

Putin Turns to Stalin for Modernization Ideas

By [Alexander Golts](#)

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Now that President Vladimir Putin has firmly aligned the government with the Russian Orthodox Church, he has moved on to create a new burden for the nation: a program to re-industrialize the country. Speaking on Aug. 31 to a Security Council meeting on the military-industrial complex, Putin said: "Over the past 30 years, our defense companies have missed out on several modernization cycles for a number of reasons — above all, chronic financing shortages. ... In short, we will have to modernize the entire defense industry ... and carry out the same kind of comprehensive and powerful modernization drive that was achieved in the 1930s."

Surprisingly, that is almost verbatim of what Josef Stalin said in 1931: "We have fallen 50 to 100 years behind the leading countries. We must make up for that shortfall in 10 years. If we don't do this, we will get crushed."

Putin's proposal for modernizing the country's industrial base is similar to Stalin's program: pumping massive amounts of money into the defense industry. "By creating a modernized

and effective defense industry," Putin told the Security Council, "we can ensure large growth potential for the entire economy. The bulk of our advanced technology is in the defense industry. ... The defense industry has always been an engine pulling the other manufacturing sectors along behind it."

Apparently, Putin is unaware that since the 1980s, the civilian sector, not the military-- industrial complex, has been the driving force behind the world's leading economies, as well as the source of the greatest technological breakthroughs. In contrast to the period from the 1940s to the 1970s, the modern-day technological revolution has shifted the chief scientific advances to the civilian sector. This is because mass production for widespread consumption is far more efficient and involves many more cycles of innovation and change than the "one-off" production of expensive military hardware.

What's more, Stalin's industrialization was based on the exact opposite approach. He built factories that produced civilian goods in peacetime but had to quickly shift to weapons production in wartime. That model simply doesn't work in a market economy because the price of the consumer goods would have to include the cost of making the expensive shift to military production later.

Let us all hope that Putin has no intention of copying Stalin's method of industrialization. The Soviet dictator's forced collectivization campaign drove millions of peasants from the countryside to industrial cities to provide the labor force for his gigantic industrial and construction projects. The funding for this campaign was provided by widespread expropriation of personal property during the Great Terror of the 1930s that robbed millions of helpless citizens of their possessions and lives.

But it seems that Putin's sole source of funding for his industrialization drive would be the windfall from high oil prices. The only problem, however, is that if oil prices fall sharply, Putin may think that he has no other choice but to choose a Stalinesque road to industrialization and economic revival. As for raising a large, skilled labor force, simply restoring the old Soviet title of Hero of Labor isn't likely to help. The only other option is to force the nearly 1 million convicts sitting in Russian prisons to work for the benefit of the motherland's re-industrialization. But prison labor has never been known for its high productivity and efficiency.

Putin's approach is riddled with contradictions. He seems to acknowledge the obvious problems with the defense industry. For example, he has firmly stated that the defense industry will be judged by the actual quantity of equipment it produces. But for the past 10 years, the only growth has been in the price of manufacturing and not in the number of units manufactured. Mass production depends on the ability to create an efficient chain of manufacturing plants and suppliers — something Putin has no idea how to implement.

Putin has also issued stern warnings about how weapons prices should be set. But that is also an impossible task if the large state-controlled defense corporations that Putin himself created remain unchanged. By definition, those corporations — essentially a caricature of Soviet-era defense industry ministries — cannot produce equipment for reasonable prices because they are forced to maintain enormously bloated bureaucratic structures, the cost of which is reflected in the price of their end products. If you add the built-in cost

of corruption, the prices of weapons are even higher.

Against this backdrop, all of Putin's talk about the private sector investing in the defense industry is meaningless. What businessperson would risk investing in an enormously inefficient and unmanageable corporate behemoth like Russian Technologies? Most investors understand the risk of being robbed of their money and know-how if they invest in a state corporation.

Equally worthless is Putin's proposal to create a database of military and technical information from which private manufacturers could draw information about the needs of the armed forces and learn of technological breakthroughs that have potential applications in the civilian sector. Several university professors have already landed in prison for refusing to share with corrupt officials the royalties they received from military technologies they invented.

The irony is that Russia can no longer use totalitarian methods to industrialize or modernize. Nor is the Kremlin willing to use democratic methods to achieve the same goals. I think that Putin will soon make a choice between the two, and I'm afraid it won't be in favor of democracy.

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