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Unhelpful Consistency: the History and Methodology of Soviet Commercial Courts from Lenin to Khrushchev

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From the outbreak of the Russian Civil War to the hare-brained schemes of the Khrushchev era, the Soviet Union experimented with various forms of collectivized economic organization. In a period of forty years, Soviet citizens, and the productive ventures in which they worked, experienced a vast array of economic law and policy. A young man who began his industrial occupation on the line of a Moscow factory in 1917 and proudly stood as factory foreman by 1954 would have worked, over the lifetime of his career, in diverse economic regimes of economy-by-decree, state capitalism, and economy by five-year-plan. These changes in economic organization transpired alongside sweeping transformations of commercial life. While the New Economic Policy under Lenin's final years produced bustling markets and cohorts of wealthy entrepreneurs who enjoyed relatively glamorous lifestyles, the Stalinist collectivization and heavy industrialization of the countryside transformed sleepy towns into imposing manufactories, while throwing millions of peasants into displacement and poverty.

The comprehensive character of economic change in the Soviet Union from 1917 to 1965 generates questions for historians and legal scholars interested in the organizational and strategic dynamics of commercial enterprises in the young Soviet Union. Amid the whirlwind of economic and political change, could a participant in the Soviet economy locate any areas of consistency in which financial decisions could be made? Did any economic or legal institutions offer uniformity on which one could found future transactions? Or was the Soviet economic participant fated to try and plan for the unplannable?

This paper seeks to address this problem of finding regularity in the mutable Soviet economic space by examining the historical development and decisions of commercial courts in

the Soviet Union from the NEP to the Khrushchev era. In particular, this paper looks at the rise of state arbitrazh courts and their formulation of an inconsistent consistency in their decision-making process. The paper finds that, despite fluctuating roles of Soviet commercial courts in the period from 1920 to 1965, these quasi-legal bodies maintained a constant hierarchical methodology in their decision-making process: In a dispute, commercial courts first sought an outcome which favored the interests of the central state administration. If a dispute had no compelling state interests, economic expediency took precedence. Substantive civil law therefore occupied a tertiary position in the calculus of Soviet commercial courts related to economic and political questions.

Soviet Economic Law from War Communism to the NEP

In the early years of the Soviet experiment, while Bolshevik leaders left the smoky garrets of underground sects and entered the ministerial offices of the new communist regime, the basic question of economic organization remained unanswered. While the Russian Revolution provided the victorious communist ideologues an opportunity to apply their Marxist theory to a sprawling continental empire, the corporeal requirements of a regime under siege meant that the substantive application of any economic program difficult. The red flag flew above Petrograd and Moscow, but by the end of 1918, from the Don to Vladivostok, anti-Bolshevik forces of various ideologies and nationalities had emerged, all fighting to topple the new Soviet regime.

In order to raise and supply armies to prevent total collapse in the rapidly deteriorating military and political environment, the early Bolshevik government attempted to administer the

entire economy through centralization and direct bureaucratic control over production and distribution. Civil law and contracting wholly disappeared; in its place, war communism emerged, with industrial relationships wholly governed by administrative decree.[1] Economic enterprises and institutions were nationalized and centralized into the larger state apparatus. There existed no place for horizontal contracting between economic enterprises for the production and delivery of goods and services, since all enterprises merely consisted appendages of the same state edifice directed by central administrative agencies.[2] Without the recognition of legally discrete corporations, the Soviet economy also did not require a legal apparatus for resolution of disputes between enterprises.[3] If any disagreements emerged regarding the fulfillment of an economic order, the higher administrative agencies could resolve the issue as an internal matter.

Accordingly, for basic household items, decrees such as "On Supplying the Population with All Consumer and Household Goods" would be dispatched from the Council of People's Commissars. The decree would direct all factories to turn over all produced goods to the centralized administrative centers, such as the People's Commissariat of Food Supply, which in turn would distribute the collected goods back out to the population via its network of state depots.[4] The People's Commissariat of Food Supply would, under the same decree, also retain the power to confiscate goods and depots under its purview.[5]

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[1] Zigurds L. Zīle, *Ideas and Forces in Soviet Legal History: A Reader on the Soviet State and Law* (Oxford University Press, 1992), 123.
[2] Stanislaw Pomorski, "State Arbitrazh in the U.S.S.R.: Development, Functions, Organization," *Rutgers Camden Law Journal* 9 (1978 1977): 75.
[3] Eugenia Belova, "Legal Contract Enforcement in the Soviet Economy," *Comparative Economic Studies* 47, no. 2 (June 1, 2005): 390-391, doi:10.1057/palgrave.ces.8100104.
[4] "On Organizing the Supply of the Population with All Products of Personal Consumption and Household Use," Decree of the Council of People's Commissars, November 21, 1918, in *Ideas and Forces in Soviet Legal History*, Zile, 135.
[5] Ibid.

War communism quickly produced economic disaster for the early Soviet government. Although severe state centralization and the replacement of civil contracts with decree might have ensured that a тачанка fighting in the outskirts of Tsaritsyn had enough rifle cartridges to throw back a White attack, it also left the larger economy in ruin, with industrial and agricultural production reduced to fractions of their pre-war levels.[6] Accordingly, once the Civil War ended, the Soviet leadership under Lenin sought a return to civil law.[7] This return to civil law became a foundational piece of the New Economic Policy ("NEP") of 1921. Seeking to foster a freer private sector which could repair the tattered Soviet economy, the NEP allowed enterprises to market their products and services as independent entities.[8] Accordingly, the "legal separateness of state corporations" emerged as a concept of Soviet law: State enterprises enjoyed legal rights of independent persons, including the right to contract with other economic enterprises.[9] The 1922 Civil Code of the RSFSR therefore noted that state enterprises established to operate under the principles of economic efficiency "shall engage in commercial activities as independent juristic persons not connected with the treasury of the state."[10]

As economy-by-degree yielded to a limited market as the organizational method of Soviet industrial production and distribution, a new means of dispute resolution became necessary. Since enterprises stood as legally distinct units rather than mere administrative departments of the same state office, the Soviet state required a means to adjudicate between entities which possessed their own legal titles and powers.[11] The Soviet leadership found a solution in the form of "arbitration commissions" established under the Presidium of the

[6] Zīle, *Ideas and Forces in Soviet Legal History*, 123.
[7] Ibid, 123-124.
[8] Ibid.
[9] Pomorski, "State Arbitrazh in the U.S.S.R," 76.
[10] Civil Code of the RSFSR of 1922, *SU RSFSR* 1922, in *Ideas and Forces in Soviet Legal History*, Zīle, 225.
[11] Belova, "Legal Contract Enforcement in the Soviet Economy," 390-391.

Supreme Council of National Economy and the Council of Labor and Defense of the RSFSR as well as the associated provincial economic councils.[12] Under its foundational decree “On the Procedure for Deciding Property Disputes Between State Institutions and Enterprises”, the arbitration commissions possessed the duty of resolving property and contract disputes arising between state institutions and enterprises which due to legal separateness could not be resolved through a higher departmental decision.[13] Arbitration commissions through their administrative powers and obligations therefore heard and settled disputes between economic enterprises under their designated jurisdictions.[14] When economic enterprises took their case before an arbitration commission, they faced a three-person committee of at least one economist and one jurist.[15] If the arbitration commission’s troika produced a seemingly erroneous decision on a dispute, the contesting enterprises could appeal their dispute to higher-ranked arbitration commissions.[16] Arbitration commissions of all ranks could, under their administrative and judicial powers, postpone performance of a contract, order a contract in parts, substitute an element of performance for another, exchange performance for a monetary sum, or remove liability on an obligation of a party.[17]

In deciding disputes, arbitration commissions enjoyed the power of judicial decision-making and were therefore supposed to integrate legal reasoning into their final judgments; the supreme arbitration commission of the Economic Conference of the RSFSR noted in its review

[12] "On the Procedure for Deciding Property Disputes Between State Institutions and Enterprises," Decree of the All-Russian Central Executive Committee and the Council of People's Commissars, September 21, 1922, in *Ideas and Forces in Soviet Legal History*, Zīle, 226.
[13] Ibid.
[14] Pomorski, “State Arbitrazh in the U.S.S.R," 78-79
[15] Ibid.
[16] Ibid.
[17] "On the Procedure for Deciding Property Disputes Between State Institutions and Enterprises,” in *Ideas and Forces in Soviet Legal History*, Zīle, 226.

of *Communal Section of Saratov Province v. Riazan'-Ural Railway* that arbitration commissions should employ legal analysis as the "starting point" in any dispute between enterprises.[18] Nevertheless, the foundational decree of the arbitration commissions mandated that the quasi-judicial bodies not only take into consideration the laws and regulations pertinent to a dispute, but also "the general interests of the state."[19] In *Communal Section of Saratov Province v. Riazan'-Ural Railway,* the supreme arbitration commission of the Economic Conference of the RSFSR also observed that if a legal assessment of the facts of a case resulted in "results economically detrimental to the state", then the arbitration commission possesses the duty of modifying the contractual relationship between the parties "on the basis of consideration of economic expediency."[20]

Adhering to their mandate, state interests played a significant role in the calculus of arbitration judges and economists. In *Provincial Milling Office v. Air Industry,* the arbitration commission attached to the Council of Labor and Defense had to determine how to resolve a dispute over the use of industrial space by different enterprises.[21] The plaintiff in the dispute was the Provincial Milling Office of Nizhegorod which possessed storage buildings. The defendant was the Repair Shop No. 2 of the Military Air Fleet—a state enterprise which constructed and maintained military aircraft.[22] The Provincial Milling Office sought the creation of a formal lease

[18] *Case of Communal Section of Saratov Province v. Riazan'-Ural Railway*, Supreme *Arbitrazh* Commission [VAK] of the Economic Conference of the RSFSR, *Sudebno-arbitrazhnyi biulleten'*, 1926, in *Ideas and Forces in Soviet Legal History*, Zīle, 232.
[19] "On the Procedure for Deciding Property Disputes Between State Institutions and Enterprises,"in *Ideas and Forces in Soviet Legal History*, Zīle, 226.
[20] *Riazan'-Ural Railway*, in *Ideas and Forces in Soviet Legal History*, Zīle, 233.
[21] *Case pf Provincial Milling Office v. Air Industry, Arbitrazh* Commission Attached to the Council of Labor and Defense [AKSTO] of the USSR, December 30, 1924, *Arbitrazhnye komissii pri STO SSSR i EKOSO soiuznykh respublik: Resheniia* (*Arbitrazh* Commissions Attached to the Council of Labor and Defense of the USSR and the Economic Conferences of the Union Republics: Decisions) in in *Ideas and Forces in Soviet Legal History*, Zīle, 230.
[22] Ibid, 230-231.

of the industrial space by Repair Shop No. 2 and the payment of rent for Repair Shop No. 2's use of the facility.[23]

The arbitration commission judges recognized that under Soviet law, the Provincial Milling Office had a right to employ and lease out its storage buildings. Under Soviet nationalization law, when the state absorbed the Provincial Milling Office in 1918, the state also inherited all equipment and property of the Milling Office in order to keep the enterprise viable as a productive unit.[24] Consequently, after nationalization, the Milling Office and its storage structures fell as a unit under the jurisdiction of the Supreme National Economic Council and then the People's Commissariat of Food Supply. When, in 1922, the Milling Office started operating on the regime of NEP "economic accountability"—that is, as a legally separate entity—it therefore also inherited the storage facilities in question.[25]

Yet, even if the Provincial Milling Office enjoyed the support of the law in its argument for a lease and payment, economic and state considerations pushed the arbitration commission to find against the plaintiff. The commission noted that the factory and storage facilities, without the residency of Repair Shop No. 2, would be less productive.[26] The Milling Office was at the time of the dispute temporarily shut down and did not need the storage space, while Repair Shop No. 2 actively employed and had already upgraded the industrial facilities. The commission additionally noted that Repair Shop No. 2, as a producer of military aircraft, constituted a particularly important enterprise for the state. The payment of rent would place a heavy burden on the development of a vital state industry. Therefore, in the "interests of the state" as well as

[23] Ibid.
[24] Ibid, 231-232.
[25] Ibid.
[26] Ibid.

with “considerations of economic expediency”, the commission found in favor of the defendant who was thereby allowed to use the storage facilities rent-free until the Provincial Milling Office resumed production and required storage centers.[27]

Provincial Milling Office v. Air Industry demonstrates the placing of state interests above economic and legal considerations in the arbitration commission setting of the NEP. While the legal analysis of the case pointed toward a decision in favor of the mill, the commission nevertheless determined that the importance of building and maintaining an aviation industry with military potential outweighed legal argument. While the courts identified that Repair Shop No. 2 most productively used the storage facility since it employed hundreds of workers at the site, installed and expanded the facility’s infrastructure, and maintains a growing industrial base, it refused to apply any sort of rent payment for Repair Shop No. 2’s use of the storage facility. Essentially, the arbitration commission allowed Repair Shop No. 2 to use the facility free of cost while forcing the Milling Office to subsidize Repair Shop No. 2 in the form of lost lease payments. Only with the restart of milling operations would the Milling Office become able to assert a right to lease payments and thereby shift facility costs back onto actual the operator of the manufactory. Through the decision-making of the arbitration commission, the military facility gained a rent subsidy from the civilian milling venture. *Provincial Milling* consequently points to a hierarchy of concerns in the calculus of arbitration commissions. When economic, state, and legal interests intersected in a dispute, the state’s interest—manifested as the interest of the central state apparatus—could, and did, take primacy. Economic expediency also consisted a

[27] Ibid, 232.

leading consideration for courts. Legal analysis however could possess only a subordinate role in judicial decision-making.

Stalinist Contract Law and the Rise of the State Arbitrazh System

The NEP, with arbitration courts and quasi-market relationships, did not last. By the beginning of the 1930s, the strategic limitations of the NEP's state capitalist model had become apparent to the Soviet leadership. While national economic output had improved under the NEP, the NEP nevertheless failed to produce the mass industrialization which the embryonic Stalinist leadership understood as vital for building "socialism in one country."[28] Accordingly, the Soviet government terminated their state capitalist experiment and instead launched a policy of centralized planning which would, so the Soviet leadership hoped, employ the collectivization of agriculture to subsidize a mass buildup of heavy industry.[29] As coordinated five year plans replaced markets, the arbitration commissions lost their usefulness.[30] The arbitration commissions of the NEP could—and did—make broad independent decisions on the obligations of parties in a contract, including the wholesale cancellation of obligations and liability for failure to meet contractual obligations. While this flexibility and independence worked in the NEP's environment of quasi-market organization, it did not support the Stalinist vision of discipline and accountability to state planning.[31] Rather, Soviet leadership required a dispute resolution system which could ensure the general fulfilment of the plan by finding and

[28] Zile, *Ideas and Forces in Soviet Legal History*, 199-200.
[29] Ibid.
[30] Belova, "Legal Contract Enforcement in the Soviet Economy," 391.
[31] Pomorski, "State Arbitrazh in the U.S.S.R," 79.

"correcting" smaller errors within the plan.[32] The NEP-era arbitration commissions were therefore abolished in 1931.[33]

Under the Stalinist economic program, State Planning Commission drew up the five year plan which managed the entire Soviet economy. The Economic Council then implemented the five year plan by coordinating the economic ministries under the Council of Ministries, which represented each industrial sector and contained the bureaucratic administrations that substantively dealt with the state enterprises through state trusts. The bureaucratic administrations under the economic ministries executed the five year plan via the financial assets and administrative direction provided by the Economic Council, State Planning Commission, State Bank and other higher administrative bodies.[34] While the Stalinist system embraced centralized state planning, the related problems of war communism remained raw in the memory of Soviet managers. The lack of business accountability in the turbulent years of the Civil War prevented the effective functioning or development of a national industrial economy. Accordingly, state enterprises retained their legal personhood to facilitate local accountability for the application of the national economic blueprint.[35] The administrative bodies of the ministries and state enterprises contracted with one another and accounted for gains and losses on the basis of individual orders. State enterprises bore their own losses if they failed to fulfill their contractually assigned production objectives.[36] In achieving their contractual obligations

[32] Ibid.
[33] Ibid.
[34] Harold Berman, "Commercial Contracts in Soviet Law," *California Law Review* 35, no. 2 (June 30, 1947): 191-194, doi:doi:10.15779/Z38KJ6F.
[35] Ibid, 194-198.
[36] Ibid.

enterprises could independently form contracts, maintain financial accounts in credit institutions, and possess and use property.[37]

With state enterprises retaining their legal personhood and conducting business primarily through contract, contracting itself remained a vital element under Stalinist economic organization. Tasked with translating the plan of the State Planning Commission and the pursuant directives of the Economic Council into transactional reality, the Council of Ministries oversaw the outlining of the structure and content of contracts between the economic ministries and the various state enterprises.[38] The bureaucratic administrations of the economic ministries then formed the contracts or terms of trade between themselves and the state enterprises within their industrial purview. These contracts or terms of trade formed the basis and main links for the major production, flow, and distribution of goods within the Soviet economy.[39] The state enterprises, while adhering to the contracts between themselves and the ministerial administrations, also created direct contracts between themselves and other state enterprises or economic units in order gather the services, goods, and equipment required for fulfilling the obligations of their agreements with the ministerial administrations.[40] If all went well, the state enterprises and the state economic ministries would buy and sell services and products according to the contracts and terms of trade set forth by the ministries and their administrative departments; the state enterprises would also fulfill their obligations under their agreements with other state enterprises.

[37] Ibid, 197.
[38] Ibid, 194-197.
[39] Ibid, 200-204.
[40] Ibid. 201-202

Of course, when the situation went sour, and state enterprises and ministerial administrations found themselves unable to fulfill their obligations under their initial contracts, a new type of resolution system became necessary, since the arbitration commissions of the NEP had become politically obsolete. Under the Stalinist system emerged state arbitrazh courts which took up the role of resolving commercial disputes—that is, contract disputes—between state economic enterprises and institutions.[41] Unlike the three-man arbitration commissions, each state arbitrazh court was manned by a single jurist who had the goal of reconciling the fighting parties. When reconciliation emerged as impossible, the state arbitrazh would step in to proscribe a solution to the disagreement.[42] Additionally, the state arbitrazh possessed the duty of rooting out problems in the processes of contractual planning and fulfilment. Stalinist arbitrazh could therefore initiate their own proceedings once it discovered a problem in the economic planning and fulfillment process.[43]

In their embryonic form, state arbitrazh courts were mandated to find resolutions on the basis of economic policy and expediency rather than the statutes of the Civil Code: State and economic interests reigned supreme in the state arbitrazh of the early 1930s.[44] Consequently, arbitrazh bodies looked more like administrative agencies rather than legal courts.[45] By the mid-1930s, civil law was integrated into the state arbitrazh; nevertheless, because civil law itself was subordinated to the economic planning and state interests, the introduction of civil law into analytical methodology of the state arbitrazh did not produce significant internal conflict.[46]

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[41] Pomorski, “State Arbitrazh in the U.S.S.R,” 80.
[42] Ibid, 81.
[43] Ibid.
[44] Ibid, 82.
[45] Ibid.
[46] Ibid, 83.

Decisions of the State Arbitrazh under the Stalin and Khrushchev Eras

From its creation and evolution in the 1930s to the Kosygin reform period of the late 1960s, the state arbitrazh system remained consistent in form and function.[47] The state arbitrazh courts, despite the inclusion of civil law into its analytical methodology, made state interests and economic expediency the governing principles of their jurisprudence.

If no state or significant economic interests emerged in a dispute, then state arbitrazh courts would engage in a legal analysis of the contractual or pre-contractual relationship of the parties. In *Chelyabinsk Provincial Trading Enterprise v. Chelyabinsk Butter Enterprise*, a butter producer and distribution agent engaged in a pre-contractual dispute over the quality of supplied butter.[48] The local arbitrazh court initially found a solution by causing the intended contract to be amended so that the butter producer could supply a lower quality product.[49] However, the higher state arbitrazh reversed this decision. It found that the initially-conceived contract did not conflict with the terms of the larger economic plan.[50] Additionally, the new amendments of the local arbitrazh could not effectively fulfill the requirements of said plan, since butter shortages had increased since the initial court decision.[51] The higher state arbitrazh therefore mandated that the butter producer and distribution agent return to their original contractual relationship.[52]

[47] Ibid, 83-84.
[48] John N. Hazard and Morris Lichtenstein Weisberg, *Cases and Readings on Soviet Law* (New York: Parker School of Foreign and Comparative Law, Columbia University, 1950), 312-313.
[49] Ibid, 312.
[50] Ibid.
[51] Ibid, 312-313.
[52] Ibid, 313.

Of course, in *Chelyabinsk Butter Enterprise*, the analysis was not solely legal. While the court re-instituted the originally-crafted agreement because it did not violate the larger economic plan, it also noted that the amended contract unacceptably interfered with said economic plan's operation.[53] Legal analysis of the contract became interwoven with economic considerations of an agreement's positive or negative effect on the plans of the national economy. Since the implementation of the centralized economic plan required the adherence of commercial units to organizational and operational directives, this consideration of economic interests also became tied to the interests of central state institutions. In *Procurement and Marketing Administration of the Mordva ASSR Council of Ministers v. Ukrtabaksyr'e Trust*, the Procurement and Marketing Administration of the Mordva ASSR Council of Ministers initiated a arbitrazh action in order to dissolve a contract between the Atiashevsk Depot—a subordinate body of the Marketing Administration—and Ukrtabaksyr'e Trust because the Marketing Administration learned that the contracted-for bast bags and matting did not align with the Marketing Administration's current objectives.[54] The Trust defended the continuation of the contract as necessary for its own contractual obligations with other state enterprises.[55] Despite the fact that the Marketing Administration, through the Atiashevsk Depot, actively chose to engage in a contractual arrangement with the Ukrtabaksyr'e Trust, the state arbitrazh nevertheless noted that administrations and their depots—such as the Marketing Administration and its Atiashevsk Depot—were bound to the jurisdiction and objectives of their superior administrative agency.[56] Consequently, if an economic administration operated outside of its bounds or created contracts

[53] Ibid, 313.
[54] "A Contract Concluded in Contradiction to the Purposes and Tasks of an Economic Agency is Subject to Dissolution." *Soviet Statues. & Decisions* 2 (1966): 32-34
[55] Ibid, 33.
[56] Ibid.

which emerged retrospectivity as being different from the depot or administration's mission, then the contract would be dissolved without compensation to the counterparty.[57] The state arbitrazh therefore terminated the contract, despite the protestations of the Trust which relied on the agreement for the fulfilment of its contractual obligations with other entities.[58]

In substance, the state arbitrazh in *Ukrtabaksyr'e Trust* reflected a defense of the higher administrative agencies and the economic ministries against state enterprises. Under the logic of this case case, an economic agency could enter into a contract with a state enterprise on the edges of its purview, determine later that the contract did not fit with its administrative objectives, and have the contract dissolved despite any reliance and ensuing damages to counterparty state enterprise. The state enterprise, in its interactions with the economic agency, have to seek out knowledge that the transaction fell outside of the economic agency's purview and that the transaction should therefore be precluded. Nevertheless, in the Soviet command economy the economic administrative agencies, as the extension of the central planners, were understood as vital elements for the execution of the national economic plan. By providing administrative agencies and their underlying apparatuses legal protections and advantages in contractual relationships with state enterprises, state arbitrazh courts could prioritize the national economic plan over local relationships.

This defense of the national plan against local intrusions emerged as a common element of Soviet contract law. In *Skotoimport Office of Semipalatinsk Against the Semipalatinsk Meatpacking Plant*, the Semipalatinsk Meatpacking Plant refused a shipment of livestock from the Skotoimport office because, under agreements with local regulatory organizations, the

[57] Ibid.
[58] Ibid.

meatpacking plant understood itself as unable to accept livestock shipments for a certain part of the month.[59] The meatpacking plant articulated to the court that, under its agreements with local government administrations, imported livestock could only be taken in during the end of September if the animals were provided by the local Kazskotootkorm organization.[60] However, the higher state arbitrazh rejected the arguments of the meatpacking plant and instead found that regulations under local organizations could not be used as a reason for refusing to comply with trade obligations issued by a central administrative agency.[61] The court stated that the meatpacking plant should have avoided 'localist' behavior—behavior which prioritizes a region over the larger Soviet state—and ignored the local regulatory responsibilities to which the plant agreed. In doing so, the plant could have rightfully fulfilled its contract with the central administrative body.[62]

Skotoimport Office supported the understanding that, under court scrutiny, not all contractual agreements stood equal. If a state enterprise maintained conflicting agreements with local and national entities, state arbitrazh courts would require said enterprise to breach its contracts with local bodies and perform its obligations under the contract with the central state bodies. This reasoning also appeared in *Kirgiz Office* of *Chief Administration of Meat and Fish Trade v. Frunze Meatpacking Plant*, where national planning and economic interests trumped those of local bodies, despite the an enterprise's formation of contractual relationships with both local and national entities.[63] In *Frunze Meatpacking*, a livestock procurement entity failed to

[59] "State Arbitrazh Must Wage a Struggle against Manifestations of Localism Soviet Economic Law: Contracts of Delivery: Part 6," *Soviet Statutes and Decisions* 2 (1966): 31–32.
[60] Ibid, 31-32.
[61] Ibid, 32.
[62] Ibid.
[63] "Nonfulfillment of Plan for Surrender of Live-Stock Is Not a Basis for Relieving a Meatpacking Plant of Responsibility for Failure to Deliver Meat Products to the All-Union Fund Soviet Economic Law: Contracts of Delivery: Part 9," *Soviet Statutes and Decisions* 2 (1966 1965): 35–38.

deliver livestock to a meatpacking plant.[64] The meatpacking plant then failed to meet its planned quotas to the centrally-linked all-union fund, thereby prompting a suit by the national state organizations for meat and fish commerce.[65] The meatpacking plant claimed that it should be excused from nonperformance due to inability of the procurement organization to supply the required material for production. The state arbitrazh rejected this argument and found the Frunze meatpacking plant liable for non-delivery of its production quota to the all-union fund.[66] The court recognized that as part of its contractual relationships with provincial economic entities, the Frunze plant also made deliveries to regional organizations serving local needs.[67] This fulfilment of localized commercial agreements in turn became the basis of liability for the meat packing plant. The state arbitrazh found that any realization of local obligations before national obligations, if the completion of the former threatened the completion of the later, created a legal liability for the state enterprise.[68] National planning superseded local arrangements regardless of the contractual obligations of an enterprise to local institutions and economic participants.

The case history of the Stalin-Khrushchev years demonstrated a commitment to making national economic interests a central principle of Soviet jurisprudence on contract law. When a dispute presented a conflict between regional entity and central state entity, or between fulfilment of a national planning goal and fulfilment of separate contractual obligations, courts would seek to prioritize central state organizations and the national economic plan over other competing considerations.

[64] Ibid, 36.
[65] Ibid.
[66] Ibid, 36–37.
[67] Ibid, 37.
[68] Ibid.

Conclusion

From 1918 to 1965, the Soviet Union experienced great economic and political change. As the socialist state tried to forge a new system of economic and industrial organization, it swept along its workers and their enterprises into brave new legal and commercial environments. Enterprises and their managerial teams, in a period of fifty some years, confronted the diverse array of production-by-decree under war communism, state capitalism and civil contract law under the NEP, and economy-by-plan under Stalin and Khrushchev.

As the Soviet state reintroduced legal independence to state enterprises following the disasters of war communism, it created legal institutions to resolve disputes between commercial and administrative entities. These legal bodies, despite their different economic milieus, embraced the same general methodology toward contractual issues rooted in conflicts of political and economic interests. When national economic interests could be promoted—by, for example, finding in support of central administrative agency against a regional enterprise—Soviet economic courts backed whichever party reflected those centralizing economic interests. Consequently, managers of enterprises could, regardless of the economic fashion of the season, be confident that a case before an arbitration commission or state arbitrazh court would tend to come to a resolution most favoring the central state organizations.