

Being a Marketer Can Get You Killed

Karen F. A. Fox

*Emerita, Department of Marketing
Santa Clara University, U.S.A.*

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Marketing history usually focuses on marketing as a process or activity in which the worst outcome is bankruptcy. Yet marketers in times of revolution and upheaval have faced expropriation, expulsion, and even death. This paper addresses the fate of people engaged in marketing in the first decades of the Soviet Union, from 1917 to 1953.

Merchants had reason for optimism in the last decades before the 1917 Revolution, as the Russian Empire had a flourishing economy, and industrial, financial, and retail activity was vibrant. Russia was poised to become the economic peer of the major powers of Europe and the United States. "By 1913 [the Russian Empire] ranked fifth in the world league table of industrial powers, with an engineering industry, for example, larger than that of France" (Rutland 1985:68).

A visitor to Moscow or St. Petersburg in the late nineteenth century would see streets lined with shops, marked with huge signs, offering a full range of imported and Russian-manufactured goods of high quality (Mineeva & Piotrovsky 2003). Photographs of St. Petersburg show vibrant commercial streets, huge shop signs (often bilingual), colorful posters, and store interiors (Mirolyubova 2003). Russians of means in major cities had access to high levels of household furnishings and fixtures, clothing, shoes, hats, gloves, watches, and other goods, many of them made in Russia.

The 1917 Revolution changed all that. The Bolshevik regime declared "war on the market" and "expropriation of the bourgeoisie," and took steps to put retailers out of business through heavy taxes and eviction from commercial premises (Hessler 2004:24-5). Their aim was to nationalize all commerce and production, foreign and domestic, and all distribution and retailing. Foreign trade was placed under the central government. Rationing was introduced for most food commodities. Private property was made illegal. In 1918 department stores were nationalized along with all other retail outlets (Hilton 2012:21).

Small merchants moved outdoors to makeshift bazaars by railway stations, docks, and market squares (Hessler 2004:28-9). Some of what they sold came from state enterprises and then was sold at higher prices, which equaled the crime of 'speculation.' The consumer crisis to obtain food and heating fuel encouraged 'bagging,' individual traders moving large sacks of manufactured goods from the city to sell in the countryside, returning to the city with large bags of grain and other foodstuffs to bazaars where there was consumer demand. Bagging played a significant role in providing food to urban households (Hessler 2004:35). Individuals sold their personal possessions for money to survive. These extra-legal activities were largely ignored by the authorities and expanded into a flourishing black market that characterized the entire Soviet period (Hilton 2004:943).

Despite the regime's commitment to wipe out private enterprise, the result of its attack on private enterprise, shutting down the economy, was deep austerity with no promise of ever adequately supplying the population. Soviet enterprises could not produce enough, and state distribution channels were totally inadequate to serve urban let alone rural areas. Large-scale industry production fell to less than twenty percent of its 1913 level. Stores and shops which had served the population were closed and had not yet reopened: In 1919 only 133 of Moscow's 3,409 closed retail stores were operating (Hilton 2004:943). International commerce was throttled by the breakdown of long-standing financial and trade ties. The cancellation of tsarist-era loans caused bank failures, currency became worthless. Grave shortages and immense suffering ensued. Private shops were emptied out of goods. The upheaval of War Communism brought hunger and starvation, even in major cities, among all social classes (Sorokin 1950:229, 281-291; Patenaude 2002:17-18).

The New Economic Policy and the Rise of the Nepmen

The New Economic Policy (NEP) was finally introduced in 1921, a capitulation to the need for greater production and a parallel to the inadequate network of official stores (Rutland 1985:72). All of a sudden the commercial activities which had been forbidden and punished became legal again, as NEP authorized would-be shopkeepers, artisans, and peasants to engage in trade. The NEP was a "retreat to

capitalism” that violated the Communist claim that private property and private enterprise should be swept away (Hoover 1931:227; Tolstikova 2007:46). Many Communists feared that private traders would enrich themselves at the expense of the goals of the revolution (Cox 2006:129).

Soviet leaders in the 1920s condemned materialism as “bourgeois and hedonistic,” and praised production over consumption (Randall 2008:8). Yet “the private market, far from vanishing, represented the most important source of supply for the Russian people” and was essential to assist in the post-war recovery (Ball 1990:6). By 1927 there were 551,600 retail establishments operating, of which nearly 75 percent were privately owned (Osokina et al 2001:5). Many ‘Nepmen’ had been businesspeople before the Revolution and readily took up their former occupations and found eager consumers. They were able to charge much higher prices than state stores because they had better-quality merchandise and actually had products to sell when state stores had none.

Revolutionary iconography dominated advertising in this period, featuring workers and peasants, Soviet symbols, and appeals to build a utopian society (Cox 2006:122). Advertising also built popular hostility toward Nepmen, depicting them as evil outsiders and dishonest speculators, visually representing them as overfed, dressed in tuxedos and top hats, their wives and girlfriends in the latest foreign fashions (Cox 2006:139).

The government’s treatment of Nepmen vacillated between grudging accommodation and—from the mid-1920s—aggressive repression. Private shopkeepers and craftsmen were subject to administrative harassment, and excluded from buying supplies and raw materials from state-owned enterprises (Rutland 1985:89). Some highly successful Nepmen, unaware of the fragility of their status, publicly flaunted their wealth in elegant clothes and automobiles, and evenings at night clubs and expensive private restaurants, which made it easy for the Bolshevik leadership to rouse public sentiment against them. Citizens were exhorted to patronize state stores as a patriotic duty; posters urged them “Don’t Buy in Private Shops.” Nepmen’s taxes were raised, along with higher charges for utilities, children’s education fees, rent, and medical care (Ball 1990:68, 76). By 1928 the property of Nepmen was being confiscated, they were expelled from state housing and denied ration cards, and their children were unable to enter university (Ball 1990:76-7).

The New Economic Policy ground to a halt in 1929, with mop-up operations into the early 1930s. Nepmen were stripped of their possessions, housing, and the right of employment, and left to fend for themselves as “enemies of the people” (Fitzpatrick 1986:201-2). A 1930 document states that in Moscow house searches were carried out to find private shops, which were closed: “In the near future, all these private entrepreneurs will be brought to court, many of them have been arrested, and the case[s] will be heard in a special judicial chamber. *Of course, many will be sent to distant parts of the USSR*” [cited in Fitzpatrick 1986:203]. There is evidence that some were executed. Ball (1987) called the Nepmen “Russia’s last capitalists.”

Black Marketing

More accurately, the Nepmen were the last *legal* capitalists, for the shortages created by breaking the pre-Revolution commercial links and then the end of NEP left consumer demand in place while collapsing the supply of goods available through legal channels. Black marketing became an accepted, even necessary, part of consumer life when, for example, a complementary good was lacking: there would be plenty of cameras, but not enough photographic paper; or a Soviet-made car required spare parts and none were available legally—but were available through the back door at much higher prices. Black marketeering was also a way to enhance one’s state income. (In present-day Russia most black marketing is carried out by officials who sell some advantage, such as a waiver of military conscription, in return for cash.)

The presentation will feature details of the Nepmen and their fates, as well as examples of black marketing that led to execution of the principal participants. The message is that engaging in marketing can bear unknown and known risks to life, something rarely addressed in marketing history literature where the major risk is bankruptcy, not death.

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