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The Failure of Soviet Privatization

When “The Market” Is Just Money Laundering the
Bloodsoaked Riches of Statism

William Gillis

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When the USSR fell one of the “privatization” schemes was to just hand workers stock certificates in the companies they worked at. The problem of course was that the economy was seized up and everyone was starving. So gangsters and the children of the soviet upper-class with actual money bought up all the certificates. They had folks literally go around with wheelbarrows full of vodka trading one bottle for a stock cert. Thus were state enterprises promptly handed over to the existing rich.

This is an important historical example because it demonstrated with devastating clarity how “entrepreneurs” with a small amount of unfair seed money can rapidly take over an entire economy and turn it into an oligarchy. The “privatization” of the USSR proceeded in a manner that basically turned the entire state economy over to a few oligarchs. A switch of rule by the central committee to rule by a few — exactly as even *Rothbard* explicitly noted would constitute no real change whatsoever.

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It wasn't a direct hand off — there were extra steps — but the speed at which it happened makes inescapable the fact that this wasn't the emergence of some new privileged class as the result of a natural hierarchy, but clearly a situation where the centrifugal tendencies of free competition were utterly overwhelmed by vast disparities.

We often talk about the egalitarian tendencies and mechanisms, or at least potential, of mature freed markets, but while a market might have certain dominant tendencies near an egalitarian equilibrium to return to such a state of affairs, no one has ever suggested that this will be true for *any* starting distribution of wealth. It is obvious to everyone that if 100 people own 99.99% of the world their buying power will be leverageable to keep the rest in slavery. The issue of significant contention is *where* the transition point might be between a distribution of wealth where centrifugal tendencies dominate to a distribution of wealth where centralizing accumulative tendencies dominate.

The optimistic would put this point quite high, claiming for example, that even if 1% of the population owned 99% of the wealth, without a state apparatus or similar violent means to capture and use to defend this wealth, such a society would eventually erode said economic privilege away. But what's less examined when these declarations are traded is the *speed* at which such erosion would occur. Because let's be clear: there certainly was some erosion in some contexts in the collapse of the USSR. Of course this erosion came alongside the removal of the welfare systems that had been absolutely necessary to keep an enslaved populace alive, which meant that the net impact was a catastrophe of human suffering. But even in limited bubbles where centrifugal effects dominated over accumulative ones, the overall inequality was often still so sharp as to make that diffusion relatively slow. And ultimately what fucking matter is it if the market will eventually erode away titanic inequality if hordes of people are starving to death today? The sharpest critique of our neoliberal global regime isn't that it

has made people more miserable over time, but that it has not liberated anywhere near fast enough.

Anarchists – especially left market anarchists – cannot afford to fail to grapple with why the USSR’s “privatization” process failed so spectacularly to create anything remotely near an egalitarian robustly competitive market.

Sure there were structural dynamics of state capture, but the almost immediate centralization of wealth that happened upon the distribution of stock certificates wasn’t actively shepherded along by the state. The somewhat rich growing into the ridiculously rich happened spontaneously. Nor of course can even the reactionaries who love to dodder on about “natural hierarchies”, or other such fascist garbage, make any pretense of a case. We can’t blame animalistic time-preferences, no one beside the existing rich had the capital to buy up a controlling amount of stock, and the businesses those stock certificates referred to were largely going to be losing endeavors for years to come. Infinitesimal stock that won’t pay out for years if it pays out anything, in a company you know first-hand is being catastrophically and systemically mismanaged, or a bottle of vodka? You’re fucking kidding yourself if you think you wouldn’t take the latter to at least numb the hunger while you fail to be paid for months or years.

There were many many contributing aspects to the catastrophic oligarchization of 90s Russia, but the three big ones were 1) lots of people were left desperate without basic needs, 2) the rich from the old regime were never fucking dealt with, thus allowing them to predatorily leverage their capital while everyone else was at a disadvantage, and 3) the handover of workplaces copied the intensely hierarchical and centralized model of western capitalist firms – “worker ownership” in some very abstract and watered down way but not direct workplace democracy.

Theoretically being able to vote on an aggregate bloc once in a blue moon at a shareholder meeting is a lot like getting to vote every four years for a mayor who appoints the police chief who

appoints the cops that continue to murder your neighbors. There is no direct accountability, the management can stay utterly insulated and capricious, there is no direct involvement or capacity even to leverage your firsthand knowledge on the shop floor, and there is of course, no meaningful incentivization from stock options to help the business do well in a bloated firm where your contributions are rapidly averaged away.

The takeaways for anarchists are obvious:

If and when we overthrow the state & unleash a freed market we will not succeed unless we also build basic needs infrastructure for the poor/disabled/etc, take everything back from the rich, and that the structures we adopt to organize ourselves are of intense importance. A crisis situation is not the time to be haphazardly learning from praxis, that is to say trial-and-error, much less from blindly perpetuating a model inherited from some status quo.

But another big takeaway should be that it's as silly to ask "where is the victim" or pretend that the billionaires in our present society are somehow fucking not entirely dependent upon a history of titanic state violence as it would be to pretend so with the Russian oligarchs. While the individuals involved may fluctuate to some degree, intensely inegalitarian distributions of wealth have their own momentum. After atrocities like the enclosures, slavery, imperialism, and genocide, scales of capital investment become possible that never were before, leading to a stickiness of overall wealth. Titanic billions are made off the state enforced censorship regime of intellectual property... and this is promptly used as seed money to create startups capable of underselling competitors, driving out the competition and utilizing network effects that would be unreachable with less initial capital to establish themselves as monopolistic middlemen. The perversity of severe economic inequality is self-perpetuating, and it matters not that it travels through a few tumblers, laundered in various ways, the very fact that there are billions of dollars to be made is the product of a history of immense oppression and violence.

In this the only difference between the USSR and the American Empire is a warping of some timescales.