable level by the late 1950s. It evolved to a size and scope that was far beyond the usual, modest, off-the-book operations that the police typically encountered in similar factories around the country. As the scheme grew, beginning in the fall of 1953, Gol’dman sought and found additional partners in other workshops in the factory. They even found new collaborators in a nearby clothing factory who were undertaking a similar scheme. The underground entrepreneurs in the two factories combined forces in a kind of merger.

These partners were mostly dislocated Jews, many of whom had fled east to Kyrgyzstan as war refugees from places such as Vilnius and Odessa. Several were Rumanian and Moldovan Jews who had either gone to the USSR in 1940-41, or who suddenly became Soviet citizens with the USSR’s incorporation of Bessarabian territories in 1940. Others had gone seeking work in Frunze’s booming textile industry. Still others had migrated south for health reasons, escaping the cold and damp of northern climates.

This classic ethnic network of trust was similar to large and profitable shadow economy operations that were exposed by prosecutors between the mid-1950s and mid-1960s in the RSFSR (where most of the participants were ethnic Russians), Azerbaidzhan (where most were Azerbaizhani) and Georgia (where they were Georgian in the main). But by investigators’ accounting, the Frunze operation seems to have been the biggest of all.

Investigators found that by 1959 the Frunze schemes had operated under the table in at least six legal workshops within two established factories for at least six years. On the grounds of the two factories, the scheme’s organizers secretly produced goods that were keenly sought after by Soviet consumers: well-made, stylish shirts, socks, dresses, pants, underwear, shawls, curtains, carpets, and other items. In 1957, they organized a rayon workshop, which was the most profitable of all (thanks to “great demand,” as Gol’dman told judges). Investigators valued unreported production in the rayon workshop for the period between 1957 and 1960 at the astronomical sum of more than 4 million rubles.[[27]](#footnote-27) At the same time, other workshops in these factories were using similar methods to produce goods of cotton, wool and other material, worth over 5 million rubles. In terms of output and revenue, the operation peaked in 1959-1960, when, as one defendant told the court, both theft and production grew to “impossible levels,” in quantities that surprised even the participants themselves.[[28]](#footnote-28)

Prosecutors observed that similar methods and techniques were used by people in many republics at enterprises in the meat, furniture, shoe, flour milling, wine and other industries.[[29]](#footnote-29) In each of these industries, operators figured out efficient methods to create surpluses and then to dispense finished products.

By necessity, Gol’dman and his colleagues made connections and developed relationships (based largely on bribery) both inside and outside the factory; these would help in the immediate term, but also serve him well when his ambitions grew. Through various means, including their contacts and well-placed intermediaries, they illicitly acquired raw materials (including thread, yarn and fabric) and more than one hundred pieces of equipment.[[30]](#footnote-30) They accumulated huge stocks of extra cloth and raw materials with which they could produce merchandise.

Although it is impossible to give precise figures, it is clear that over the course of about six years, between 1955 and 1960, the organizers manufactured and sold at least 400,000 illegally produced items of clothing and household goods, and perhaps 800,000 or more items. They essentially created what amounted to a medium-sized apparel company inside their corner of the economy. (According to testimony at trial, there were 140 workers in just one very active workshop; 8 or 10 of these employees were involved in the illegal production.)[[31]](#footnote-31)

All told, investigators calculated that the perpetrators had embezzled state property worth more than 30 million rubles (in pre-reform currency) from 1950 to 1960.[[32]](#footnote-32) Prosecutors estimated at trial that they had misappropriated 60 to 65 percent of the factories’ overall production for their own benefit. (By way of comparison, the pay of a skilled worker averaged between about 600 and 800 rubles a month. In 1960, a “Zil” refrigerator cost about 200 rubles, and the list price of a Znamia television was 260 rubles. The retail price of a Moskvich automobile was about 40,000 rubles before 1961, though they were extremely difficult to obtain without good connections or, lacking those, bribes.)

The scheme was extremely profitable for many of the participants. Factory bookkeepers were paid under-the-table cash stipends of between 500 and 2,000 rubles per month for their essential cooperation.[[33]](#footnote-33) The director of the Alamedin factory (a former deputy of the Kyrgyz SSR Supreme Soviet), the Kirghiz D. T. Talasbaev, accepted large payments from the leaders of the operation. In 1957-58, he received 2,000 rubles a month; he testified that he accepted 18,000 rubles a month for ten months between 1959 and late 1960. According to testimony at trial, the head of one workshop, Ivan F. Tatarenko, a Russian from Dnepropetrovsk, was getting 80,000 rubles per month by 1959, about 100 times the average wage of the employees in his shop. Some of the organizers flaunted their wealth conspicuously. KGB investigators calculated that the eleven leading figures in the production operation accumulated 48 buildings and 16 automobiles among them. Ten of 16 convicted bribe takers had their own homes.[[34]](#footnote-34)

At trial, one of the judges asked Gol’dman if he was a *millionshchik*—a ruble millionaire. His answer: “I don’t know.” I think we can take that as a “Yes.”

**How Did the Scheme Work?**

How did they get their goods in the hands of customers? How did they protect themselves? A critical feature of the operation’s success was the use of official channels for unofficial commerce. It is important to emphasize that this was not a venture that operated *separately* from and completely *outside* the mechanisms and institutions of the planned economy. Instead, these entrepreneurs wove their operations into the institutions, agencies and mechanisms of the official economy, both formal and informal. The organizers of the Frunze scheme used the workshop’s state-owned equipment that should have been devoted to producing goods for *official* sale. They sent the illegally produced clothing to *official* warehouses (with bribes going to the warehouse manager). To distribute the clothing widely, the Frunze entrepreneurs fed their products straight into the official supply system. Items made illegally made their way to consumers along precisely the same route as the legitimately produced merchandise. Employees of the *official* warehouses (who had been paid off) distributed the clothing to salespeople in the far-flung *official* retail network, who sold the goods in *official* stores, market stalls, and kiosks. Hand-picked salespeople were rewarded for selling unreported items, normally with a piece-rate bonus of between 12 and 17 percent of the retail price, or occasionally with a monthly stipend (both illegal).

A kind of autonomous economic and legal universe was created around this scheme, one that was both separate from and entwined with the institutions of the planned economy. Organizers essentially created their own private warehousing, supply, distribution, and retail systems enmeshed within the official ones, using state-owned machinery, state employees, and state-controlled channels of acquisition and dispersal. The scheme also demonstrated a superb capacity for using the official system to build their illicit enterprises *inside* the planning structures; to use the scaffolding of the plan to produce their wares; to supply, to distribute, and then to protect and to disguise their operations in ways that were shockingly clever.

The operation was well disguised over many years, requiring a great deal of both active and passive complicity among people in positions of authority in the factories and in supervisory agencies. It would not have been possible for such a scheme like this to have gone on for so long without some cooperation by political officials and law enforcement.[[35]](#footnote-35) Organizers developed relationships with dozens of party and government officials based on mutual profiteering and enabled by bribes.Among those active in the scheme were more than two dozen employees of the two textile factories, including the directors of both factories, 12 shop chiefs and foremen, three bookkeepers, the heads of the warehouses for raw materials and finished goods, one factory’s chief economist and the chief of a supply section. In the city’s retail network, at least 10 store directors and kiosk managers were involved, as were several officials in the city’s retail trade administration.

These arrangements seem to have held up surprisingly well. When there were rumblings of discontent or threats of exposure among co-conspirators, they paid people off. As the scheme grew, the organizers bribed about 25 people, either to participate or to look the other way. To secure the equipment and materials and to cover their tracks, the organizers distributed bribes to buy complicity both horizontally—to people in the factory administration, bookkeepers, and engineers; and vertically up the hierarchy, all the way to people in the republican ministries (including in leadership positions) who played key roles in guaranteeing that the scheme stay supplied. At the republic level, they bribed senior officials in the Kyrgyz Republican Gosplan, Ministry of Local Industry, Ministry of Trade, and Council of Ministers.[[36]](#footnote-36) Most of the officials at the republican level were of Kirghiz or Russian nationality. Additionally, they paid off over a dozen law enforcement officials.

Between March and December 1962, three panels of USSR Supreme Court judges traveled to Frunze to conduct three separate trials. The first trial began on March 23, 1962; it lasted for more than three months. A total of 49 people in that trial were found guilty. On July 13, 1962, judges handed down 21 death sentences under the freshly minted decrees allowing capital punishment in the worst instances of theft of state property and bribery. And on December 25, 1962 judges condemned another seven people in the second trial. (Fifteen people were convicted in the third trial, which was also closed, including several judges, but none were sentenced to death.) Thus, 28 people in the case of the Frunze knitwear factories were sentenced to death. After several were pardoned by the Supreme Soviet, eighteen of those given capital punishment in the first case were ultimately shot. Two police officers who had taken bribes were executed in 1963, for a total of twenty executions in the Kyrgyz Affair.[[37]](#footnote-37)

 **Three Key Elements of this Shadow Economy**

 The operation in the Frunze knitwear factories was characterized by several elements of what I would call a creative Soviet entrepreneurialism. An overview of three of the most significant features may be illustrative.

**First**, the Kyrgyz Affair highlights that these schemes could be trans-national across the Soviet space, in the sense of interactions across union republican borders, involving people of many ethnicities. The Frunze organizers acquired raw materials in multiple republics (including Russia, Kazakhstan and Kyrgyzstan), they obtained machines in four republics (the RSFSR, Ukraine, Kyrgyzstan, and Kazakhstan), had wool cleaned in Kazakhstan, and paid bribes across republican lines. They plied their wares across republican borders, in Kazakhstan, Ukraine, Armenia, and Russia, including in Leningrad and Novosibirsk.[[38]](#footnote-38) One can only imagine the logistical challenges of transporting clothing made illegally in Frunze to Novosibirsk in the late 1950s (at a distance of 2000 kilometers, or perhaps 35 hours by truck). Leningrad was a drive of 4,400 kilometers, upwards of 72 hours by truck. By way of comparison, the city of Frunze was about 600 kilometers closer to Mumbai than it was to Leningrad, and about 500 kilometers closer to Baghdad. Still, socks produced illegally in Kyrgyzstan were a big hit in Novosibirsk, and blouses made a splash in Poltava.

A similar transnational appeal contributed to the success of other major schemes that operated at the same time, and that illicitly produced and sold across republican borders (for example) Georgian wine, soap from L’viv, and contraband Azeri scarves.[[39]](#footnote-39)

And perhaps appropriately, the death penalty in the Frunze Affair was assigned transnationally; people from six Soviet nationalities were sentenced to the firing squad.

 A **second** crucial element of the operation was that the participants devised durable oral agreements as they designed and expanded their commercial network. The participants in the Frunze affair created among themselves arrangements bordering on contractual or quasi-contractual relationships. The Frunze schemers organized what they called a “*chernaia kassa*” (a black account or black cashbox) made up of the eleven main leaders of the operation, including the chiefs and foremen of several workshops, in addition to bookkeepers, warehouse managers and others in key positions in the factories. The term *chernaia kassa* is difficult to translate, and its meaning depends on a given situation. But in this case, it referred to a secret agreement among the managers of the scheme, which included a negotiated series of illegal arrangements. They made comprehensive agreements about how to share the costs and spend the profits generated in the operation. Each of the eleven people who comprised the *chernaia kassa* received a specified proportion, from 13 to 17 percent for Gol’dman and other heads of workshops, to seven percent for the chief bookkeeper, five percent for the head of the finished goods warehouse, and three percent for one of the intermediaries who was responsible for procuring yarn and other raw material.[[40]](#footnote-40)

 The members of the *chernaia kassa* held “shareholders’ meetings” to plan their moves (They used the term *sbor paishchikov*).[[41]](#footnote-41) The meetings were sometimes convened once a week and sometimes once a month. They created detailed pacts among themselves about how much to pay employees or to bribe “necessary people,” many of whom ended up being paid monthly. The *chernaia kassa* agreed to combine two workshops, the knitwear-underwear and rayon-knitwear workshops, as a way of increasing revenue. This unification of two illegal production units worked brilliantly, contributing to more sales and profits.

They collectively pooled their money and decided how and where to acquire and share raw materials, how to arrange for equipment repair, and how much severance pay to issue to people who were fired or removed from the operation.[[42]](#footnote-42) They established of a kind of safety net for anyone involved in the scheme who happened to get fired from their job at the factory. Their concern was that a person who had been dismissed might inform the police about the scheme out of anger or spite. Moreover, in cases when members of the scheme were arrested (and this happened several times), they collectively decided how much to offer the police to release them from custody. For example, the organizers testified that when a number of people were arrested in 1958 they gathered 50,000 rubles to pay bribes to a procuracy investigator, who then dropped all charges.

And **third**, they established creative ways to settle disagreements among themselves. The eleven people who made up the *chernaia kassa* created a private, binding arbitration tribunal *(“treteiskii” sud*—literally a “third party court”), which was intended to mediate conflicts. (Official versions of such arbitration bodies existed in many factories in the USSR.) As the operation grew rapidly, the creation of this ad hoc, voluntary mediation body was an attempt to resolve the inevitable disputes among the organizers. The goal was to protect the leaders of the operation from exposure if one of the participants got angry and went to the police. (This happened in 1958—the *chernaia kassa* paid 70,000 rubles to the police to stop the investigation).[[43]](#footnote-43) In one case, as several people testified, a certain Akhun, a man who worked in the Kyrgyz republican Sovnarkhoz, complained that his share of the profits was not generous enough. He brought his complaint to the leaders of the operation, who hastily put together an arbitration tribunal of three members. The tribunal heard testimony in someone’s apartment, and, after some deliberation, awarded Akhun 80,000 rubles, hoping this sum would buy his silence.[[44]](#footnote-44)

The entrepreneurs in the Frunze scheme were able to succeed in areas where managers in the “official economy” could not, because plan rules severely restricted them from acting independently in many spheres. For example, workshop chiefs could find market niches and then produce for them. When they heard from salespeople that consumers had begun to develop a taste for certain goods—for example, attractive curtains made of tulle became popular in 1955, or certain styles of sweaters and scarves—they steered production toward those items. They gauged consumer interest and quickly adjusted production to meet that demand. When demand for their tulle products waned (mainly because state plans began calling for their manufacture in quantity), they switched to rugs, scarves, and goods made of rayon.[[45]](#footnote-45) They had the advantage of getting customer feedback from the retail employees in stores and kiosks who were highly motivated to sell their goods. And the organizers listened. For example, salespeople counseled the chief of the fabric workshop (*tkatsk*) to produce more scarves because they were in higher demand.[[46]](#footnote-46)

They cared about quality and controlled for it. They bragged at trial that their illegally produced goods were top quality and always cut properly and to the right size. When he was on trial for his life, the chief of the fabric workshop testified with pride that the scarves he and his colleagues manufactured in the Kyrgyz Republic were in high demand among consumers in multiple republics, which he took as evidence attesting to their quality.[[47]](#footnote-47) He told the court that consumers demanded good quality products, and they would notice if the merchandise was not up to snuff. As evidence, he bragged that his workshop had sent a shipment of 10,000 scarves to Kiev and only 113 were returned as unsatisfactory.

The managers of the scheme could reward employees for good productivity with substantial cash bonuses. They also could hire and fire for the operation as needed. They could employ people they trusted, including family and friends. They could cut through layers of irrational bureaucracy quickly and efficiently (albeit illegally) with cash bribes. They could sidestep foolish and counterproductive procedures and rules. They could more easily obtain scarce materials and replace outdated machinery.[[48]](#footnote-48) Critically, they could neutralize corruption with corruption—when the police or procuracy investigators threatened them with exposure, they simply paid them off.

In the Kyrgyz Affair, we also see certain bedrock attitudes that were common to shadow economy/shadow society activities. First, many dozens of people in the operation had no qualms about absconding with state property for their own benefit. They apparently did not regard state property as “the people’s property,” as official discourse would have it. This widespread idea that there was nothing wrong with embezzling “socialist” property was the foundation for the entire shadow economy.[[49]](#footnote-49)Second, they believed that they could trust many people in a risky criminal operation. Trust (together with bribes and other financial incentives) held the affair together. Third, they were convinced that numerous members of law enforcement (police, procuracy, and judiciary) could be bought off for the right price. And fourth, they were certain that they could relatively easily buy the complicity of many economic administrations and political agents who were charged with protecting state property, including various officials in the factories, auditors and bookkeepers, store directors, and ministerial employees.

Stephen Kotkin has written in *Magnetic Mountain* that “Socialist trade was a veritable school for insider theft.” He describes how retail stores offered endless opportunities for employees to enrich themselves. I agree with this observation, but I would argue that we could take this idea quite a bit further. It was not only the retail trade sector that provided an education to thieves-in-the-making. The entire command-administrative economy, from Moscow planning agencies to factory floor, provided an education for underground entrepreneurs. And it was not just a school, but a whole scaffolding of institutions, organizations, and personnel. The command economy did not just teach people how to organize an underground operation, it provided the blueprints and the infrastructure—the distribution network, the power (through the machines), the labor, the incentives to cheat and to succeed, and the informal mechanisms like *tolkachy* that made things happen in an economy of shortage. Even the plan’s vast waste was fuel for the shadow economy. The state promised people that their desire for consumer goods was important, a natural aspiration for a Soviet citizen, though the command economy could not come close to fulfilling that demand.

**Conclusion**

 I once read an interview with a Soviet lawyer from the 1970s who confided that the most successful shadow economy operations that he had come across in his career were both *simple and brilliant*. In my view, the Frunze scheme was both simple and brilliant in its vision of multinational, informal systems that were completely intertwined with and, one could say, even mimicked the official ones, with embedded systems of production, supply, distribution, accounting, storage, and even security (meaning the "purchase" of police and procuracy officials).

In my view, the literature on shadow economies in late socialism has not fully captured the robust vibrancy of many of the biggest schemes (which often linked production and retail trade) and the creativity of many of their practitioners. The command economy produced a type of outlaw entrepreneur who understood production and retail systems and their special vulnerabilities, and who took advantage of these opportunities despite the considerable risk. These entrepreneurs highlighted the shortcomings of the economy. Those vulnerabilities included fixed, low prices, permanent shortages, the official encouragement of consumption using consumerist ideas (indeed, the willingness to judge the success of the Soviet project in part on the basis of increased consumption and standards of living), the susceptibility of powerful people to bribery, including the professionalization and monetization of informal, illicit intermediate relationships. In certain key respects, then, the official proscriptions and mechanisms of the command economy taught people active in the shadow economy how to structure their activities.

The decrees of 1961-62 were an incongruous twist, an acknowledgement of one sign of danger amid the general optimism of the Khrushchev era. The Kirghiz Affair (and other cases like it) epitomized several worrisome trends. Even as Yuri Gagarin became the first man in space in the spring of 1961 (as the arrests in the Frunze Affair were still underway) and optimism about Soviet achievements and progress abounded, these major trends may have seemed permanent. Troubling to leaders was not just that the shadow economy siphoned merchandise and labor. The shadow economy also had important social and cultural dimensions that seemed problematic to authorities. It was the un-socialist and “bourgeois” (if not intentionally anti-Soviet) shared attitudes and practices that undergirded it all. These included notions that it was morally acceptabile for ordinary people to pilfer state property, and to pay and accept bribes, and about the willingness of people to manufacture and acquire desirable goods “on the left.” Moreover, the harsh new laws did not(and could not)solve the thorny and central questions of culture, institutional power, social and kinship relationships, and rising consumer expectations amid continued shortages and reconstruction, much of which were born of the tragedy of the war.

In the final analysis, the great challenge for the Soviet leadership was not that corruption was the result of a few bad apples who continued to harbor capitalist mentalities (as the press still claimed), or even that some “bourgeois” or “alien elements” were trying to weaken socialism. The problem was much worse than that. The problem was that the enemy was inside the gates. The interdependent nature of the official and shadow economies is one reason why anti-corruption efforts were unsuccessful, and why Khrushchev resorted to increasingly drastic measures to punish at least some of the most visible practitioners. I would argue that the scope, sophistication, and ambition of this operation (and others that were similar, if not as elaborate) helps us understand a significant reason why Khrushchev decided to introduce the death penalty for aggravated cases of theft of state property and bribery in 1961-62. The thunderous public nature of the prosecution was a sign that the authorities considered the Frunze operation likely to be repeated in other places.

The Frunze schemers understood well how the official economy worked. Their operation reflected a degree of coordination and sophistication, of shared attitudes and practices (not to mention sheer, unbridled greed) that I would argue were simply grander versions of phenomena present in embedded shadow economies all over the country. They were not working for the overthrow the system, of course; in a sense, together with their partners in the economic administration and the party, and their protectors in law enforcement, they *were* the system.

The web of complicity based on secret negotiations and agreements may have struck the authorities as a kind of metastasis, one that seemed to be spreading unabated. In Frunze, the disease of complicity in theft spread not only laterally, from the schemers to immediate local officials, but also vertically, up the hierarchy all the way to elements of the republican ministerial and party leadership. The Kyrgyz Affair, one could argue, was a nightmare scenario for party leaders. The Frunze scheme very well may have appeared to party and legal watchdogs like a model of the most dangerous possible criminal enterprise, a harbinger of how these sophisticated operations would work all the way until the collapse of the Soviet Union. And, of course, it was just that. Khrushchev intended the threat of the death penalty both to act as a deterrent and to crack apart and punish those relationships and networks that the state labeled criminal. A sign of desperation rather than a sign of strength, the imposition of capital punishment for the crimes that lay at the heart of the shadow economy seems to have been an unwitting acknowledgement of the fact that such activities were slipping out of control. The selective fury of the executions was an concession by the leadership, perhaps, that they had caught a glimpse of the future.

1. The sentence in the case can be found in the fond of the USSR Supreme Soviet, GARF, f. 7523, op 95s, d. 266, ll. 175-241. [↑](#footnote-ref-1)
2. GARF, f. 9492, op. 6, d. 122, ll. 70-71. This report was written on the basis of data supplied by the USSR Supreme Court, apparently. [↑](#footnote-ref-2)
3. Gregory Grossman focused his published research on the late 1970s and 1980s. Grossman, “The ‘Second Economy’ of the USSR.” *Problems of Communism* (September 1977). [↑](#footnote-ref-3)
4. For example, Paul Gregory, *The Political Economy of Stalinism* (Cambridge UK, 2009); Paul Gregory and Mark Harrison, “Allocation under Dictatorship: Research in Stalin’s Archives,” Journal of Economic Literature 43:3 (September 2005), 721-761. [↑](#footnote-ref-4)
5. Cited in Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism* (Ithaca,

2002), 17. [↑](#footnote-ref-5)
6. Gabor Rittersporn uses the term “entrepreneurial folkways,” to describe ways in which Soviet people, mainly in the 1930s, reconfigured their environment to create informal networks to help them accomplish many tasks. Rittersporn, *Anguish, Anger and Folkways in Soviet Russia* (Pittsburgh, 2014). Joseph Berliner used the term entrepreneur to refer to managers operating using *blat* (an exchange of favors) in informal exchanges. The present study is about illegal activity undertaken by people acquiring, producing and distributing goods at least partially for the goal of self-enrichment, not simply to fulfill plans quotas. [↑](#footnote-ref-6)
7. Scholars have written recent studies of religion and atheism, political infighting, and intellectual vitality in late socialism. On consumerism, see Natalya Chernyshova. *Soviet Consumer Culture in the Brezhnev Era* (London, 2013). On changes in public consciousness with respect to discussions of literature and culture during the thaw, see Denis Kozlov, *The Readers of Novyi Mir: Coming to Terms with the Stalinist Past.* Cambridge, Mass.: 2013). On complicating the myth of the Thaw, see Stephen Bittner, *The Many Lives of Khrushchev’s Thaw: Experience and Memory in Moscow’s Arbat* (Ithaca, 2008); On atheism, see Victoria Smolkin, *A Sacred Space Is Never Empty: The Spiritual Life of Soviet Atheism* (Princeton, 2018). On religion, Miriam Dobson, “The Social Scientist Meets the ‘Believer’: Discussions of God, the Afterlife, and Communism in the Mid-1960s.” *Slavic Review* 74: 1 (Spring 2015), 79-103. On University students and intelligentsia identity, see Benjamin Tromly, *Making the Soviet Intelligentsia: Universities and Intellectual Life under Stalin and Khrushchev* (Cambridge, Eng., 2014). For a collection of articles that reconsider the “stagnation” paradigm, see *Reconsidering Stagnation in the Brezhnev Era: Ideology and Exchange*, eds. [Dina Fainberg](https://www.amazon.com/s/ref%3Ddp_byline_sr_book_1?ie=UTF8&text=Dina+Fainberg&search-alias=books&field-author=Dina+Fainberg&sort=relevancerank) and [Artemy M. Kalinovsky](https://www.amazon.com/s/ref%3Ddp_byline_sr_book_2?ie=UTF8&text=Artemy+M.+Kalinovsky&search-alias=books&field-author=Artemy+M.+Kalinovsky&sort=relevancerank) (Lanham, MD, 2016). [↑](#footnote-ref-7)
8. Millar, “The Little Deal.” [↑](#footnote-ref-8)
9. Gosudarstvennyi arkhiv rossisskoi federatsii (GARF), fond 9474 (collection of the USSR Supreme Court). “On the theft of state property in especially large amounts and the receipt of bribes.” Transcript of trial of Mor’dko Kh. Gol’dman, et al, defendants, vols 1-8. [↑](#footnote-ref-9)
10. For legal and semi-legal markets under Stalin, see Julie Hessler, *A Social History of Soviet Trade* (Princeton, 2004). Elena Osokina, "*За фасадом «сталинского изобилия»: Распределение и рынок в снабжении населения в годы индустриализации, 1927-1941* (Moscow, 1998), published in English under the title "*Our Daily Bread: Socialist Distribution and the Art of Survival in Stalin’s Russia, 1927-1941* (Armonk, 2001); on bribery and gift giving, especially in the courts, see James Heinzen, *The Art of the Bribe: Corruption under Stalin* (New Haven, 2016). On the growth of state-sponsored consumerism, especially among elites and sub-elites under postwar Stalinism, see Vera Dunham, *In Stalin's Time; Middleclass Values in Soviet Fiction* (Cambridge, Eng., 1976). For empirical research on Brezhnev-era corruption, based mainly on reports in the Soviet press, see William Clark, *Crime and Punishment in Soviet Officialdom: Combating Corruption in the Political Elite, 1965-1990* (Armonk NY, 1993); Charles A. Schwartz, “Economic Crime in the USSR: A Comparison of Khrushchev and Brezhnev Eras,” *The International and Comparative Law Quarterly* 30, no.2 (April 1981): 281-96; F. J. M. Feldbrugge, “Government and Shadow Economy in the Soviet Union,” *Soviet Studies*, 36, no. 4 (October 1984): 528-543; Nick Lampert, “Law and Order in the USSR: The Case of Economic and Official Crime,” *Soviet Studies* 36, no. 3 (July 1984): 366-85; Aron Katsenelinboigen, “Coloured Markets in the Soviet Union,” *Soviet* *Studies* 29:1 (January 1977), 62-85.Timothy Colton, *The Dilemma of Reform in the Soviet Union* (New York, 1986), 551-53. As Colton summarized things, “Frustrated consumers buy or trade for more of what they need *nalevo* (on the side) from friends, small-time producers and middlemen, sales clerks, waiters, and so on, most of whom depend to a considerable extent on materials purloined from store shelves or state warehouses and even on state vehicles and tools” (52). For brief observations about the 1961-62 laws based on coverage in the Soviet press, see Merle Fainsod, How Russia is Ruled (Cambridge, MA, 1965), 242; Charles A. Schwartz, “Economic Crime,” 281-96; Clark, *Crime and Punishment;* Lampert, “Law and Order,” 366-85. On other types of crimes in the Khrushchev period see, for example, Brian LaPierre, *Hooligans in Khrushchev’s Russia* (Madison, WI, 2012); and Miriam Dobson, *Khrushchev’s Cold Summer: Gulag Returnees, Crime, and the Fate of Reform after Stalin* (Ithaca, 2009). On informal bartering in industry in the 1930s, see David Shearer, “Wheeling and Dealing in Soviet Industry: Syndicates, Trade, and Political Economy at the End of the 1920s,” *Cahiers du monde russe* 36, nos. 1–2 (1995): 139-160. Joseph Berliner was mostly interested in similar things, such as the bartering in grey markets that allowed people to somehow overcome the inbuilt inefficiencies of the planned economy and let people fulfill the plan. Berliner, *Factory and Manager in the USSR* (Cambridge MA, 1957); on small-time “entrepreneurs” see Shearer, *Policing Stalin’s Socialism: Repression and Social order in the Soviet Union, 1924-1953* (Ithaca, 2009) Others scholars have written about report padding, or *pripiski*, which was intended to inflate statistics to falsely show that plans had been met. Mark Harrison shows how managers worked to fraudulently disguise their poor production in the planned economy by cooking the books. Harrison, “Forging success: Soviet managers and accounting fraud, 1943-1962,” [*Journal of Comparative Economics*](https://www.researchgate.net/journal/1095-7227_Journal_of_Comparative_Economics) 39(1): 43-64 (November 2010). David Granick, *The Red Executive* (1961). By way of comparison, I am interested in self-enriching actions, including not just embezzling money but creating phony production outfits. On the massive fraud (or “window dressing”) in meat production statistics at the heart of the Riazan Affair, see Yoram Gorlizki, “Scandal in Riazan: Networks of Trust and the Social Dynamics of Deception,” *Kritika* 14:2 (Spring 2013), 243-278. [↑](#footnote-ref-10)
11. It was the *New York Times* journalist Hedrick Smith who first brought the extent of Soviet petty black-market activity to a large Western audience. Hedrick Smith, *The Russians* (New York, 1976), chapter 3. Aleksei Yurchak is interested in young people (mostly), including collectors, buying Western goods on the black market from *fartsovshchiki*—in particular clothing, record albums and other music, and radios and radio parts. *Everything was Forever until it was No More* (Princeton, 2013). [↑](#footnote-ref-11)
12. James Millar, “The Little Deal: Brezhnev’s Contribution to ‘Acquisitive Socialism.’” *Slavic Review* 44: 4 (Winter 1985), 694-706. [↑](#footnote-ref-12)
13. Front-page editorials in both *Pravda* and *Izvestiia* denounced a wave of theft and embezzlement in Kazakhstan that was abetted by bribery. For a major underground scheme in a Moscow clothing factory see GARF f. 9415, op. 5, d. 135, ll. 136-39); more examples can be found in GARF, f. 9474, op. 16, d. 744, ll. 9-10. On March 29, 1962, the Central Committee sent all regional party organizations a closed letter on “Strengthening the struggle with bribery and theft of the people’s property.” It detailed numerous large-scale theft cases. *Региональная политика Н. С. Хрущёва.* Oleg Khlevniuk, ed, (Moscow, 2009),199-209. [↑](#footnote-ref-13)
14. It lies outside the parameters of this study to examine the degree to which actual convictions under the 1961-62 decrees contained an anti-Semitic dimension, though it definitely existed. [↑](#footnote-ref-14)
15. Decree of the Presidium of the USSR Supreme Soviet, “Ob usilenii bor’by s osobo opasnymi prestupleniiami.” Stalin had abolished the death penalty in May 1947, though it was reintroduced in 1950 for certain anti-state crimes such as treason and espionage. [↑](#footnote-ref-15)
16. *Vedomosti Verkhovnogo soveta*, no. 8, article 85: February 21, 1962: 221-22. The law increased penalties in regular, non-capital cases of bribery as well. In normal circumstances, the bribe-taker would now receive three to ten years imprisonment. If a person in a “position of authority” accepted or extorted a bribe, or if it was a repeat offense, the convicted person would get eight to fifteen years in prison (if not the death penalty). In a reversal of Stalin-era legislation (which dated, in fact, to the 1920s), the law punished theacceptors of bribes somewhat more severely than bribe givers. Those convicted of offering bribes (under Article 174) would get lesser penalties of three to eight years; a repeat offense or a crime by a person in a responsible position would bring a sentence of seven to fifteen years. (The death penalty for bribery and for major theft of state property was not abolished until December 1991, though courts seem to have applied it very rarely after 1964.) [↑](#footnote-ref-16)
17. For an overview of the “growing expectations gap,” see Timothy Colton, *The Dilemma of Reform in the Soviet Union*. Revised and expanded edition (New York, 1986), 47-50. See also Moshe Lewin, *The Gorbachev Phenomenon: A Historical Interpretation* (Berkeley, 1988), 46-52. [↑](#footnote-ref-17)
18. In *Cars for Comrades: The Life of the Soviet Automobile* (Ithaca: 2008), Lewis Siegelbaum describes illegal markets for cars (and gasoline, and spare parts, and garages and the material to build them). [↑](#footnote-ref-18)
19. Dunham, *In Stalin's Time*. On clothing shortages and consumption, see Larissa Zakharova, “Soviet Fashion in the 1950s‑1960s: Regimentation, Western Influences, and Consumption Strategies,” in Denis Kozlov and Eleonory Gilburd, eds., *The Thaw, Soviet Society and Culture during the 1950s and 1960s* (Toronto, 2013). On the gendering of Soviet consumerism by both Soviet and American authorities, see Susan E. Reid, “Cold War in the Kitchen,” *Slavic Review* 61:6 (Summer 2002), 211-252; and Susan E. Reid and David Crowley, eds., *Style and Socialism: Modernity and Material Culture in Post-War Eastern Europe* (Oxford: Berg, 2000); Natalya Chernyshova. *Soviet Consumer Culture in the Brezhnev Era* (London, 2013). For interesting thoughts on the centrality of consumption as a marker of success for both capitalism and socialism, see Kate Brown, *Plutopia: Nuclear Families, Atomic Cities, and the Great Soviet and American Plutonium Disasters* (Oxford, 2013), 148-49, 255-67. See also Donald Raleigh, *Soviet Baby Boomers: An Oral History of Russia's Cold War Generation* (Oxford, 2013). [↑](#footnote-ref-19)
20. Khrushchev made these remarks in a speech at the 22nd Party Congress, on October 17, 1961. Cited in James Millar, “Little Deal,” 694, f. 3. *Documents of the 22nd Congress of the CPSU, vol. 2. Report on the Programme of the Communist Party of the Soviet Union* (New York, 1961), 85. [↑](#footnote-ref-20)
21. On the Third Party Platform, see Alexander Titov, “The 1961 Party Programme and the Fate of Khrushchev’s Reforms,” in *Soviet State and Society under Nikita Khrushchev*, ed. Melanie Ilic and Jeremy Smith (London, 2009), 8-26. [↑](#footnote-ref-21)
22. A document from the Central Committee’s department of trade summed up the situation in 1967, on the eve of celebrations of the 50th anniversary of the Revolution, by noting, “In retail trade there is invariably a shortage of silk and wool fabric and clothing, leather and rubber boots, outerwear, clothing and shoes for children, refrigerators, radios, speakers, tape recorders, photographic paper, porcelain dishes, school supplies, and many other goods….” RGANI, f. 5, op. 60, d. 219, ll. 5-6. [↑](#footnote-ref-22)
23. Timothy Colton, *The Dilemma of Reform*, 57. [↑](#footnote-ref-23)
24. Transcript of trial of Mor’dko Kh. Gol’dman, et al, tom. 2, ll. 84-85. [↑](#footnote-ref-24)
25. Shtramvaser at the 42nd Anniversary factory described his descent into crime in much the same way. Transcript of trial of Mor’dko Kh. Gol’dman, et al, tom. 5, l. 19. [↑](#footnote-ref-25)
26. GARF, f. 7523, op. 95s, d. 266, l. 184. [↑](#footnote-ref-26)
27. GARF, f. 7523, op. 95s, d. 266, l. 184. [↑](#footnote-ref-27)
28. Transcript of trial of Mor’dko Kh. Gol’dman, et al, vol 4, l. 29. [↑](#footnote-ref-28)
29. GARF, f. 9474, op. 16, d. 760, l. 24. [↑](#footnote-ref-29)
30. GARF, f. 7523, op. 95s, d. 266, l. 186. [↑](#footnote-ref-30)
31. Transcript of trial of Mor’dko Kh. Gol’dman, et al, tom. 3, l. 43. [↑](#footnote-ref-31)
32. GARF, f. 9474, op. 16, d. 760, l. 14. Spravka, January 19, 1962, by G. Anashkin. [↑](#footnote-ref-32)
33. Transcript of trial of Mor’dko Kh. Gol’dman, et al, tom. 5. Testimony of Shtramvaser. [↑](#footnote-ref-33)
34. GARF, f. 9474, op. 16, d. 760, l. 55. [↑](#footnote-ref-34)
35. James Millar in his classic article on “The Little Deal” described such complicity in small-scale private marketeering operations. [↑](#footnote-ref-35)
36. Diushaliev was allegedly assisted by the deputy Minister of Trade for the Kyrgyz SSR, T. Novikov. As director of the planning and economics department of the Kyrgyz SSR Republican Economic Council (Sovnarkhoz), I. A. Akhun helped in supplying the scheme with raw materials, including rayon. He received over 100,000 rubles in bribes, according to prosecutors. All three of these men were shot. The Director of the Frunze city manufacturing trade depot (Gospromtorg) Dzhumaniliev, was convicted. A. K. Kim, the chief of the industry department in the Gosplan of the Kirghiz SSR, was tried earlier and received three years deprivation of freedom. [↑](#footnote-ref-36)
37. GARF, f. 9474, op. 7, d. 1135, ll. 1-13. The death penalties in this case were all assigned retroactively. The Izvestiia article on the sentences in the trial incorrectly reported that four people were executed in the first trial; the second two, closed trials, were not reported. [↑](#footnote-ref-37)
38. As a police report from 1959 put it, intermediaries traveled to Moscow from all over the country and paid bribes illicitly to obtain supply orders for raw materials, including rayon, wool, and other material. They came from Uzbekistan, Georgia, Ukraine, Moldova, and other republics. GARF, f. 9474, op. 16, d. 744, ll. 23-24. For another document on this, see the OBKhSS fond: GARF, f. 9415, op. 5, d. 178, ll 99-103. [↑](#footnote-ref-38)
39. See for example, GARF, f. 7523, op. 109, d. 22, ll. 37, for examples of cases in which government and sometimes party workers were involved. [↑](#footnote-ref-39)
40. Trial of Gol’dman et al, tom. 2, l. 112. [↑](#footnote-ref-40)
41. Trial of Gol’dman et al, tom. 2, l. 95. [↑](#footnote-ref-41)
42. Trial of Gol’dman et al, tom. 4, l. 78. [↑](#footnote-ref-42)
43. Trial of Gol’dman et al, tom. 2, l. 131. [↑](#footnote-ref-43)
44. In another case, the *chernaia kassa* set up the arbitration tribunal when L. S. Protich (a shop chief) expressed dissatisfaction with a compensation offer of 90,000 rubles when he was fired. He threatened to expose the entire scheme if the leaders did not sweeten the offer. [↑](#footnote-ref-44)
45. Trial of Gol’dman et al, tom. 2, l. 107. [↑](#footnote-ref-45)
46. The operation really took off when the organizers of the scheme united the knitwear and cloth workshops. They did this because the raw material was insufficient and of poor quality, and they were fighting over it. This way, there would not be fights over which workshop would get the best fabric or thread. This strategy worked extremely well, as they testified. There were no more fights and now they had “common interests.” Trial of Gol’dman et al, tom. 4, l. 108. [↑](#footnote-ref-46)
47. Trial of Gol’dman et al, tom. 5, l. 6. [↑](#footnote-ref-47)
48. They claimed that they improved working conditions; the head of one factory pointed out that there were no accidents the entire time he was in charge. Trial of Gol’dman et al, tom. 4, ll. 175-179. [↑](#footnote-ref-48)
49. For a survey of Soviet legal literature on this theme, see Stanislaw Pomorski, “Criminal Law Protection of Socialist Property in the USSR,” in *Soviet Law after Stalin*, ed. D. Barry, P. Maggs (Leyden, 1977), 238-244. [↑](#footnote-ref-49)