

Why Secrets? The Uses of Secrecy in Stalin's Command Economy

Abstract

In Stalin's command system secrecy was used to conceal information and decisions. We look at the uses of secrecy in a hierarchical system of the Soviet type in the context of the fundamental problem of command. Secrecy was a conditional choice. Principals gained by making economic information secret when the agent's expected profit opportunities in private trade were tempting, horizontal trust was fragile, and secrecy itself was cheap. It paid them to make decisions in secret when unexploited opportunities, and the wage that the principal could afford to pay the agent, were both low. Under some circumstances secrecy benefited both principal and agent. Secrecy was one element in an equilibrium that enabled principals and agents to participate in the command system and enabled the system itself to persist.