

ps



**National  
Foreign  
Assessment  
Center**

~~Secret~~



25X1

# **Consumer Frustrations and the Soviet Regime**

**A Research Paper**

~~Secret~~

PA 79-10389C

August 1979

Copy **330**

25X1

**Page Denied**



**National  
Foreign  
Assessment  
Center**

**Secret**



25X1

# Consumer Frustrations and the Soviet Regime



25X1

## **A Research Paper**

*Research for this report was completed  
on 23 August 1979.*

The author of this paper is [redacted] USSR-  
Eastern Europe Division, Office of Political Analysis.  
The paper has been coordinated with the Office of  
Economic Research and with the National  
Intelligence Officer for the USSR. Comments and  
queries are welcome and should be directed to [redacted]



25X1

25X1

25X1



**Secret**

*PA 79-10389C*

*August 1979*

25X1

25X1

Secret



25X1

**Consumer Frustrations  
and the Soviet Regime**



25X1

**Key Judgments**

Soviet consumer discontent is growing and will cause the regime of the 1980s serious economic and political problems. Although deeply ingrained habits of submission to authority continue to inhibit consumer assertiveness, several developments are causing the patience of the Soviet consumer to wear thin:

- Expanded contacts with the West have increased the access of the Soviet people to foreign information, enabling them to compare their lot, as never before, with that of other peoples.
- With the passage of time, World War II deprivations are receding in popular memory, and official efforts to blame the losses of the war for continuing deficiencies have become less persuasive.
- Marxist-Leninist ideology is waning as a force capable of mobilizing the population to make personal sacrifices for the sake of loftier social goals.
- The advances that the regime has made in raising the standard of living have themselves whetted the population's appetite for continued improvements. The economic slowdown of the 1970s, coming after relatively rapid progress in the late 1960s, has created considerable bitterness.

Frustration is greatest among Soviet youth and non-Russian nationalities:

- Soviet urban youth of all social classes appears to be extremely materialistic, enamored of Western fashions and products, and less appreciative than their parents of how much living conditions have improved since Stalin's day. Although not openly rebellious, the typical young person is deeply cynical.
- National minorities, particularly in the Western borderlands, tend to see their economic woes caused by Russian exploitation. On several occasions in recent years, economic and national grievances have combined to produce large-scale demonstrations in the Baltic republics and in the Ukraine. The approach of "hard times" will aggravate ethnic conflict and intensify lobbying in Moscow for local interests.



Secret



25X1

25X1

Secret

25X1

The regime has succeeded, for the time being, in "buying off" the upper stratum of Soviet society through special perquisites and privileges, but shrinking opportunities for upward mobility may make skilled workers and intelligentsia lose faith in their ability to improve their material circumstances.

Economic costs of present trends are already being seen in reduced efficiency and productivity. Scarcity of consumer goods weakens material incentives to work and contributes to a general malaise in the labor force. Further, consumer discontent feeds a wide range of other economic and social problems.

- Dissatisfaction with the standard of living is a factor promoting economically counterproductive internal migration. In particular, the exodus of youth from the villages to more attractive lives in the cities is depleting the able-bodied rural work force. Generally, people are moving out of areas that already suffer from manpower shortages and entering areas that have labor surpluses.
- Much labor turnover within cities is also a response to living conditions. Job turnover appears to be a serious drain on the economy, in terms of both decreased productivity of workers new to a job and unemployment between jobs.
- Deficiencies in the availability of housing, consumer goods, and services contribute to the declining birthrate. The drop in the birthrate, in turn, is one cause for the country's serious labor shortage.
- The great reservoir of unsatisfied consumer demand provides a powerful impetus to private economic activity and official corruption, which tend to erode the authority of the Party and raise questions about the efficacy of the Soviet economic system.
- Crowded housing conditions, combined with the tedium of daily life, contribute to an increasing rate of alcoholism, which promotes absenteeism and industrial accidents and thus lowers economic output.

Although alcoholism, internal migration, and labor turnover affect the economy adversely, and the regime considers private economic activity undesirable for ideological reasons, the leadership is loath to take decisive measures to eliminate these phenomena, viewing them as safety valves for consumer discontent.

Secret

iv

25X1  
25X1

**Secret**  


After decades of neglecting consumer welfare, Soviet leaders have shown growing concern in recent years, especially since the harvest failure of 1975, over the political and economic costs of popular discontent with living conditions. Brezhnev, in particular, has exhibited considerable apprehension about the popular "mood." Nervousness about the morale of the population has led the leadership to give more attention to consumer-oriented programs.

Nevertheless, for reasons deeply rooted in Russian history and the psychology of Soviet leaders, the regime's commitment to the expansion of Soviet economic and military power continues to be the main consideration in setting economic priorities. It seems unlikely that the current aged and conservative leadership, on the eve of a succession, will initiate any fundamental reordering of priorities to benefit the consumer, or any major reform of the economic system to raise productivity.

Politically, the short-run consequences of continuing present policies will probably not pose a genuine threat to the stability of the state. Deficiencies in housing, consumer goods, and services, however damaging to morale, are not likely to ignite disturbances unless conditions deteriorate a great deal. Food shortages, by contrast, have led to active protest since 1975, but the level of unrest has been manageable.

With the important exception of disaffected national groups, most of the existing hostility over the standard of living is thus far diffuse. Soviet citizens seeking reasons for economic shortcomings usually criticize peripheral features, real or imagined, of the system—such as privileges for the elite, corruption and managerial inefficiency, or extensive foreign aid—rather than question the basic organization of the economy or the regime's economic priorities.

Most Soviet citizens apparently underestimate the impact of military spending on consumer well-being. In any case, popular fear of external aggression is so strong as to preclude significant criticism of armaments expenditures.

Strikes and protests during the past several years have generally not focused on political objectives, nor have they, as a rule, been protracted. The intelligentsia is estranged from the lower classes, making unlikely an alliance between disaffected workers and human rights activists or other dissidents. Soviet authorities have been able to contain disturbances by shifting resources rapidly to bring temporary relief to troubled areas.

**Secret**  


**Secret**



25X1

In the longer run, however, consumer dissatisfaction could have severe political consequences. The Soviet leaders can ill afford to ignore the material demands of their increasingly acquisitive society. If, as projected, economic growth declines to the point where the regime is unable to improve or even to maintain the current standard of living by the mid-1980s, the incidence of active unrest will certainly grow, forcing the leadership to consider a reordering of its economic priorities.



25X1

**Secret**



25X1  
25X1

Secret

25X1

**Contents**

	<i>Page</i>
<b>Key Judgments</b>	iii
<b>The Dimensions of the Problem</b>	1
<b>The Traditional Psychology of the Soviet Consumer</b>	1
<b>Growth of Consumer Discontent</b>	3
<b>Placing the Blame</b>	7
<b>Attitudes of Different Groups</b>	9
Urban and Rural	9
Intelligentsia and Workers	11
Nationalities	11
Youth	14
<b>Social, Economic, and Political Costs of Consumer Discontent</b>	15
Unrest and Active Opposition	15
Internal Migration and Labor Turnover	17
Labor Shortage	19
Illegal Economic Activity	20
Problems of Productivity and Inflation	21
Consumption of Alcohol	22
<b>Leadership Perceptions and Attitudes</b>	22
Present Concern	22
Traditional Attitudes	24
Proconsumer Advocacy in Recent Years	25
<b>Outlook</b>	28

Secret

25X1  
25X1



Secret



**Consumer Frustrations  
and the Soviet Regime**

25X1

**The Dimensions of the Problem**

25X1

25X1

Hard times are ahead for the Soviet consumer. The Soviet economy is slowing down and, if current trends hold, by the mid-1980s the standard of living will stagnate.

1960s, fell to 2.9 percent during the 1971-75 plan period. The final figures for the current five-year plan ending in 1980 are not yet in, but it is clear that the rate of consumption growth has dropped further.

In the three decades after World War II rapid economic growth enabled the Soviet leadership to pursue the twin goals of developing heavy industry and competing with the United States as a military superpower, with enough resources left over to bring gradual but substantial improvements in the population's standard of living. Between 1951 and 1975 per capita consumption in the USSR rose by more than 250 percent.\* In addition to quantitative increases, in some areas substantial gains were made in quality. The Soviet consumer ate, on the average, only half as many potatoes in 1975 as in 1951, but he ate more than twice as much meat. The styling of clothing improved markedly as well. A consumer durable-goods industry was built up from nothing. In 1960 only 8 percent of all Soviet families had a television, 4 percent a refrigerator, and 4 percent a washing machine, whereas by 1975, 74 percent had a TV, 62 percent a refrigerator, and 65 percent a washing machine. Although the urban housing shortage remains a major problem, per capita living space almost doubled between 1951 and 1975.

The food situation has been particularly bad during the 1970s, with virtually no gain in per capita food consumption since 1975. This has been largely because of harvest failures in 1972 and 1975. It is now clear that the 1979 harvest will also be poor. The harshness of the Soviet climate virtually guarantees that some harvest failures will recur in the 1980s. Should the Soviet Union have two crop failures in a row, the regime would have no time to recuperate between bad years.

25X1

It is expected that GNP growth will have declined to less than 1 percent this year, further straining the available resources of the economy. If the annual rate of growth of military spending continues to hold steady at 4 to 5 percent, while investment continues to grow by the already diminished rate of 3 to 4 percent annually, consumption will increase by less than 1 percent by the mid-1980s.

25X1

Despite continuing deficiencies in the personal services sector of the economy, per capita consumption of services tripled between 1951 and 1975. Communal services, health care, and education made impressive gains from an already relatively high level.

Any appraisal of where the Soviet Union will be five years from now must take into account the bleak outlook for the Soviet consumer. This paper considers how the consumer views his situation and reacts to it, what the economic and political costs of consumer dissatisfaction are, how the Soviet leadership appears to perceive the problem, and what the regime's options are in attempting to deal with it.

25X1

The rate of growth in Soviet resources, however, is shrinking rapidly. Already GNP growth has fallen from an average annual rate of almost 6 percent during the 1950s to 3.3 percent last year. Per capita consumption, which grew by 5 percent a year during the late

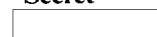
**The Traditional Psychology of the Soviet Consumer**

The Soviet consumer's long history of political quiescence provides the background against which recent evidence of discontent must be evaluated. Although the traditional attitudes of the consumer appear to be changing somewhat under the impact of changed

\* Economic data on consumption is provided more fully in "Soviet Consumer Policy: Trends and Prospects," in a forthcoming compendium of papers entitled *Soviet Economy in a New Perspective*, that was submitted to the Joint Economic Committee of the US Congress



Secret



25X1

25X1

25X1

Secret

[redacted]

25X1

conditions both within the Soviet Union itself and in the Soviet Union's relations with the outside world, many of these attitudes are still sufficiently strong to inhibit consumer assertiveness. [redacted]

25X1

During most of the period since World War II most Soviet people clearly believed their standard of living was rising. In a generalized way they attributed this rise to their socialist system of government. The regime delivered enough material benefits to secure at least a minimal level of compliance and passive acceptance of its legitimacy. This was partly attributable to the regime's economic performance, but the cultural context and the population's vivid memory of much harder times in the not-so-distant past also played a role. Additionally, the consumer's lack of contact with the outside world made it difficult to conceive of alternatives to the Soviet way of life. [redacted]

25X1

The average citizen's inclination to accept his personal circumstances and the system of government under which he lived as inevitable was accentuated by centuries of authoritarian rule and decades of Soviet propaganda. As a result, a preference for security and stability over freedom and progress and an unusual capacity for endurance and conformity remained dominant features of the consumer's outlook. There is no vigorous, articulate, and conscious public opinion. An emigre who left the Soviet Union in 1975, when asked about the popular attitude toward defense spending, put it this way:

25X1

It is doubtful that there is an identifiable popular notion about the "justifiability" of defense spending; Russians do not think that way. The government spent at whatever level it saw fit, and people accepted it, if they thought about it much at all, because Soviet governments *always* have made these decisions without any kind of serious reference to the people. [redacted]

25X1

The Soviet collective memory stretches back beyond the deprivations of World War II to the 1930s, when

25X1

25X1

the central thrust of state policy was the subordination of immediate human needs to the task of building "socialism in one country" by forced industrialization and the collectivization of agriculture. Gratified by their rising standard of living after the war, Soviet consumers considered deficiencies a legacy that would yet be overcome. Even many of those who most sharply criticized present "Soviet reality" expressed little doubt that their economic problems would eventually be resolved. "Just come back to see us in 10 or 20 years," American guides at the annual ICA (USIA) exhibits were told. [redacted]

World War II also reinforced the population's desire for material security. Those who lived through the deprivations of that period developed a "depression mentality" that caused them to be reluctant to take risks to acquire more material goods for fear of losing the modest material gains they had made since the war. Most Soviet citizens apparently continue to prefer the assurance of a job, housing, and various state-provided social services to a higher but less certain standard of living. They see the welfare features of Soviet socialism as advantages their system enjoys over the West, where—their propagandists have told them—ruthless competition, unemployment, periodic depressions, and expensive private medical care and education threaten the security of the individual. [redacted]

Another characteristic of the Russian psyche which has tempered popular criticism of the standard of living is national pride, manifested in a tendency to close ranks against foreign criticism and even against Soviet dissidents who openly find fault with the system. According to one plausible rumor, in Khrushchev's day a strike over food shortages in Donetsk broke up when the word was passed that if the strike continued, the Voice of America would get wind of it. The people who grumble in food lines are nonetheless anxious to conceal their deprivation from Americans, whom they assure "If there's no war, we'll soon catch up and overtake you." [redacted]

Secret

[redacted]

25X1

Secret

25X1

**USSR: Growth in Per Capita Consumption**

Average Annual Rates of Growth

	1961-65	1966-70	1971	1972	1973	1974	1975	1971-75	1976	1977	1978
<b>Total consumption</b>	<b>2.3</b>	<b>5.0</b>	3.1	1.4	3.2	3.3	3.7	<b>2.9</b>	1.9	2.5	2.2
<b>Food</b>	<b>1.6</b>	<b>4.2</b>	1.6	-1.3	2.9	2.8	2.4	<b>1.7</b>	0.0	0.8	0.6
<b>Soft goods</b>	<b>1.7</b>	<b>6.6</b>	3.6	2.0	2.3	2.5	5.0	<b>3.1</b>	3.8	3.0	2.6
<b>Durables</b>	<b>4.2</b>	<b>9.3</b>	12.5	14.5	7.4	7.4	8.9	<b>10.1</b>	6.1	8.6	7.0
<b>Personal services</b>	<b>4.3</b>	<b>5.3</b>	4.8	4.8	4.6	5.0	4.9	<b>4.7</b>	4.0	3.1	3.6
<b>Communal services</b>	<b>4.0</b>	<b>2.9</b>	1.8	0.9	1.5	2.0	1.7	<b>1.6</b>	0.8	2.0	2.2

25X1

The Russian phrase "u nas luchshe" ("we have things better here") exemplifies the national defensiveness toward foreigners, the tendency to equate national pride with acceptance of one's lot, and the failure to distinguish between antiregime and antinational behavior. Before he became an unyielding critic of the regime's economic performance, even Sakharov was loath to blame Soviet socialism for economic deficiencies. In 1968 he contended that "in the provision of high living standards . . . it is a drawn game between capitalism and socialism." Such attitudes have played a role in preventing popular frustrations over periodic food shortages and chronic shortcomings in the supply of consumer goods from escalating to active unrest or to fundamental questioning of the efficacy of the Soviet system. [redacted]

**Growth of Consumer Discontent**

Several developments threaten to erode the Soviet consumer's fatalism. Improvements in modern communications, together with steps taken by the regime itself to liberalize contacts with the West, have increased the Soviet population's access to foreign information, causing many of them to adopt a new standard of comparison for their material welfare. As World War II grows dimmer in popular memory,

many are increasingly looking with envy at the contemporary West, rather than comparing their situation with the grim Soviet past. A 1976 *Kommunist* article made the following remarkable admission:

Detente's . . . expansion of contacts, including economic contacts, with the highly developed capitalist countries undoubtedly leads to a certain enlargement of the range of material expectations of Soviet persons, to the appearance of new demands born on foreign social-cultural soil, and . . . particularly among the young, to moods, habits, and views characteristic of the so-called consumerist style of life and behavior. . . . As a subversive influence [bourgeois propaganda makes use] of the fact that the industrially more developed capitalist countries still have a certain superiority in producing various consumer goods. [redacted] 25X1

At the same time, the advances which have been made in raising the standard of living have themselves whetted the population's appetite for continued improvements. In the absence of a national crisis, Soviet citizens are growing tired of sacrificing for a tomorrow that never comes. [redacted] 25X1

Secret

25X1

Secret

[Redacted]

25X1

Since 1973, when the Soviet Union stopped jamming VOA, BBC, and Deutsche Welle, these Western radio stations have provided an alternative source of news to millions of Soviet citizens. One study estimates that 40 percent of all Muscovites with secondary education tune in regularly, and ICA exhibit guides find it almost impossible to find visitors to the exhibit who do not listen to VOA at least occasionally. Whatever the exact size of the Soviet audience, it is clear that large numbers prefer the crisp reporting of Western radios to the Soviet media's didactic and soporific style. It is also clear that Western broadcasts broaden the horizon of Soviet citizens. Emigres report that such programs as VOA's "Labor" series have led Soviet citizens to make comparisons between daily life in the United States and Soviet reality. [Redacted]

Not only news from the West but also the increased quantity of goods entering the Soviet Union from both Eastern and Western Europe—whether through legitimate trade, parcels sent by emigres to relatives and friends, or black market dealings—have brought home to Soviet consumers the inferior quality of Soviet merchandise. [Redacted]

25X1

25X1

Denigration of Soviet-made consumer goods and a desire to acquire Western products have reached unusual proportions; Western goods are almost automatically preferred and assumed, prima facie, to be superior to Soviet merchandise. [Redacted]

25X1

25X1

The influence of these broadcasts on public opinion is recognized by Soviet authorities. [Redacted]

[Redacted]

25X1

25X1

25X1

the Soviet population is significantly affected by Western broadcasting, especially in the western parts of the Soviet Union where Western television as well as radio transmission is received. Officials in border regions frequently warn their populace about the seductive power of foreign broadcasting. Ukrainian Party First Secretary Vladimir Shcherbitskiy has publicly complained, for example, about foreign broadcasts beamed at those in the Ukraine who dream about a "consumer society." [Redacted]

As a result of the partial opening up of Soviet society, Soviet citizens have become more critical in evaluating Party propaganda about conditions outside the Soviet Union. [Redacted]

25X1

25X1

25X1

25X1

The freer movement of peoples during recent years has also increased the flow of information to the Soviet citizen. The large numbers of Jews, Germans, and Armenians who have emigrated to the West have, [Redacted] provided relatives and friends in the Soviet Union with positive impressions of the West, feeding their growing curiosity about how other people live. For example, a public lecturer in Leningrad in 1978 was asked why Jews who emigrate to the United States are able to find such good jobs if unemployment there is as bad as Soviet propaganda claims. [Redacted]

[Redacted] Azerbaydzhan in 1976:

25X1

25X1

Beginning with the lowest worker, all Azerbaydzhanis and other residents of Azerbaydzhan knew perfectly well that living standards were much higher in the West than in Azerbaydzhan or elsewhere in the USSR. Propaganda about widespread poverty in the West was no longer credible.

25X1

Secret

[Redacted]

25X1

Secret

25X1

The emigre added that although Azerbaydzhan residents were totally ignorant of Western welfare state measures, they believed that anyone who was willing to work could achieve a decent standard of living in the West. There was no feeling, in his view, that a significant number of people in Western countries were so unsuccessful in life that they were worse off in material terms than most Soviet citizens.

Some Soviet citizens apparently perceive chaos in Western economic life and are shocked to discover, if they ever do, the true extent of disparity between Soviet and Western living conditions. The following description of a reaction to an American supermarket during his first visit to the United States is illustrative:

He was astonished at what he saw, and he used up an entire roll of film taking pictures inside the store. At the fresh vegetable display he acted stunned and admitted that he had never seen anything like it before. He said it was like a museum for food.

Well-educated Jewish emigres from Moscow have similarly indicated that they were overwhelmed by the abundance of material goods in the West.

As more Soviet citizens become better informed about Western conditions, invidious comparisons become more frequent. Not many would go as far as the Soviet observer at an ICA exhibit in Tashkent who wrote in the visitors' book that "we have seen capitalism rotting, but it smells good." Large numbers, on the other hand, might sympathize with

"we hear a lot about how bad things are in the West, but here we have nothing at all."

It is also clear that the Soviet consumer's patience is wearing thin. Efforts of the regime to blame continuing deficiencies on the losses of the war years become less persuasive as time passes, especially with the advent of a new generation that did not live through the war. A Soviet UN official observed in 1975 that in the past, people were less demanding because they had some-

thing to fight for, some national objective for which sacrifices were understandable—victory in the war, then reconstruction—but now the regime was running out of excuses for not providing a higher standard of living.

tired of postponing the satisfaction of personal needs: "We have spent our lives working like animals and are unable to buy even basic items."

Contributing to this mood is the increasing inadequacy of Marxist-Leninist ideology as a mobilizing force. The revelations of the de-Stalinization period created a spiritual vacuum that has persisted. Khrushchev, after dismantling Stalin's terror apparatus, attempted to construct a "state of all the people," based on expanded political participation and a broad "populist" consensus of values.

Khrushchev's ideological reformism, however, was largely abandoned by the Brezhnev leadership, which has sought a narrower legitimacy based on incremental improvements in the standard of living and a relaxation of efforts at social transformation. Whereas Khrushchev courted active political support and popularity, domestic policies under Brezhnev seem designed to reinforce passive compliance and political quiescence. His regime has staked much on its ability to enable the individual to "breathe freely, work well, and live quietly."

In the absence of any loftier moral or ideological criteria for evaluating the regime's policies, Soviet citizens have apparently become less inclined to tolerate deficiencies in the economic sphere. Seeing little to inspire in the cautious, opportunistic, and bureaucratic policies of the aging Brezhnev leadership, most of them have become extremely "bourgeois" minded, materialistic, and status conscious in their private lives." The primary motivation of everyone there,

was "personal gain."

Sakharov, writing in the early 1970s, expressed the view that "An indifference to social problems, an

Secret

25X1

Secret

[redacted]

25X1

attitude of consumerism and selfishness, is developing among the broad strata of the population. . . . Protest against the deadening official ideology is . . . latent." Politburo candidate Petr Masherov put it more bluntly in a 1974 speech: "It is no secret that for some an automobile, a dacha, stylish furniture, and other purely material goods have almost become the main purpose in life." [redacted]

[redacted] Some members of the intelligentsia express disgust at the crude propaganda efforts, which they believe reveal a disdain for the basic intelligence of the people. "How can they think we're so stupid?" is a common reaction. [redacted]

25X1

25X1

25X1

Finally, the leadership itself has taken actions that encourage the expansion of consumer demands. The regime's success in raising living standards has had the treadmill effect of stimulating new demands. A 1977 Soviet book on consumption referred obliquely to the insatiability of consumer demand, concluding that material progress "not only fails to eliminate the problem of shortages, but actually makes the problem more acute." The perception that a "shortage" exists, the author asserted, is due less to objective economic conditions than to the subjective attitudes and expectations of individuals in a given sociopolitical context. [redacted]

Although the consumer does not have the figures at hand, the Soviet economic slowdown of the 1970s has by no means gone unnoticed. A surprisingly large number of German and Jewish emigres, who admittedly are biased against the regime, believe that the 1970s have been worse than the 1960s, especially with regard to diet. Although they correctly perceive that the food situation has stagnated since the 1975 harvest failure, some of them mistakenly believe that the downturn of the 1970s has been absolute rather than relative, that provisions were actually more ample in the late 1960s. At a public lecture in Leningrad last month the speaker's statement that statistics show a per capita rise in meat consumption of from 16 to 19 kilograms over the last 14 years provoked a loud "nonsense" from the audience, whereupon he admitted that the increased "strain" in this area tended to make people doubt the statistics. After the rapid advances of the late 1960s, the slow progress of the 1970s seems to many like no progress. [redacted]

25X1

25X1

While the post-Stalin regime's performance in improving material benefits created new consumer demands, its promises of more rapid improvement than it could deliver awakened false hopes that ultimately led to considerable disillusionment. Several emigres date the current cynicism of Soviet citizens to the Khrushchev period, when the Party made unrealistic promises to the people. Relatively rapid advances in the standard of living during the early Brezhnev years, and the optimistic goals set for the 1971-75 Five-Year Plan, which embodied a shortlived shift of priority to consumer-goods production, brought a revival of popular expectations. The regime's failure to attain these goals has apparently created widespread disenchantment and even bitterness. [redacted]

It appears, then, that the economic slowdown has caused Soviet consumers to scale down their expectations, but not their desires. [redacted]

25X1

25X1

[redacted]

25X1

25X1

Most citizens today appear to view the regime's plans for economic progress with a sense of deja vu. Although some of them apparently retain a wooden faith that their society is moving ahead in solving its economic problems, there seems to be little confidence in specific programs and widespread awareness that an enormous gap separates official propaganda from the actual circumstances of life. [redacted]

An article published in a Soviet Academy of Science journal in 1978 acknowledged that "present-day conditions . . . tend to increase the danger of a structural gap between consumption requirements and the actual potentialities for satisfying them." [redacted]

25X1

The general feeling of the consumer seems to be that, even making allowance for the difficulties of overcoming the legacy of the past and the vagaries of the

25X1

25X1

Secret

[redacted]

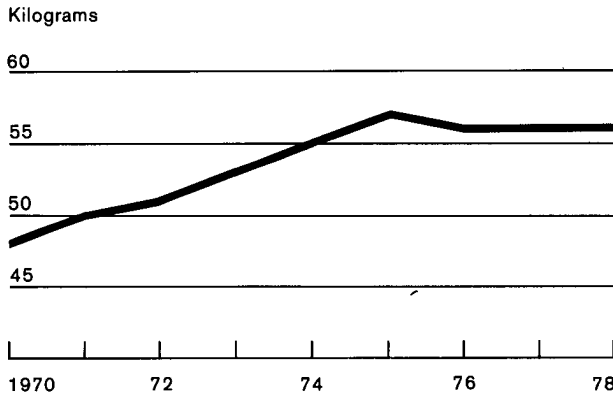
25X1

Secret



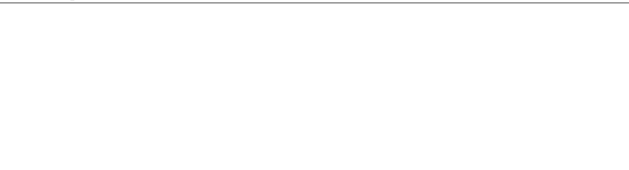
25X1

### USSR: Per Capita Meat Consumption



580248 8-79

weather, life should be easier than it is. Aware that the Soviet Union is wealthy in natural resources, consumers evidently believe that something is somehow going wrong, that the system is operating below its potential.



The most pressing consumer demand appears to be for improvement in the diet, and particularly for increased amounts of fresh meat, which many people have come to consider a virtual necessity. Also of great concern to Soviet citizens is the housing situation. Although there is general recognition that rapid progress has been made in housing construction, a Soviet sociological journal last year summarized the conclusions of various sociological studies as follows: "The need for an immediate solution to the housing problem is important to all workers." One Soviet official, [redacted] gave his opinion that of the various material advantages enjoyed by US citizens the one most coveted by Soviet citizens was the detached single-family home. In the area of personal services (tailoring, cleaning, shoe repair, and the like), demands appear to be much lower, perhaps because the

private sector to a large extent can fill the gap. Except for the shortage of nurseries for children of working mothers, complaints about deficiencies in communal services are relatively rare. [redacted]

25X1

### Placing the Blame

Many Soviet citizens, in effect, blame each other for their standard of living. They attribute their economic problems to low productivity and the fact that no one is willing to work hard. Some members of the intelligentsia blame flaws in the production system, such as the low priority given to consumer-goods production and to the service sector, the use of success indicators for production based on rubles and volume rather than assortment or quality, the divorcing of consumer demand from production decisions, and the officially retarded system of material incentives. Most citizens, however, have the feeling that the problem in the system lies in distribution rather than production. There is a strong feeling that plenty of food and quality consumer goods are being produced, but that for various reasons these do not find their way to the state stores. [redacted]

25X1

25X1

Foreign aid is almost universally seen as a direct cause of shortages at home. In a typical exchange, a cab driver explained to a US Embassy officer in Moscow last year that whenever the Soviet Union gets involved overseas, "meat disappears from the stores." Although the man on the street has no way of knowing how large is the tab for foreign aid, he assumes that huge amounts of agricultural produce are diverted to overseas allies. Rumors of railroad cars being loaded under cover of darkness with provisions for Vietnam and of US wheat being resacked in Soviet bags for shipment to Cuba circulate regularly. [redacted] Soviet citizens complain that "everything seems to be sent abroad." A group of workers reportedly circulated leaflets in Leningrad in 1972 decrying the squandering of Soviet money abroad. The population's resentment of exports is indicated by the defensiveness of public lecturers, who have played down the dimensions of foreign aid in recent years, assuring their audiences that it places no serious economic burden on the Soviet Union. [redacted]

25X1

25X1

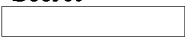
25X1

25X1

25X1

25X1

Secret



25X1

Secret

[Redacted]

25X1

Many Soviet citizens begrudge East Europeans the material advantages they enjoy. The wife of a Soviet diplomat remarked [Redacted] that Soviet people were "enraged" by the inequity between the Soviet and East European standards of living.

ship card is sometimes called a "bread card," since it gives one access to specially stocked stores. [Redacted]

25X1  
25X1

According to a recent emigre [Redacted] sentiment is strong among middle-level officials for making East European countries pay their own way: "They are very fat now; it wouldn't be terrible if they took less." Most Soviet citizens, however, evidently see Eastern Europe as a legitimate part of the Soviet Union's historic domain. This apparently attenuates their resentment over having to shoulder the "burden of empire."

Criticism of these privileges and jokes about them abound. Some are directed at Brezhnev personally. A story making the rounds, for example, has Brezhnev inviting his mother to Moscow to show off his luxurious quarters. After the grand tour, she responds: "It's good, Leonid, but what if the Reds come back?" Some people believe that the reason for the meat shortage after the 1975 harvest failure was that the best meat was reserved for Party and government leaders. [Redacted]

25X1  
25X1

25X1  
25X1

25X1

More distasteful is aid to remote areas like the Middle East, Vietnam, Cuba, and Africa. Aid to these areas is seen as mindless spending which gains the Soviet people nothing. The man on the street dislikes aid to the Third World not only because of the perceived economic drain but also because of the "ingratitude" shown by some recipients of Soviet largesse, particularly the Arabs. This attitude reflects a racism that characterizes the thinking of many even well-educated Soviet people. [Redacted]

More common than criticism directed at the top leadership is criticism of rampant corruption and inept management within the country at large. It is popularly believed that wheeler-dealers and black-market operators skim off the best products before they reach the stores. Corruption is seen sometimes as taking the form of a well-organized, Mafia-like conspiracy, sometimes merely as a matter of every little man trying to get a piece of the action (the butcher selling choice cuts of meat at inflated prices under the counter, for example). In any case, many people apparently believe that the distribution of goods is determined largely by personal connections. [Redacted]

25X1

Concern about spending for foreign aid does not extend to military spending in general. Most Soviet citizens appear to underestimate the level of military spending and its impact on other spheres of the economy. In any case, fear of external aggression since World War II, together with fear of China in recent years, has been so strong as to make most people willing to believe that whatever amount is spent on armaments is necessary for survival. According to one emigre:

25X1  
25X1

Fear of war was so widespread that official announcements of new weapons programs were usually greeted with deep satisfaction. . . . In fact, these announcements were made in the spirit of "Christmas presents" and were almost universally applauded. [Redacted]

Aside from corruption, managerial inefficiency and technological backwardness of the transportation and distribution system are often blamed for enormous waste of products. The ordinary citizen realizes that distribution of goods is chaotic, with one city experiencing a shortage of a particular item while a

25X1

In addition to concern about foreign aid, there is a fair amount of popular envy of the special privileges enjoyed by Party and government elites, privileges which are widely seen as flying in the face of Communist egalitarian principles. A Party member-

Secret

[Redacted]

25X1



Secret

[Redacted]

25X1

25X1

25X1

neighboring region has a surplus. [Redacted]

the United States would bring about a dramatic change in the quality of their lives. Their hopes have faded considerably. Most of them are aware that the United States sells grain to the Soviet Union, but they are generally disappointed that detente has brought more Western computers than Western consumer goods into the Soviet Union. Some of them believed Brezhnev was to blame for the rejection of the trade agreement of 1975, "causing Soviet stores to remain empty." Others accuse the United States of deliberately restricting trade and denying them access to coveted Western merchandise. A visitor to the ICA exhibit in the Ukrainian city of Zaporozhe expressed the frustration, as well as the continuing hope, of many when he told American guides: "In future, there will be more trade with the US; if you don't do it freely, we'll impose it on you." [Redacted]

25X1

Emigres also indicate awareness that inadequate storage and refrigeration facilities are responsible for considerable spoilage. [Redacted]

**Attitudes of Different Groups**

25X1

**Urban and Rural**

Soviet citizens occasionally express the view that the regime's failure to establish better trade relations with the West has had an adverse effect on their standard of living. At the dawn of the detente era many Soviet citizens had high hopes that improved relations with

Discontent over the standard of living appears to be greater in major cities, perhaps because of the greater contact of city dwellers, especially in tourist centers like Moscow and Leningrad, with the outside world. Their dissatisfaction is tempered, however, by the

**Soviet Citizens Grinning and Bearing It**

Soviet jokes illustrate consumer frustrations:

"If someone breathes on you and has onion on his breath, he is living beyond his means."

Answer: "In theory yes, but in practice no, because the horse would be eaten along the way."

"If you knock and they don't answer, they are drinking coffee."

Question: "What was the worst thing about the Tsars?"

Question: "What is 50 meters long and eats cabbage?"

Answer: "They left only enough meat to last for 60 years."

Answer: A line outside a Russian butcher shop."

Question: "How is the neutron bomb different from other bombs?"

Question: "Is it possible for a horse to gallop from Leningrad to Moscow?"

Answer: "If the neutron bomb were dropped on Moscow, all the buildings would be left standing. Everything would remain the same, only no lines."

[Redacted]

25X1

Secret

[Redacted]

25X1

Secret

[Redacted]

25X1

widespread perception that residents of small towns, not to speak of collective farmworkers, are much worse off than they. Soviet visitors to the United States have expressed amazement that in the United States there is no significant discrepancy in the supply of material goods in cities and in small towns. City residents of all social classes are generally aware that the Soviet food supply system has several tiers, with major cities (and cities designated "Hero" cities because of their roles in World War II) in the most-favored category. There is a rationale for this preferential treatment. Residents of large cities, who live in apartments and therefore are unable to plant gardens or keep poultry, are harder hit by shortages of fresh produce. They are comparatively blessed, however, with regard to all processed foods and consumer goods, as evidenced by the large numbers of people from outlying areas who come to major cities to shop on the weekends. The significance of this influx of shoppers is not lost on city residents. A popular joke making the rounds in Moscow this year is:

[Redacted]

25X1

*Question:* What is long, green, and smells of sausage?

*Answer:* A suburban train pulling out of Moscow [Redacted]

25X1

Residents of smaller cities, particularly isolated Siberian towns dependent on outside supplies, are aware of the relatively poor quality of their lives. Their higher salaries and longer vacations, which facilitate long-distance shopping trips, only partially compensate for their unattractive living conditions. [Redacted]

In some small towns resentment of the privileges of the urban centers is apparently less serious [Redacted]

25X1

25X1

[Redacted] as far as food supply is concerned, at least some residents of small towns feel lucky in having access to local produce and actually "pity the poor people who live in cities," [Redacted]

25X1

25X1

We [Redacted]

25X1

25X1

25X1

[Redacted] generally concur with dissident Andrey Amalrik that "how this class views itself, and what it wants, is known, I think, to nobody." It is clear, however, that mass education, improved transportation, and the movement of large numbers of peasants into the industrial work force have gone far toward bringing the villages out of their past isolation and ignorance. *Pravda* noted in 1975 that 30 percent of rural Soviet adults had lived for at least a year in cities, while two-thirds of rural residents visit cities regularly.

25X1

Secret

[Redacted]

25X1

Secret

[Redacted]

25X1

25X1

The spread of radio and television to the countryside has also had a great impact. *Izvestiya* in 1971 drew these conclusions:

Under the influence of all these processes, a profound reorganization is taking place in the very nature of the rural personality, a change that is evening out people's requirements and demands and forming identical social norms of behavior for the city and the countryside. As a result, each new generation of rural residents has a sharper perception of the same (or somewhat diminished) differences between living conditions in the city and the countryside.

[Redacted]

In this sense, the "revolution" of rising expectations has reached the peasant population. Just as modernization and mobility make the city dweller more inclined to compare his living conditions with those of the West, the peasant compares rural conditions with city life in the Soviet Union itself. According to a 1975 study, 59 percent of the rural workers in the Novosibirsk area believed that life in the city was better than on the farm. Unlike the city resident, however, the peasant has a remedy for his dissatisfaction; he can move to town.

***Intelligentsia and Workers***

By bestowing perquisites and privileges on the upper stratum of society, the regime appears to have "bought off" the intelligentsia,\* giving it a stake in the preservation of the status quo. Through a special system of stores and other special benefits for different groups of the elite, Soviet citizens with high incomes or privileged status have access to consumer goods and foods not available to the "common run" of Soviet citizens.

Reduced social mobility in recent years, however, may be working to increase the dissatisfaction of both the intelligentsia and skilled workers. In the early years of Soviet rule the changes in social structure, rapid industrialization, Stalinist purges, and manpower losses of World War II created huge numbers of job openings at managerial levels. The existence of broad

\* White collar workers with higher education.

economic and social opportunity softened the impact of deprivation for many individuals.

[Redacted]

25X1

As the economy matures and economic growth slows, Soviet society is losing some of its fluidity. *Literaturnaya gazetta* noted recently that "the times for soaring careers are past." The intelligentsia, in particular, is beginning to resemble a self-perpetuating elite. Recent Soviet sociological studies suggest that workers are encountering increasing difficulty in propelling themselves or their children into the intelligentsia. For many in the intelligentsia merely holding their own is becoming difficult. Soviet schools are evidently turning out more engineers and other professionally qualified people than the economy can absorb. As a consequence, large numbers of new graduates are forced to work as manual laborers or to work in their area of specialization at substandard pay.

[Redacted]

A stringent job market for those with skills and education may in the short run result merely in heightened competition between individuals. The scarcity of jobs for engineers, for example, in a sense enables the regime to employ "negative" incentives for fidelity, to play on the fear of losing the job one has rather than the hope of gaining a better one. Engineers are reportedly much less assertive than many manual laborers, who in this current period of labor shortage do enjoy job security. Ultimately, however, the shrinking opportunities for upward mobility and the tendency for the intelligentsia to become a closed group may have the effect of making skilled workers and intelligentsia lose faith in their ability to improve their material circumstances.

25X1

25X1

25X1

25X1

***Nationalities***

In general, members of each Soviet nationality assume that their group is not getting its fair share in the allocation of resources. Discontent over the standard of living is evidently highest in the Western borderlands—especially in the Baltic republics and the Ukraine. Not only are these areas more susceptible to Western influences because of geographic proximity

25X1

Secret

[Redacted]

25X1

Secret

[Redacted]

25X1

and historical association, but they have greater access to Western radiobroadcasts. They also have more contact and familiarity with conditions in Eastern Europe.

[Redacted]

In the Baltics the majority of the population probably believes that the wealth of their republic is being siphoned off by the Russians. Members of the older generation remember the 1920s and 1930s as a period of prosperity, and they appear to resent bitterly what they view as economic exploitation at the hands of the Russians in subsequent years. Many Estonians are said to believe that their standard of living would be on a level with that of Finland were their republic allowed to consume what it produced rather than export goods to other Soviet republics. Russian shoppers waiting in food lines in Latvia have been jostled and told that "We [Latvians] were better off before you came." Last year in Kaunas, Lithuanians draped a pig in a banner that read "You have taken all my relatives to Russia, take me too!" and released the animal in the main street.

The Baltic people are aware, of course, that their standard of living is the highest in the Soviet Union. Many appear to believe that the regime is especially fearful of provoking unrest among them and that consequently they are allowed to keep a higher percentage of their agricultural output than would otherwise be the case. Many Baltic residents take comfort and pride in their conviction that a "Baltic priority" offers them some immunity from deprivation.

Some Russians are jealous of the higher standard of living of the Baltic area. They also apparently envy what many see as great wealth obtained by illegal means by black market operators in the Caucasian republics. And many Russians resent the burden they have been given to help develop the relatively disadvantaged Central Asian republics.

Discontent over living conditions occasionally erupts into serious ethnic friction. Consumer discontent and national grievances apparently combined to produce the major riots which took place in the Dnepropetrovsk area of the Ukraine in 1972. Last year a large-scale demonstration lasting several days took place in Abkhazia, which is administratively part of the Georgian republic. Among other grievances, Abkhazi nationalists protested what they regarded as economic exploitation of their area by the Georgians. Among their wide-ranging demands were improved consumer services and products. In 1977 in Vilnius, the capital of Lithuania, thousands of young people participated in an anti-Russian demonstration in which economic themes were voiced: "We want to eat Lithuanian bread again, and our own meat." Again in 1977, a Tallin warehouse containing meat scheduled for shipment elsewhere in the Soviet Union was reportedly burned, and a Latvian food train bound for Russia was sabotaged. In 1976 Riga dockworkers refused to load food products slated for export on Soviet ships. In Lithuania this year there has reportedly been considerable resentment of Latvians coming to Lithuania to shop. Latvian cars have been sprayed at night with the words, "Don't take our meat."

Consumer interests of national groups are manifested more often in political competition for resource allocations than in active unrest. This kind of competition is incessant and endemic to the Soviet system; a republic leader responsible for his republic's economic performance naturally defends its interests in Moscow. Republic leaders, presumably in response to pressure from below, have occasionally pressed their cases so vigorously that they have incurred the wrath of central authorities.

The classic case of economic "localism" was in the late 1950s, when the top Latvian leaders were purged amid accusations that they had pressed unduly for increased investment in the republic's light industries and food processing plants and for increased local consumption of local produce. The former head of the Party in Lithuania, before he died in 1974, had gained a reputation for pushing various sorts of local development and for successfully fending off Moscow's efforts

25X1  
25X1

25X1

25X1

25X1

25X1

25X1

Secret

[Redacted]

25X1

**Page Denied**

Secret

[redacted]

25X1

to increase meat procurement from his republic. In 1963 the chairman of the Ukrainian Council of Ministers was rumored to have resisted Khrushchev's demands for increased grain shipments out of the Ukraine. [redacted]

The adolescent does not connect these goods directly with the labor efforts of the family. [redacted]

25X1

As the Soviet economic pie spreads more slowly in the 1980s, dividing it up will be more difficult. The approach of "hard times" will probably aggravate ethnic conflict and intensify lobbying at the center for local interests. [redacted]

Soviet youth's material self-indulgence is accompanied by a pronounced lack of interest in public service and political studies. Soviet officials have privately and publicly bemoaned youth's lack of direction and responsibility, associating these with an overall decline in public morality. Various public opinion polls suggest that increasing numbers of young people find Party propaganda boring and irrelevant to their personal lives. Respondents to questionnaires display declining interest in civic-minded activities, such as work on a new construction project, while openly acknowledging the importance they attach to such goals as the acquisition of an automobile or a better apartment. According to one Soviet study, only 3 percent of students in their final year of university study are engaged in voluntary public work. Of 1,200 students in the central Russian city of Voronezh who were asked what they liked about their Komsomol (Communist Youth) club, almost 1,100 responded "nothing." According to [redacted]

25X1

25X1

**Youth**

Without a doubt the most materialistic group in Soviet society are young people, especially those in the cities. A construction worker in Kishinev and a chauffeur in Frunze, in separate conversations with US Embassy officers, both used the same term to characterize Soviet youth: "acquirers." Urban young people of all classes, not excluding the children of the elite, are apparently strongly motivated by a pursuit of pleasure. Their desire for things Western has approached a mania. ICA exhibit guides have encountered many young people who seem to think that the United States is a land of milk and honey. [redacted]

one unpublicized sociological study of youth in 12 cities revealed that the dominant views were:

25X1

25X1

Loyal members of the Soviet establishment have complained privately to American diplomats that their own children simply do not appreciate the enormity of the advances in the living standard since Stalin's day, and official spokesmen have expressed considerable concern about the matter. Brezhnev, for example, said in a 1973 speech that

- Civic and political work is pointless; truthful information is impossible to get, and the information available is not worth bothering about.
- Social life is chaotic, structureless, and senseless; truth is subjective and arbitrary.
- The collective is a fiction; everyone thinks of himself and pursues his personal aims.
- Creativity and pleasure are the only things worth bothering about. [redacted]

25X1

We people of the older generation have the opportunity to see and compare the contrasts of the past and the present. Our young people, who were born after World War II, cannot see these contrasts themselves; it is so difficult for them to visualize the poverty and misery we have seen.

That Soviet young people are extremely cynical about living conditions is supported by much anecdotal evidence. A US Embassy officer, for example, reported that during a visit to a famous monkey farm on the Black Sea, one Soviet tourist remarked that the pampered monkeys seemed to eat mostly what people ate. A swaggering youth in the group then asked if the monkeys were given meat. "No," replied the attendant. "Ah," said the young man, "then there is no difference." [redacted]

25X1

Minister of Internal Affairs Nikolay Shchelokov complained in a 1978 article that youth take their standard of living for granted:

People have begun to live better and have more material goods. In certain families these goods are undervalued in the eyes of adolescents. . . .

Secret

[redacted]

25X1

Secret

25X1

25X1

25X1

Such attitudes do not make Soviet youth politically rebellious. If the price for the satisfaction of their material desires is passive acceptance of the regime, they seem willing to pay. If the system does not deliver, their reaction is not to confront it but to circumvent it by personal connections or forays into the black market. Official discussions of juvenile delinquency stress the link between a "consumer mentality" and "antisocial" behavior.

Another forum for criticizing shortcomings are citizens' letters to various official bodies. According to a recent article by Politburo member Konstantin Chernenko, who supervises the Central Committee General Department, the number of letters to party organs increases every year. It is possible that the increase in letters reflects increased hope of official responsiveness to demands from below, but the letters also testify to considerable disgruntlement.

The passion of youth for things Western is generally limited to the externals, the superficial aspects of Western civilization. The young people covet Western goods and imitate Western fashions and lifestyles rather than Western ideas. Thus far, by lowering the standards of approved conduct and incorporating the more innocuous elements of the youth's subculture into the system, the regime has succeeded in preventing them from becoming alienated from Soviet society. Even the Komsomol has bent its standards to sponsor once taboo activities, such as Western-style fashion shows and rock concerts, and some effort has been made to adopt Western fashions in the manufacturing of clothing. Several years ago, for example, the Soviet Union began to produce jeans, once thought to be a symbol of the "decadent" West, and is currently negotiating a contract with American jeans manufacturers. In the face of mounting economic difficulties, however, the regime doubtless regards the growing acquisitiveness of Soviet young people as a problem that will bear watching in future years.

#### **Social, Economic, and Political Costs of Consumer Discontent**

##### ***Unrest and Active Opposition***

Discontent in recent years has largely been expressed in relatively harmless ways. Audiences at public lectures, for example, have apparently become more assertive in exchanges with official spokesmen. "Why has there been no meat for some time now in several cities, including Arkhangelsk?" asked a man at a Leningrad lecture in 1978. At a Moscow lecture in 1972 an irate citizen subjected the speaker to questions about living conditions which were unrelated to the lecture topic. "I want to talk about the standard of living," he insisted. "You are annihilating us."

25X1

25X1

Secret

25X1

Secret

[Redacted]

25X1

[Redacted]

Cooperation between dissident intellectuals and workers is impeded not only by the workers' lack of political "consciousness," but also by the intelligentsia's distrust of the lower classes, whom they have traditionally seen as a "dark," potentially destructive, and uncontrollable element. Only rarely have intellectuals directly addressed popular economic concerns. Anton Koval, a Ukrainian dissident, in 1969 called for increased wages and consumer goods for the lower paid. A 1970 "samizdat" (unpublished) booklet by one V. Severnyy, who examined the food supply problem in detail and predicted that by the end of the 1980s "the country will find itself faced with a universal food shortage," advocated the development of a mixed economy. Dissident Andrey Sahkarov has advocated the expansion of private plots for collective farm peasants. In 1978 Sergey Cheremukhin wrote critically about spending money on space exploration: "Why all this, with our poverty? With our yearly increasing shortage of food supplies?" In general, however, samizdat writers pay scant attention to the economic grievances of the masses. Except for some non-Russian dissident nationalists, dissident intellectuals are preoccupied with cultural freedom and civil liberties to the exclusion of economic themes.

25X1

In theory the economic grievances of the population could be tapped by the small circle of active political dissidents. Such a convergence of economic and political dissent would have significant implications for the future of Soviet society. Thus far, however, worker participation in even the basic "human rights" movement has been minimal. Workers, for example, made up only 40 of the 700 signatories of petitions protesting a major dissident trial in 1968. [Redacted]

25X1

Few of the economic disruptions in recent years have had political overtones. During a 1977 strike at a coal mine in a West Ukrainian town, placards reportedly carried the slogan "Down with Brezhnev." Last spring, according to persistent rumors, an attempt was made against the life of Avgust Voss, First Secretary of the Latvian Communist Party. A few months later rumors surfaced of a similar attempt against the Estonian Party chief. [Redacted]

25X1

The intelligentsia's condescension toward the "masses" and their wariness of reform initiatives emanating from the working class were clearly shown in the case of the "Free Trade Union" organized in 1977 by Vladimir Klebanov, a coal miner from the Ukraine. Klebanov, who wanted to protest various ways in which he believed workers were ill treated, initially tried to join a Moscow-based organization of dissident intellectuals but was reportedly cold-shouldered. After Sakharov and others expressed reservations about Klebanov, indicating concern that he was somehow not a legitimate dissident, Klebanov launched a separate organization of his own, announcing that intellectual "champions of human rights" turned out to have little concern for ordinary workers: "They consider themselves above us." [Redacted]

25X1

25X1

[Redacted] Typically, however, disturbances have taken the form of brief strikes with limited and localized economic objectives. Invariably, such strikes have ended with the authorities taking temporary measures to alleviate food shortages in the troubled area. [Redacted]

25X1

25X1

Secret

[Redacted]

25X1



Secret

[Redacted]

25X1

25X1



Klebanov's organization, which claims to represent several hundred workers from different parts of the Soviet Union, has offered the most coordinated and articulate expression of workers' grievances in recent years. The agitation of this group, which continued even after Klebanov himself was thrown into a psychiatric hospital, eventually led the dissident CSCE Monitoring Group to issue a guarded statement expressing an "interest" in the activities of the Free Trade Union and a hope that such spontaneous unions would be tolerated by the authorities, as required by

law. The Klebanov incident suggests that class barriers are strong enough to prevent an effective alliance between disaffected workers and intelligentsia. [Redacted]

25X1

***Internal Migration and Labor Turnover***

25X1

[Redacted] of the 18 million Soviet citizens who annually migrate from one place to another within the Soviet Union, more than 70 percent move in search of better jobs and better living conditions. The boredom and desolation of provincial

Secret

[Redacted]

25X1

Secret

life, created in part by low standards in everyday life and by inadequate educational and cultural facilities, probably provide the greatest impetus to the exodus from country to city, judging from polls of people moving out of rural areas. [redacted]

Migration and urbanization, as natural consequences of industrialization, have traditionally been seen by the Soviet regime as progressive trends. In recent years, however, much internal migration has been economically counterproductive. Generally speaking, people are moving out of areas that already suffer from manpower shortages and are entering areas that have labor surpluses. This is true not only of movement from country to city *within* republics but of the population flow *between* republics. Rural dwellers in under-populated areas of Siberia are more inclined to move to town than their counterparts in overpopulated areas of Central Asia, Moldavia, and the Caucasus. By the same token, there is a net out-migration from the labor-short Russian Republic, while the Ukraine, with an adequate labor force, has a net in-migration. In the words of one Soviet economist, "The pattern of migration is at odds with the manpower needs of agriculture." According to Viktor Perevedentsev, the leading Soviet demographer, "The net population outflow from areas with a manpower shortage" is not a response to labor market forces but "an index of the lag of those areas in terms of the living standard." [redacted]

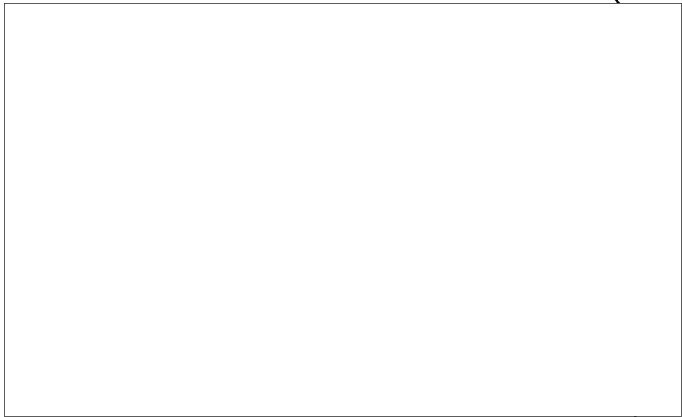
Rural out-migration has other consequences that are undesirable from the regime's standpoint. Those unwilling to stay "down on the farm" tend to be young, educated males. Their departure depletes the able-bodied rural work force more than the actual numbers of migrants would seem to indicate. An increasing proportion of the collective and state farm population is made up of women and relatively unproductive social "dregs." [redacted]

Dissatisfaction with living conditions also fuels labor turnover, a problem closely related to internal migration. Soviet sociologists see a change in jobs, like a move from one area to another, as "a special way of criticizing certain shortcomings in the sphere of work and daily life." One sociological survey showed that only 40 percent of workers on the Baykal-Amur Mainline in Siberia who lived in trailers planned to stay on the job, compared with 79 percent of those

living in apartments. Other surveys have confirmed that discontent with the overall standard of living is often as important as factory conditions in causing job shifts. [redacted]

The high rate of labor turnover suggests that workers are becoming more conscious that the country's increasing labor shortage enables them to "bargain" for better job and living conditions, simply by leaving one job for a better one. *Izvestiya*, discussing the problem of labor discipline, has quoted a conversation with a farm machinery operator in southern Siberia that reveals the worker's heightened awareness of his independence:

You can't scare me. People aren't exactly rushing to our steppes—it's a hard life out here. I have the money to pick up and move to a place more to my liking. . . . There's no sense trying to influence me with threats. That would be all right if there were 10 unemployed workers standing in line for my job—then fear is the best teacher. [redacted]



Factory managers, scrambling to find workers, compete with each other in offering benefits. [redacted]



[redacted] *Pravda* has reported that about 70 percent of those who change jobs get wage boosts. In addition, emigre reporting indicates that some desperate factory managers provide illegal inducements, such as allowing workers to keep a portion of the goods they produce for sale on the black market. [redacted]

Secret

25X1  
25X1  
25X1  
25X1  
25X1  
25X1  
25X1  
25X1  
25X1  
25X1  
25X1

Secret

25X1

25X1

This competition, by creating uneven benefits, merely has the effect of providing greater incentives to move. *Izvestiya* in 1971 pinpointed the problem:

The motives for quitting jobs are engendered not so much by the level of pay and production conditions, the possibility of obtaining housing, and the like as by the presence of *differentiated* conditions in various spheres of the national economy, enterprises, and economic regions. If, for example, it is possible at one plant to obtain an apartment after working there for one year, while at another plant it takes two years, this is a motive to quit. The point is not that a man is not able to improve his housing conditions at his previous location, but that he can do so more quickly on another job.

Some economic managers try to increase wages above the socially necessary level in order to attract manpower and to achieve a temporary labor influx. But then the pay is raised at the other plants, and a reverse movement begins. In simpler terms, some managers have taken the path of "luring" cadres away from their neighbors. Obviously, this does nothing to increase labor resources. [ ]

Labor turnover is not, in and of itself, disadvantageous to the regime. It is in the country's economic interest to attract workers to new, high-priority industrial areas suffering from acute labor shortages. In many cases, however, it is precisely these new industrial towns that lack the housing facilities and the consumer conveniences needed to induce workers to remain on the job. A recent article in *Plannovoye khozyaystvo* observed:

Opportunities for higher earnings can be depended on to bring workers to regions where labor is in short supply. Getting them to stay, however, depends on living conditions. Dissatisfaction with those conditions is the main reason why people leave a place, fail to put down roots.

During his trip to Siberia last year Brezhnev directly addressed the problem of labor attrition, which he attributed to "the insufficiency of housing and the lag in cultural and personal service construction." [ ]

Since job turnover appears to be virtually unregulated by Moscow, Soviet economists regard it as a serious drain on the economy, in terms of both decreased productivity of workers new to a job and in unemployment between jobs. One Soviet economist has estimated that each job change results in an average of 28 days' working time lost. [ ] 25X1

In spite of its economic cost, high labor turnover does perform one function that is desirable from the regime's standpoint. The right to quit one's job is a safety valve for labor tension and probably prevents labor unrest from becoming more serious. [ ]

25X1

#### **Labor Shortage**

Shortages of consumer goods and services are one cause of the rising divorce rate and the declining birthrate in most parts of the European Soviet Union. The drop in the birthrate, in turn, is creating a serious labor shortage. [ ] 25X1

Almost all urban mothers are employed, and most also do the bulk of the housework, shopping, and child care. Not only do Soviet mothers have to get along without such conveniences as disposable diapers, clothes dryers, dishwashers, and convenience foods, but they also are burdened with the task of shopping, made more time-consuming by chronic shortages and by the general lack of consolidated supermarkets. According to Soviet statistics, families spend an average of 1.9 hours a day shopping. In 61 percent of the families women alone do the shopping; in 17 percent another family member does the shopping; in 19 percent husband and wife share the duty; in only 3 percent do husbands do the shopping by themselves. The net result, according to one Soviet sociological study, is that the Soviet woman's work load is, on the average, 20 percent higher than that of the Soviet man. Mothers work one and a half hours for every hour that childless women work. The time expended on "woman's work" has discouraged large families and has created frustrations that contribute to a climbing divorce rate. [ ]

The housing shortage in a country where an estimated one-fourth of the urban population lives in communal apartments also discourages large families. The USSR Institute for Sociological Research [ ]

25X1

25X1

Secret

25X1

25X1

Secret

[redacted]

25X1

[redacted] isolated two major causes for the declining birthrate—the perceived inability to support a large family financially and difficult living conditions, especially cramped housing. [redacted]

25X1

25X1

One Soviet poll has indicated that urban Soviet women want two or three times as many children as they have now. A survey of city dwellers in the European Soviet Union showed that while only 19 percent of the women polled had more than one child, 97 percent thought two or more children was the ideal number. Most husbands in the European Soviet Union also want more children, according to another attitudinal study. The implication is that people would act on these preferences, thereby raising the birthrate, if their material circumstances were more comfortable. [redacted]

The great bulk of the population evidently condones economic crime, including theft from the state. A popular joke has it that Russia is the richest country in the world, because no other could afford to be robbed for 60 years and still have something remaining. Those who steal state property run the gamut from ordinary citizens pilfering from their places of employment to organized gangs of entrepreneurs engaged in large-scale operations. The Party chief in Georgia, traditionally a hotbed of illegal economic activity, has publicly stated that the salaries of large numbers of workers in enterprises manufacturing consumer goods are mere “appendages” to their more substantial black-market earnings. A popular curse in Odessa is “Let him live on his salary.” [redacted]

25X1

25X1

**Illegal Economic Activity**

The great reservoir of unsatisfied consumer demand provides a powerful impetus to private economic activity. Since the regime, presumably for political reasons, keeps prices on many commodities artificially low, individuals who manage to acquire wanted goods can sell them privately for much more than is charged in state stores. [redacted]

Economic crime in turn breeds corruption, since illegal activities invariably require the bribing of officials. Corruption is most frequently encountered at the lower levels of the system, but the upper echelons are not immune. A number of high-ranking officials have been involved in bribery scandals in recent years. Since 1972 a massive purge of corrupt elements within the Georgian leadership has taken place. This year the USSR Minister of Fish Industry was reportedly fired because of involvement in the black marketing of caviar. [redacted]

25X1

25X1

Official spokesmen acknowledge, at least indirectly, that consumer discontent feeds private economic activity. In 1977 a high-ranking police official, writing in *Komsomolskaya Pravda*, blamed the flourishing black market on the failure of Soviet industry to satisfy the intense desire for fashionable goods. As he put it, “We ourselves create the conditions for speculation” by failing to respond to consumer demand. A 1978 article in *Voprosy filosofii* stated that “the unbridled thirst for enrichment gives rise to the readiness to strive for material prosperity by any means, even parasitical and illegal ones.” [redacted]

The prevalence of economic crime and official corruption has serious negative consequences for the regime. It tends to erode the authority of the Party, raise questions about the efficacy of the Soviet economic system, undermine public respect for law and order, and create morale problems that lower economic productivity. [redacted]

25X1

The private sector is a very significant part of the Soviet economy. In one way or another almost the entire Soviet population participates in the “second economy,” which embraces a wide range of both legal and illegal activities, all of them undesirable to the regime in ideological terms. The largest role is played by private agriculture. Private plots of collective farm peasants account for only 3 percent of the national total of cultivated land, but for more than one-fourth the gross output of Soviet agriculture. [redacted]

But, from the regime’s standpoint, the “second economy” also has positive features. It imparts a degree of flexibility to the system and introduces market forces that work to bring about an equilibrium between supply and demand. Speculators, for example, perform the service of counteracting government miscalculation and inefficient geographical distribution of goods. Private economic activity adds to the consumer’s well-being by enhancing the flow of goods and services and by providing many people with additional income. In this sense, unofficial transactions can be seen as a stabilizing influence. [redacted]

25X1

25X1

25X1

Secret

[redacted]

25X1

Secret  
[redacted]

25X1

25X1

**Problems of Productivity and Inflation**

In various ways, dissatisfaction with the living standard appears to lower productivity and promote economic inefficiency. City dwellers take long lunch hours to shop in order to avoid longer lines after working hours. People from the countryside clog the transportation network by traveling to cities to shop on the weekend, often to repurchase produce earlier sent to the city from their farms. [redacted]

More generally, material deprivations and inconveniences contribute to a general malaise in the work force which lowers productivity. A 1974 *Izvestiya* article, discussing primitive conditions at a Siberian construction site, touched on the effect of poor living conditions:

No one has ever proven . . . that labor productivity would have dropped . . . if better provisions had been made for everyday life . . . Common sense and . . . the history of many major construction projects leads us to believe differently. Quite differently, in fact. [redacted]

It is likely, too, that wage incentives lose force when quality goods are scarce. On at least one occasion in 1976, workers in Tula reportedly refused to accept their pay bonus, asserting that there was nothing to buy with the money. In general, wage incentives appear to be weaker in small cities, where the supply of consumer goods is more limited. At the 25th Party Congress Brezhnev noted that "increased incomes alone do not mean a real increase in living standards." In his view, "The shortage of a number of goods, together with limited services, reduces the possibilities of material labor incentives." Premier Kosygin, in a July 1979 article in *Plannovoye khozyaystvo*, observed that "the creation of normal conditions for spending monetary incomes by the population is an important aspect of . . . strengthening stimuli for raising labor productivity." [redacted]

It is not that Soviet stores are empty, but that people since about 1960 have been buying selectively. Once the basic needs of the population were met, the seller's market came to an end. The consumer's refusal to buy shoddy goods has contributed to a huge buildup of savings accounts at the same time that unsalable goods

accumulate in stores.\* In 1972 Gosplan reportedly concluded that one-third of the currency in the Soviet Union was unspent "surplus" which either made its way into the black market or went into savings accounts. Savings deposits grew more than sevenfold from 1965 to 1978, reaching a sum equal to 55 percent of the value of retail sales in that year, compared with 43 percent as late as 1975. This accumulation of savings presumably further weakens wage incentives, making the ordinary worker more independent of state control. [redacted]

25X1

In addition, the rapid buildup of liquid asset holdings suggests the presence of a sizable and perhaps growing amount of repressed inflation in the Soviet Union. In other words, people are evidently being "forced" to save by the government's failure to provide the goods they wish to purchase [redacted]

25X1

Articles in the Soviet press frequently air the problem of a glut of inferior merchandise in Soviet stores. [redacted]



\* The large overhang of liquid assets in the hands of the population is also the result of lack of credit, which requires people to save large amounts of money before purchasing major durable goods. [redacted]

25X1

25X1

25X1

Secret  
[redacted]

25X1  
25X1

25X1

Secret

[Redacted]

25X1

[Redacted]

Alcohol consumption, however, as in the case of job turnover and private economic activity, serves as a safety valve and thus performs a positive function. Vodka is both cheap and plentiful in the Soviet Union. In making it easily available, the regime provides its citizens an escape from the grimness and tedium of life and diverts consumer demand away from nonexistent consumer goods. [Redacted]

25X1

25X1

**Leadership Perceptions and Policies**

A Soviet trade journal estimated in 1978 that the losses incurred by marking down unsalable goods cost the state hundreds of millions of rubles every year. [Redacted]

**Present Concern**

25X1

**Consumption of Alcohol**

The consumption of alcohol is connected in a general way with dissatisfaction about living conditions. The official Soviet position is that there are and can be no socioeconomic causes of alcoholism in the Soviet Union, but the fact that alcoholism has its highest incidence among working class males with little education suggests otherwise. Soviet specialists occasionally come close to contradicting the official view by citing as chief causes of alcoholism the "psychological and material debasement of jobs and the monotony of . . . daily lives." Crowded housing conditions also contribute to the problem, literally driving many men to drink as an escape from a stultifying home atmosphere. [Redacted]

25X1

25X1

Alcoholism poses a social problem of growing proportions. The per capita consumption of hard liquor in the Soviet Union is the highest of any country in the world, and consumption is growing at the rate of about 5 percent a year. Although the state derives substantial revenue from the sale of spirits, one Soviet economist has estimated that the overall economic cost of alcohol consumption, because of its correlation to industrial accidents and absenteeism, exceeds the net revenues. Alcoholism is also a major factor in the growing crime and divorce rates and contributes to the falling birthrate; many women cite their husband's drinking as a reason for their unwillingness to have children. [Redacted]

25X1

Secret

[Redacted]

25X1

**Secret**

[Redacted]

25X1

25X1



Official apprehension has been especially suggested by the prompt attention, often with high-level involvement, given to particularly acute problems of food supply. Brezhnev traveled to Tula to make a speech in January 1977, reportedly in response to worker dissatisfaction with food supplies. When Abkhazi nationalists staged a demonstration in late 1978, Central Committee Secretary Ivan Kapitonov rushed to the scene and made a conciliatory speech that acceded to wide-ranging demands for various types of economic aid to Abkhazia. A number of other strikes and demonstrations protesting food shortages during the last several years have reportedly brought rapid improvements in the food supply of the affected areas.

[Redacted]

25X1

Public statements by some leaders—and by Brezhnev, in particular—have also suggested growing concern about morale problems. During his trip to the Soviet Far East in early 1978 Brezhnev spoke of the population's "justified dissatisfaction" with food shortages and paid special attention to the need to upgrade housing and overall living conditions. In several speeches that year, he made unprecedented references to the "mood" of the people. His most explicit reference was at the November Central Committee plenum, where he pointedly remarked:

The question of losses of grain, vegetables, fruit, and cotton is not only an economic matter. It is also an important political matter which has a direct effect on the mood and the labor activity of the Soviet people.

In his election speech in March 1979 he emphasized the need to increase meat production. [Redacted]

25X1

**Secret**

[Redacted]

25X1

Secret

Other leaders have articulated their concern less clearly, but Politburo member Mikhail Suslov discussed meat shortages in his 1974, 1975, and 1979 election speeches. Masherov in a recent speech expressed serious concern about the attitude of the people as the country faces yet another harvest shortfall. He spoke of the "people's completely understandable feelings" in this "unusually serious situation," made a plea that there be "no shirking or losing of your temper, no moaning and groaning, no loud complaining," and noted that "individual negative incidents" tend to "undermine peoples' faith in the real achievements of the economy." [redacted]

Politburo member and Leningrad Party chief Grigoriy Romanov in an early 1977 speech alluded to food shortages in his area, blaming a breakdown in the distribution system and lamenting that "some citizens" exploited the situation to "spread rumors." Georgian Party head Eduard Shevardnadze, a Politburo candidate, observed in a 1977 speech that the supply of consumer goods and services "is the sphere in terms of which broad circles of the population base their evaluation of our reality as a whole." In short, the Soviet leaders give every indication of believing that they face a grave situation if their performance in satisfying consumer needs does not improve. [redacted]

#### **Traditional Attitudes**

For reasons deeply rooted in Soviet history and in the leadership's psychology, successive regimes have, nevertheless, chosen not to reorder economic priorities to benefit the consumer. In theory, consumption holds unchallenged primacy as the legitimate goal of economic activity in a socialist state; supposedly, the maximal satisfaction of the wants of society is the direct aim of production. In practice, the regime's commitment to the expansion of Soviet economic and military power has been the preponderant influence on economic priorities. [redacted]

For psychological reasons too, Soviet leaders have found it difficult to place primary emphasis on the mundane goal of raising the population's material standard of living. Their ethic, born of years of struggle, has been one of discipline and self-denial. Brezhnev described the traditional attitude toward consumer goods in his report to the 24th Party Congress in 1971:

Comrades, we have behind us long years of heroic history, when millions of communists and nonparty members consciously accepted sacrifices and privations, were prepared to rest content with the bare necessities, and denied themselves the right to demand any special comforts of life. This could not but have an effect on their attitude toward the production of consumer goods. . . . [redacted]

Historically, Soviet leaders have associated material richness with moral laxity. *Meshchantsvo* (petty, grasping philistinism) was one of the alleged features of the capitalist West most hated by the early Bolsheviks. That these attitudes persist was illustrated by a recent critique of American consumer-oriented society published in *SShA*:

In capitalist society the . . . desire of the masses to improve their lives . . . takes on a one-sided and deformed nature, distorting the human personality. . . . People make a fetish of things. . . turning the individual into the kind of Philistine who, in V. I. Lenin's words, is capable of demanding the impossible from society: "unlimited quantities of truffles, automobiles, pianos, and so forth." [redacted]

Aside from being morally reprehensible, emphasis on consumption has been seen as politically dangerous. In Lenin's day the fear was that the working class would be satisfied with the purely material gains won through trade union activity and would abandon the higher revolutionary objective of seizing political power and establishing a new social order. Today the fear is that catering to the wants of the population will cause a slackening of discipline, encourage a tendency to place self-interest above collective interests (as defined by the leadership), and nourish an uncontrollable pursuit of material goods that the state is ill-prepared to provide. Soviet leaders have been apprehensive that, if left alone, the consumer will follow "bourgeois" consumption patterns. Thus, a 1975 article in *Plannovoye khozyaystvo* maintained:

A one-sided orientation toward the satisfaction of consumer demand, especially when it is not followed by the necessary indoctrination, is fraught with the danger of spreading social "ills" such as individualism, egotism, and greed.

Secret

25X1

25X1

25X1

25X1

25X1

25X1

25X1



Secret

[Redacted]

25X1

A 1978 article in *Voprosy filosofii* concurred:

Emphasis exclusively on raising the level of material welfare, with a failure to pay attention to other social aspects of the way of life, can lead to a deformation in social mores that is difficult to correct. [Redacted]

a consumer attitude toward socialism. . . . It is essential to see and to draw a definite line between real material interest for the worker and the petit bourgeois passion for money-grubbing. [Redacted]

25X1

Consequently, Soviet propagandists have taken pains to persuade the population that material well-being is desirable only as a means of arriving at pure Communism, which is really more a spiritual than a material state. [Redacted]

Masherov's attitudes may be influenced by his location in a border republic susceptible to influence from Eastern and Western Europe. During this same period the head of another regional party organization, Politburo member and Ukrainian First Secretary Petr Shelest also warned against "harmful consumer tendencies," complaining that "it is becoming the style . . . to speak exclusively about benefits, about some sort of 'horn of plenty' from which goods and blessings pour by themselves." [Redacted]

25X1

25X1

25X1

The Soviet leadership's lack of responsiveness to popular desires has reflected its elitism. Historically, the leadership has considered the party the repository of "consciousness" and has distrusted the "spontaneity" of the people. As a result, the leadership believes that it knows what is best for the masses. The party's mission has been to shape public opinion, not to follow it. [Redacted]

Kirilenko\* has never employed this sort of moralistic language to condemn consumerism. On many occasions, however, he has reaffirmed the priority of heavy industry and particularly of machine building; his background and current responsibilities lie largely in this area. It may be inferred that he has not been sympathetic to consumer interests. [Redacted]

25X1

25X1

All Soviet leaders today are influenced by this traditional approach to consumer issues, but it is senior party secretaries Andrey Kirilenko and Suslov, along with Belorussian party chief Masherov, who are its closest adherents. Their attitudes were most clearly expressed in 1971, when the regime set ambitious consumer goals for the Ninth Five-Year Plan (1971-75). Suslov, apparently a long-time advocate of military spending, warned at that time that "increasing the people's prosperity is a task which is very wrong to approach in a purely consumer-minded manner." At the same time, Masherov, in what was probably the strongest published anticonsumer statement by a Soviet leader in the 1970s, warned that the increase in the population's well-being could lead to parasitical attitudes, especially among those under the influence of Western "bourgeois" propaganda. An advocate of "moral incentives" (socialist competition, nonmonetary awards, and recognition), he warned against the "absolutization" of "material incentives" (wages) and went on to declare:

**Proconsumer Advocacy in Recent Years**

For all its elitism, the Soviet leadership has always believed that the legitimacy and continuation of its rule is ultimately dependent on popular acceptance of its policies. Stalin's death left Soviet leaders feeling more insecure and more vulnerable to popular criticism than previously. As a consequence, Khrushchev turned to a program of increased benefits for the population. [Redacted]

25X1

Khrushchev's concentrated effort to raise agricultural production was continued by Brezhnev, and in 1971 the Brezhnev leadership endorsed an historic shift in priorities. For the first time, the Five-Year Plan projected higher growth rates for the production of consumer goods (Group "B" industries) than for the production of producer goods (Group "A" industries). [Redacted]

25X1

We have never linked and we never shall link our tomorrow, our future, with an affirmation of the cult of things, of the standard of the notorious consumer society. . . . We are against

This priority for consumer goods was short-lived. The 1972 and 1975 crop failures created a shortage of raw materials, making the consumer goals unattainable.

[Redacted]

Secret

[Redacted]

25X1

25X1

Secret

[redacted]

25X1

The Tenth Five-Year Plan (1976-80) restored the traditional Group "A" priority. Agriculture, however, which constitutes about half of consumption, continued to fare well in the plan. Overall, consumption has declined slightly as a share of gross national product since 1970. [redacted]

25X1

Since 1975 the advocates of consumer-oriented planning have not remained silent. Arguing that the pursuit of material well-being is a legitimate, respectable aim in socialist society, they deride the notion that increased consumption necessarily leads to spiritual impoverishment. While acknowledging that the Party, in its rise, advanced the principle of ascetic morality, they insist that continued renunciation of material pleasures is no longer necessary or desirable. Rejecting arguments that increased consumption will lead to an erosion of the population's commitment to Communist ideals, they counter that ignoring the population's needs is certainly more dangerous, both in political and economic terms, than meeting those demands. [redacted]

25X1

position. Kostin termed investment in Group "B" insufficient and investment in Group "A" enormous, and implied that the huge volume of investment in Group "A" had the effect of lowering efficiency in that sector. Noting that "the share of Group 'B' sectors in our country is lower, while that of Group 'A' sectors is higher than in many foreign countries," he called for the study of foreign experience of both capitalist and socialist countries, and argued that it was "fully possible" to transfer more resources to Group "B." [redacted]

25X1

While the traditional view has been that expanding contacts with advanced Western countries threatened to infect Soviet society with consumerist notions, consumer advocates have emphasized the positive domestic benefits of detente. Rather than focusing on the growth of consumer expectations as a corollary of increased contacts with the West, they have argued that relaxation of international tension will permit a beneficial expansion of foreign trade and a greater diversion of resources to satisfy domestic needs. [redacted]

25X1

A 1977 *Kommunist* article—one of the boldest critiques of anticonsumerism in recent years—summarized many of these arguments. The author asserted it was immoral to "exploit mercilessly" the "self-sacrificing and revolutionary devotion" of the people, to claim that popular criticism of shortcomings in consumer goods implies that the people have "lost" past revolutionary traditions and succumbed to a petit bourgeois psychology." He went on to deliver the most telling argument for raising the standard of living:

25X1

25X1

25X1

Behind this reasoning lies a failure to realize the simple fact that the satisfaction of what used to be the working people's needs can no longer suffice as an effective incentive today, particularly for new generations that take the present standard of living for granted as something natural—as a point of departure. [redacted]

The most consistent advocate of consumer goods in the Soviet leadership, before he was dropped from the Politburo in late 1978, was First Deputy Premier Kirill Mazurov. [redacted]

[redacted] Mazurov's last public statement published in Soviet media before his dismissal was an article in the November 1976 issue of *Kommunist*, in which he made an unusually strong defense of consumer goods industry. Making a rare reference to raising the population's material and cultural standard of living as the "main task" of the 10th Five-Year Plan, he criticized "central planning and economic organs" for being unable "fully to overcome their attitude toward the production of consumer goods as something of secondary importance," even though "such an approach contradicts the demands of the times." Referring to Group "B" targets as the "minimum," he also stressed the importance of food production and noted that the performance of the public catering system has a direct effect on the mood and labor productivity of the population. [redacted]

25X1

It has also been argued that productivity has been higher in Group "B" industries and that economic performance can therefore be improved by shifting resources to consumer goods industries. A blunt article by L. A. Kostin, first deputy chairman of the State Committee on Labor and Social Questions in the November 1977 *Plannovoye khozyaystvo*, took this

25X1

Secret

[redacted]

25X1

Secret

25X1

25X1

Mazurov's removal left Premier Kosygin as the leader with the longest record as a defender of consumer interests. As early as 1972 Kosygin publicly argued that improvements in material welfare "are not only the result of production development but also an important precondition for further growth and improvement in production." In late 1973 in two speeches in Minsk, Kosygin pledged that the preferential growth rate for Group "B" output would be restored and urged that housing construction be given a higher priority. Although in his 1979 election speech Kosygin stressed the importance of developing heavy industry, it seems unlikely that he intended to relegate the consumer goods industries to its former low status. Probably more than any other Soviet leader, he understands the economic requirements of a balanced system. [ ]

Brezhnev has been the chief proponent for continued heavy investment in agriculture, but he was a late convert to other consumer interests. It was not until 1971, in his speech at the party congress, that he made a fairly strong case on behalf of elevating the priority of consumer goods. Noting that "well-known historical reasons" had prevented the Party from turning full attention to the question of improving the people's lives, he called for a change in thinking about consumer goods and the elevation of living standards as the "main task": [ ]

That which was explicable and natural in the past—when other tasks and other undertakings stood in the forefront—is unacceptable in today's conditions. . . . There still are officials, and not only in local areas but at the center as well, who contrive to "peacefully coexist" with shortcomings, who have somehow gotten used to low quality in a number of consumer goods and are developing their production at an impermissibly slow rate. . . . That is how shortages arise of certain goods that are customarily called "trifles." But there can be no trifles when it comes to items in daily demand. [ ]

In Brezhnev's December 1974 speech to the Central Committee he admitted that the development of light and food processing industries depended on the priority growth of heavy industry—the "backbone" of the economy—but promised that increased productivity

would permit "an increase in the share of the national income allocated to the satisfaction of social requirements"—that is, an increase in the share for consumption. At the 25th Party Congress in 1975 he referred to heavy industry as "the foundation of the economy," but he also spoke at great length of "the need decisively to change attitudes" toward meeting the daily demands of the population. [ ] 25X1

In the latest round of leadership election speeches in February and March 1979, attention to consumer-oriented programs seemed to pick up somewhat. Brezhnev's crony, Politburo member Konstantin Chernenko, who has rarely touched on economic priorities in his previous speeches, seemed to emerge as a supporter of consumer goods on that occasion. In general, Chernenko was solicitous of public opinion and apparently concerned about the popular welfare. [ ] 25X1

Kirilenko, who usually stresses the priority development of heavy industry, devoted special attention to the subject of consumer goods and housing. In a telling phrase omitted from the newspaper versions of his speech, he referred to the Group "B" sector as the "so-called Group 'B' sector." In the past, consumer advocates appear to have used the designation "so-called" to indicate that the term "Group 'B'" does not imply that this sector of the economy is of secondary importance. [ ] 25X1 25X1

Masherov, in a June 1979 speech, also seemed more concerned than in the past to placate the population. While warning against a "consumerist attitude to life," he indicated support for efforts to study public opinion more scientifically, presumably to enable the regime better to respond to popular demands. He also seemed to concede that present conditions demand further advances for the consumer. Noting that consumer demands constitute a "complex, sensitive, and delicate" area, he acknowledged that demands "are not static" and argued that "under the conditions of developed socialism an appreciable turnabout in the economy toward the increasingly full satisfaction" of peoples' requirements has become possible. [ ] 25X1

25X1

25X1

Secret

25X1

Secret

[redacted]

25X1

**Outlook**

After long neglecting consumer welfare, Soviet leaders in recent years have grown more concerned about the political and economic costs of popular discontent over living standards. They have promoted consumer-oriented programs such as the campaign to raise livestock output, but so far have not allocated a larger share of resources to the consumer. Moreover, overall economic growth continues to decline, thus shrinking consumer gains. [redacted]

of good quality and varied assortment, but without providing effective incentives for factory managers to produce them. And they have relied more heavily than in the past on special distribution systems that provide goods to elite groups, including factory workers, at the expense of the population at large. Some of these measures—particularly the last one—may be partially effective as control devices. As efforts to increase productivity and production, however, they are of marginal utility. [redacted]

25X1

25X1

The outlook would not be so grim were it not for the fact that the return on investment has been poor in agriculture—one of the few consumer-oriented areas in which investment remains high. The leadership evidently perceives—and perceives correctly—that the population is much more concerned about deficiencies in the food supply than in other consumer goods and services, but more than investment is needed to increase agricultural productivity. The agricultural sector's low productivity stems from a complex set of factors, including unfavorable climate, backward technology, and a poor structure of organization and incentives. [redacted]

Soviet leaders have endorsed only one idea—the expansion of the more productive private plots—that offers promise of increasing agricultural output and significantly benefiting the consumer. Another reform that could raise output would be to use unregulated mechanized agricultural “links”—small teams which operate on permanent assigned plots of land without detailed work assignments and with their pay based considerably on final production results—instead of the less economically efficient but more ideologically acceptable farm “brigades,” which receive flat wages regardless of output. This idea, controversial in the past, has not received much attention in leadership speeches of late. [redacted]

25X1

25X1

Thus far, instead of initiating basic reforms in the economic system, the Soviet leaders have taken a piecemeal approach to solving consumer problems, particularly with respect to food. They have used “firefighting” tactics to rush supplies to areas suffering particularly acute shortages and have employed various other expedients—such as decreeing “meatless Thursdays,” closing food stores in the cities on weekends, dragooning brigades of city office workers to help with crop harvesting, and ordering grass strips mown along highways to increase fodder production. They have also given increased publicity to deficiencies in the production and distribution of consumer goods and food, presumably to persuade the population that they are aware that problems exist and are working to solve them; fired economic managers, offering them up as scapegoats for shortcomings in the system; written endless resolutions and editorials calling on party officials to be more responsive to the complaints of individual citizens; talked about improving the management of the economy; stressed the need for products

It is possible that a reduction in the rate of growth of military spending would bring relief to the consumer. Some Soviet leaders have indicated concern over the burden of military spending. Kosygin, Brezhnev, and Chernenko have at various times publicly suggested that an improved international atmosphere would release funds needed for domestic consumption. Politburo candidate member Boris Ponomarev, head of the Central Committee International Department, has occasionally—perhaps self-servingly—[redacted] [redacted] is worried about the economic effect of the arms race, suggesting that the United States was trying to bleed the Soviet economy white. [redacted]

25X1

25X1

25X1

25X1

[redacted]

[redacted] Defense Minister Ustinov is much more sensitive to economic considerations than his predecessor, Grechko. [redacted]

25X1

25X1

Secret

[redacted]

25X1

Secret

25X1

25X1

25X1

Ustinov, who is first and foremost an economic manager, is interested in cost effectiveness, sensitive to consumer needs, and appreciative of the importance of a balanced approach to economic development for the long-range development of defense industries. [redacted]

[redacted]

Some fundamental reordering of priorities may take place in the years to come, as economic growth continues to decline. It seems unlikely, however, that the current aged and conservative leadership, on the eve of a succession, will embark on such a radical departure from past policies. [redacted]

The most immediate cost of allowing present trends to continue is a further reduction in economic efficiency. A wide range of otherwise negative economic phenomena—such as excessive consumption of alcohol and economically counterproductive labor turnover—provide the positive function of serving as safety valves for dissatisfaction with living conditions. It is consequently difficult for the regime to take decisive measures to eliminate these undesirable features of their society. To do so would run the risk of inviting serious disorders. More important, the shortage of consumer goods weakens material incentives and has an adverse effect on labor productivity. [redacted]

Politically, the short-run consequences of continuing present policies will probably not be catastrophic in the sense of provoking a genuine threat to the stability of the state—unless the consumption rate declines sharply instead of growing at the present low rate. [redacted]

Deficiencies in housing, consumer goods, and services, however damaging to morale, do not appear to have the potential for igniting serious disturbances unless they deteriorate a great deal. Food shortages, by contrast, have sparked active protest since the harvest failure of 1975, but even here the level of unrest has been

[redacted]

manageable. With the important exception of disaffected national groups, which tend to blame their woes on the Russians, most of the existing hostility over the standard of living is diffuse. Soviet citizens seeking answers for economic shortcomings usually criticize peripheral features, real or imagined, of the system—such as privileges for the elite, corruption and managerial inefficiency, or extensive foreign aid—rather than the basic organization of the economy or the regime's economic priorities. Strikes and protests during the last several years have generally not focused on political objectives, nor have they, as a rule, been protracted. By rapidly shifting resources to bring temporary relief to troubled areas—borrowing from Peter to pay Paul, so to speak—Soviet authorities have been able to prevent disturbances from assuming uncontrollable proportions. [redacted]

25X1

In the long run, however, the political consequences of consumer dissatisfaction loom large. The Soviet population is one of the most politically passive in the modern industrialized world. More than in the past, however, this passivity rests on the regime's ability to satisfy the material demands of an increasingly acquisitive society. The Soviet people have come to desire strongly—if not to expect—steady improvements in the standard of living. If, as projected, the regime by the mid-1980s is unable to improve or even to maintain the current standard of living, discontent and the incidence of active unrest will certainly grow. [redacted]

25X1

25X1

25X1

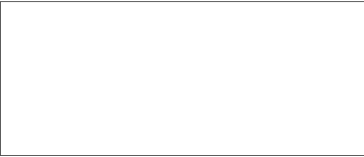
25X1

Secret

25X1

**Secret**

25X1



**Secret**