

### **Abstract**

This paper traces the formal and informal allocation of vehicles by the Soviet administrative-command economy in the early and mid 1930s using the very same documents as did the Soviet dictator some 70 years earlier (obtained from the formerly secret Soviet state and party archives). Scholarly studies of Soviet management revealed substantial principal/agent problems between the enterprise and the industrial ministry. In this case study, we examine the relationship among the dictator and his highest-level associates. Insofar as the major wholesale users of vehicles constituted the interlocking directorate of the Soviet leadership, we would expect fewer principal/agent conflicts, particularly in the case of a product, like vehicles, that should have been easy to centralize. Instead, we find that the dictator dealt with his most immediate associates (industrial ministers) just as industrial ministers dealt with enterprises and that incomplete property rights caused high-level agents to behave opportunistically and to withhold information from the dictator.

This case study shows the complicated reality of vehicle allocation. Most newly-produced vehicles were initially allocated to large wholesale users (such as industrial ministries) directly by the top party leadership through quarterly plans, amid gaming tactics employed by the major players. Consumers distorted information; planners fought against arbitrary, unjustified requests; firm rules were lacking. The top leadership rewarded patrons from their own “private” hoard of vehicles. This centralized planned distribution was anything but orderly as ad hoc political decrees overturned quarterly plans, especially during supply shocks. The “battle for the plan” took place in public view and is well documented by the official documents. Beneath the surface, however, was a complicated quasi-informal “market,” mostly independent of the center. The center directed (and reneged on) sales of futures of pending production, redistributed existing stocks from “old” to “new” owners, and authorized hard currency sales. Hostile takeovers were initiated by rival claimants; redistribution orders were disobeyed, disenfranchised consumers acquired vehicles from spare parts and decommissioned vehicles, and enterprises sold or rented vehicles, creating market prices and rental rates. Wholesalers (ministries and state organizations) ignored planned instructions by keeping vehicles for themselves or redirecting them to others. The producer was able to influence allocation through its control of the planning “aftermarket,” thanks to the aggregated nature of planning.