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SOVIET LIVING LEVELS (IV)

The price cuts for another small list of consumer goods announced on 1 March 1960, fall into two categories: I) relatively expensive "semi-luxury" products which are sold at prices fixed by the USSR Council of Ministers (electrical sewing machines, silver fox furs, cameras, etc.); and II) cheaper items, the selling prices of which are determined by the Councils of Ministers of the Union Republics. In percentage terms the reductions range from 5% to 30%. The total savings per annum will be 2.5 billion rubles, or approximately 12 R per capita.¹

¹ Tass, 29 Feb. 1960 reports the following cuts:

Group I

Electrical sewing machines	23%
(Handoperated sewing machines in 1959 cost 583 R)	
(Pedal sewing machines in 1959 cost 485 R)	
Curtain materials	23%
Fur goods and pelts - silver fox	20%
Clothes (silk and artificial fabrics)	15%
Cameras (in 1959 a good camera, Zorky-ZS cost 700 R)	30%
Radio (in 1959 a radio, 2nd class, cost 715 R)	25%
Hunting guns (in 1959 Model BM cost 435 R)	25%
Moto roller (Vyatka)	78%

Group II

Fountain pens and pencils (in 1959 cost 25 R)	20%
Safety razor blades	30%
Accordion (in 1959 cost 1,580 R)	20%
Haberdashery	5%
Marmalade	18%

All prices quoted from Sovetskaya Rossiya, supplement, 12 July 1959.

It is, of course, utterly meaningless to present the price reductions in these terms because only a small part of the Soviet population will benefit from the lowered costs of such relatively scarce luxury goods as silver fox furs, or will be able to acquire an electric model from among the more than 3 million mass production sewing machines of all types to be made in 1960.² For those who are in a position to purchase, however, the savings for the major items will, in some cases, be considerable. Thus, according to RSFSR Minister of Trade Pavlov, some cameras (Kiev 4 and Start) will cost 400 R less; others, the latest models of the Zorky, will drop between 70-500 R; and the Kiev 3A will sell for 1,270 R instead of 1,800 R.³

For the overwhelming majority of Soviet wage earners -- the latest price cuts will, unfortunately, only slightly ease the problem of providing food and clothing for their dependents. Neither the 15% reductions in clothing made from silk nor the 30% slash in (some) canned goods, cocoa (present price 50 R/kilo), and coffee with powdered milk will appreciably cut expenditures in this sector of the family budgets; similarly the 5% decrease in dry goods and the 18% drop in marmalade prices can have only a marginal influence on the monthly purchases of the average family. As has been the case since 1955, when the practice of general annual (1947-54) price cuts came to an end, the 1 March reductions will leave the average price level almost unaffected; in fact, the savings claimed from all these selective cuts during the post-Stalin period amount to less than the 20 billion rubles which the consumers gained in 1954, the last and lowest figure for the 8-year record of price reductions.⁴ Since the 20 billion rubles in 1954 were equal to a 4% reduction in the general price level,⁵ the smaller sum spread over 6 years leaves the price level essentially unchanged.

2 The target for 1961 is 3,470,000 sewing machines (Pravda, 16 Oct. 1959).

3 Sovetskaya Rossiya, 1 March 1960, quoted by Radio Moscow, same date.

4 The savings from recent price reductions are:

1957	-	5 million R	(<u>Pravda</u> , 2 Jan. 1958).
1959	-	6 " R	(<u>"</u> , 1 July 1959)
1960	-	2.5 " R	(<u>Tass</u> , 1 March 1960).

5 L. Turgeon, Levels of Living, Wages and Prices in the Soviet and United States Economies, in Comparisons of United States and Soviet Economies, U.S. Congress, Nov. 1959.

While price levels have thus been held "virtually stable,"⁶ a surprisingly unpublicized policy of introducing correctives to long established disparities in earnings is being gradually implemented. At the lower levels steps have been taken to raise incredibly low minimum wages and this aspect of the wage reform -- both promise and performance -- has been given considerable propaganda treatment. Far less attention has been drawn to the question of cutting the incomes of those in the higher wage brackets but there can be little doubt that many of the emoluments previously enjoyed by various groups are being drastically cut. The high-ranking soldiers⁷ as well as the idle poets,⁸ the managers in the ministerial and industrial bureaucracy no less than non-productive holders of academic degrees are being subjected to Khrushchev's levelling pressures. Nevertheless, for the minister now "reduced" to 7,000 R per month from a previous 25,000 R,⁹ for the factory directors whose premia will no longer exceed their basic salaries,¹⁰ for scientists who will no longer be permitted to draw salaries from several sources,¹¹ some readjustment will obviously be necessary; all of these, with their incomes supplemented by working wives, will still be in the market for those durable and luxury consumer goods which are becoming increasingly available at lower prices. For the no longer so privileged minority, as is shown below¹² in the study of "the manager's way of life," the problem of food and clothing has been solved; for the large majority whose average wages are still barely more than enough to eat, Khrushchev's price cuts must first affect the high costs of food before they appear as customers for luxury products whose prices are set by the USSR Council of Ministers.

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⁶ L. Turgeon, op.cit.

⁷ M. Tatu, Le Monde, 5 January 1960.

⁸ Izvestia, 2 December 1959.

⁹ R. Tucker, Field Observation on Soviet Local Government, The American Slavic and East European Review, December 1959; see Background Information, 19 Feb. 1960.

¹⁰ Sotsialistichesky Trud, #12, December 1959.

¹¹ Partinaya Zhizn, #12, 1959; see "Pluralism Denounced", Background Information, 22 July 1959.

¹² D. Granick, The Red Executive, Doubleday, 1960.

Extract From
The Red Executive
by David Granick
(Doubleday and Co. 1960)*

We can only compare what people do with their incomes. Thus, I shall try to describe the Russian executive's "way of life." I shall quote Russian salaries and prices in rubles instead of in dollars, since it is difficult to find a single sensible exchange rate in which to express all purchases. But, if one wishes to transpose mentally into dollars, ten rubles to one dollar is about as realistic a ratio as any other.

To begin with, the Russian urban family today is a rather small one. Two children seem to be the magic number, with many backsliding parents having only one. When I told Russians that my wife and I had three children, they all looked upon ours as a large family. Three children, I was told, comprise the ideal - but seldom realized - Soviet family: two children to reproduce the parents, and "one for Khrushchev"...

Along with the difference in family size in the two countries, there is a sharp difference in the role of the wife. In Russia, 45 per cent of the city labor force is made up of women, compared to 33 per cent in the United States. Roughly 80 per cent of all urban Russian able-bodied women work at full-time jobs, while the American figure is 28 per cent, with an additional 10 per cent working part time.

Moreover, mothers of young children in all Russian social classes hold down jobs. It is the socially accepted pattern. The woman who does not work is simply out of things. In the United States, on the other hand, income differences sharply affect the proportion of working wives. Of those wives whose husbands earned between \$3,000 and \$4,000 in 1956, 28 per cent worked full time in 1957. Of those whose husbands earned above \$10,000, only 8 per cent worked full time...

Thus the American family-budget is drained by more children than is the Russian budget. At the same time, there is only one breadwinner in the American manager's home - at least when the children are young - while there are two in the Russian's. These differences in family patterns make slightly ridiculous comparisons of living standards which rest solely on the average earnings of individuals in the two nations. For most people in all countries dip into the family till, rather than spending as a lone individual, and so it is the family earnings and needs which count.

Why is it that these Russian-American differences exist? Partly, no doubt, it is due to the poorer economic conditions in the Soviet Union. The American family has expanded with prosperity. The Russian budget is sufficiently strained with only two children; the apartment is crowded enough without additional kids. The American wife can afford to stay home and take care of the children; the Russian cannot.

This is part of the answer, but only the most dogmatic of economic determinists would say that it is the full explanation. It was not many years ago that population experts

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were all agreed that families grew smaller as families and countries grew wealthier. We are hardly now in a position to assert that the relationship is invariably the reverse. The Russian mother has cheap and good nurseries available for her youngsters once they are two months old. The American mother has no such ready opportunity for returning to work and she may find it impossible to leave young children with anyone; taxes plus the cost of child care may be greater than her total earnings. But most important of all, there is the social expectation. Two children are the "right number" for the conforming Soviet family. The young wife is expected to work until her seventh month of pregnancy, and return to the job when her child is two months old. If she should not do so, what would the neighbors think?

Let us, then take these differences in family size and number of breadwinners as differences in national "ways of life." Given these, what is the income of a Russian managerial family and how is it used?

A Leningrad director of a food plant, managing an organization of eleven hundred employees, earned in 1958 an average of 4,500 rubles monthly. In plants under the Moscow City Council, directors earn 6,000 to 7,500 rubles. In this key industry a department superintendent, who could well be in charge of a group as large as the entire Leningrad food factory, might earn 4,500 rubles monthly, and a senior foreman 4,000 rubles. All of these earning figures include the substantial Soviet bonuses.

In the family of one of these managers, the wife's contribution to the family larder will probably not be too important. The minimum Soviet wage is 300 rubles monthly. An average wage is in the neighborhood of 800-900 rubles. A woman translator in Moscow, who had no college degree but knew two foreign languages, received 900 rubles a month in 1958. Let us put the total managerial family income, at, say, 5,500 rubles monthly. An American executive on the level of our Russian would be earning \$20,000 to \$30,000 annually.

Of the Russian income, perhaps 13 per cent will go for income tax, and another 3 per cent for Communist Party and trade union dues. (Managers belong to the same industrial union as do their workers.) Four thousand six hundred and twenty rubles are left.

Rent in the Soviet Union is a low budget item, and is related both to the amount of space in the apartment and to the family income level. Including utilities, 1 1/2 to 4 per cent of income is a fairly representative figure. Thus 177 rubles go for this item.

The quality of the housing will probably be as low as the rental figure itself. With a family of four, our manager by rights is entitled to only one room. But since his family size is on the borderline of qualifying for more space, it seems reasonable to expect that a man of his position can wangle two rooms out of the housing authorities....

Our manager's apartment will have two medium-sized rooms a small kitchen, a toilet and a separate bathroom. Wall closets are a rarity; the family will be lucky if there is a single small one in the apartment. The kitchen will have a two-burner stove, some built in work space next to the sink, a good bit of overhead storage space. But there will barely be room for the smallest model refrigerator...

...Of the managerial family's remaining 4,445 rubles, a substantial portion will go for food. A reasonable figure for a month's expenditures on food eaten at home is perhaps 1500 rubles. Figuring at a ruble-dollar ratio appropriate to the relative prices of food in Russia and in the United States, the 1500 rubles should have the purchasing power of some \$100. To this, let us add another 500 rubles for meals eaten out by husband and wife. These additional 500 rubles should cover about 60 meals in the low-cost institutional restaurants where Soviet workers and professionals eat on the job.

The total family food budget of our mythical manager thus comprises about 43% of his net income left after taxes and Party and Union dues. In purchasing power, it may be close to \$220 a month. This purchasing power figure is so high primarily because of the large number of full restaurant meals bought at very lower ruble prices. A second reason is the Russian love for food. When I entered Russia by train from Helsinki, the conductor on the Russian car was quite defensive about the state of Russian clothing as compared to Finnish. "The Finn likes to put his money on his back", he told me in explanation, "while the Russian puts it into his belly." A final reason for the Russian's high food expenditures is the long Soviet history of unavailability of manufactured consumer goods. In contrast, food has more generally been ready to hand, provided one had the money.

Two features of the Soviet economy keep the ruble food budget from rising still higher. One of these features is the low price of meals in factories and other places of work. Most eating-out is done in such dining halls, and this seems to be at least as cheap as eating at home. Thus in Russian colleges, students and faculty normally eat a main meal for three to five rubles. Even in a railroad station restaurant, I bought two large meat sandwiches and a bottle of beer for four rubles, while an American friend had a plate of steak and three vegetables for five rubles. Although fifteen rubles to a dollar seems a proper conversion rate to use for food eaten at home, four rubles for one dollar is more appropriate for restaurant meals.

The second relevant feature of the economy is the fact that, during much of the year, fresh fruits and vegetables are simply unavailable. In seasons when they are for sale, often they can only be purchased at farmers' markets where the various collective farms sell their produce for what the market will bear. But the Russian housewife, like most Europeans, is accustomed to daily shopping. Since no farmers' market may be convenient to her home or place of work, she is likely to do most of her shopping in stores where the selection is quite poor. Thus the manager's wife may fail to buy food luxuries simply because she cannot conveniently shop for them daily.

Turning to clothing, our manager's family may spend some 800 rubles monthly. This would have the purchasing power of some \$60.

Ready-made clothing now seems to be generally available in the Russian stores. Even imported items can be bought, and some curious anomalies arise from this. In the huge central department store at Moscow, I looked over a number of men's suits which hung on open racks. Russian-made suits were selling for 670 rubles apiece. But alongside them were imported suits - the only one with a recognizable label was Czech - which seemed to me to be of much better quality and cut, but which sold for only 470 rubles. At the moment when I was there, although it was in the evening when most men would be off from work, I was the only one even window-shopping at this particular suit counter. Thus these imports would not seem to be rarities to be instantly snatched up.

Custom-made clothing is also available. But this is really expensive, as is the making of clothing oneself. Material which did not seem of particularly good quality sold for 100 to 200 rubles a square yard. If our manager wishes custom-made clothing, his clothing budget would shoot up sharply. But, judging from the rather tasteless cuts of clothing seen on people in the expensive hotels and in the first rows of the theater, I would judge that ready-made clothing is the rule.

A major item in American household budgets is transportation. For the Russian family, on the other hand, 50 rubles can cover the month's needs. Public transportation is cheap; the Leningrad and Moscow subways charge half a ruble, and bus and street car charges are proportional. Moreover, this transportation was absolutely first-rate in all the cities I visited. Even in the outskirts of town, a five minute wait is unusual and a cause for indignation at bureaucratic inefficiency. This seems to hold right up until 2 a.m., when public transport stops for the night.

It is possible that our manager will own a private car, particularly if he lives near Moscow, where private automobiles seem concentrated. But his chances are not too good. Between 1945 and the end of 1956, only 642,000 passenger cars had been produced in the entire Soviet Union; of this total, substantially less than half was sold to private individuals.

While our manager probably does not own his own car, the chances are high that he can have the use of one belonging to his factory. It may even be assigned, along with a chauffeur, for his own exclusive use. Nevertheless, while he may use this car for his wife's shopping trips and for Sunday excursions, he is unlikely to feel completely free in doing so. The office car represents the same sort of problem to the manager as does allocation to himself of unusually good factory housing, and its use for personal purposes is increasingly frowned upon as more automobiles are put on the market for sale.

At this point, we have accounted for 65 per cent of the Russian manager's net income as going for rent and utilities, food, clothing, and transport. After making allowance for tobacco, laundry, haircuts, books and other miscellaneous items, he still has some 1225 rubles left.

Medical care is free, and nothing except minor amounts for medicines need be allocated for this. Nevertheless, there is some private practice of medicine, and our manager may choose to spend a little money here. One Russian told me of going to a private dentist, and he complained bitterly as to the results. The private practitioner couldn't get rid of the toothache, although the problem was later taken care of at the regular free clinic. But other Russians have had the reverse experience, and so some minor fees are paid to private doctors.

Since education at all levels is free of charge, and more than 80 per cent of college students receive stipends for living expenses, our manager will not be putting anything aside for his children's education. If his children are of preschool age, a charge for their care in a nursery or kindergarten may be made. But even though this charge is scaled to income, it would hardly exceed 150 rubles monthly.

Vacations are another item which represent negligible cost. Camp for the youngsters is almost free. A month's trip to a vacation spot such as the Crimea for a manager living in Moscow - five hundred and fifty miles away - could be handled economically on 1800 to 2000 rubles for the manager and his wife. The expenditures of such a trip could be increased substantially without exceeding the amount normally spent at home at home during a month. It is therefore no added drain on the family exchequer.

If we set aside 50 rubles a month for all the above items - medical care, education and vacations - we would seem fully to cover our manager's needs.

A large amount to set aside for entertainment would be 600 rubles monthly. Top prices for tickets to the legitimate theater are 20 rubles, at the ballet and at musicals, they may run to 30 rubles. Movies are a good deal cheaper. If our manager and his wife go out three times a month, 200 rubles should easily cover the cost of the best seats in the house, plus refreshments between the acts. Entertainment of friends at home, plus occasional evenings of eating, drinking and dancing at lush hotels, might add at most another 400 rubles.

This leaves 575 rubles a month for purchases of consumer durables and for savings for old age and emergencies. In purchasing power for buying consumer durables, this would represent some \$45 a month. But opportunities for spending this money are limited. There are long waiting lists for cars. Good furniture is almost unavailable. Only the smallest refrigerators seem to be produced. On the other hand, radios, TV sets, and recently, tape recorders are readily available in the stores. Moreover, there are some truly expensive items. Country dachas, or summer homes, are widespread, particularly around Moscow. True, these dachas will normally

have outdoor plumbing, and water will be pumped from a well shared by a number of houses. Nevertheless, the dacha serves as a welcome escape from the city, at least for summer weekends. In Kiev, the Dnieper River is filled with privately owned boats, among them not only rowboats, outdoor motorboats, and sailboats, but also small yachts with cooking and sleeping space below.

How about savings? Will they take up any major portion of this 575 rubles?

Probably the single item most highly advertised in the Soviet Union is "saving". Admonitions to save stare at you from the pages of your newspaper, from posters on the wall, from billboards. Save, the Russian is urged, in order to buy a car, build a house, purchase a refrigerator or a TV set. Installment buying is taboo, except for the case of mortgage payments on housing, and saving is the means by which a Russian goes about buying an expensive durable item. For Soviet man is still economically backward, not yet having caught up with America in learning to apply the lessons of government deficit finance to his own private affairs.

With all this promotion of saving, it is interesting that the advertisements do not recommend saving for old age or illness. Presumably, the national pension system is expected to take care of these needs. If this source is insufficient, the family may be expected to help out. The fact that savings are not widely used for these purposes seems confirmed by the fact that total accumulated money savings of the urban population at the end of 1956 were only 599 rubles (\$60) per capita.

Our manager will qualify for a pension when he is sixty; this will be the maximum pension of 1200 rubles monthly. We have assumed that his wife was earning 900 rubles monthly; this should give her a pension at fifty-five of 650 rubles. Thus their combined tax-free income from pensions will be 40 per cent of their present income after deduction of taxes and Communist Party and trade union dues. (A 1957 study of fifty American companies showed that some three quarters of them had pension plans for their executives and that retirement benefits averaged 40 per cent of income at the time of retirement.) In case of accident or sickness, roughly a similar pension will be received.

This is a substantial ruble income by Soviet standards for a couple whose children are grown. Particularly in view of the lesser needs of older people, the couple should be able to live in reasonable comfort. One middle-aged Russian with whom I spoke, a man in the higher-income brackets, assured me that people saved little for emergencies or old age. Considering the steady and rapid inflation which characterized the Soviet economy until 1949, and the unavailability of equity investments to serve as a protection against inflation, it seems reasonable that our manager should do little saving. Nevertheless, he will probably use some of his 575 rubles for this purpose.

Let us sum up this material on expenditure patterns by a comparison with American patterns. For this purpose, let us treat the dollar as equivalent to ten rubles for all types of expenditures. Comparison will be made with two American income groups in 1950: one group had an average annual money income

of \$6,000, which is roughly the dollar amount received by our Russian executive. The American figures are taken from a large scale United States government survey.

From the table below, we can see that housing, utilities, medical care and transportation make up one third of the American family budgets; but they comprise only 5% of the Russian manager's budget. On the other hand, food expenditures are 44% of the Russian budget compared to 22 to 28 per cent of the American budgets. These are the differences in expenditure pattern which make it so difficult to meaningfully translate any individual Russian item of spending into American terms. The budgets as a whole are too widely different to allow for any simple comparison.

One reason for the vast variation in budgets is that the Russian manager's wife simply is not free to spend the family money as she sees fit. There is no practical way for her to spend more on housing, for example. Similarly the selection is limited in many areas of consumer spending, although the choice has been widening over the years.

In this respect, the Russian management family is somewhat in the position of the American upper-class Negro. The parallel is particularly strong as regards housing, with both groups generally being unable to rent or buy improved homes. The Russian manager often feels loaded with money and is quite free in his spending precisely because he has no practical way of purchasing the things he would really like to have. Perhaps it is the presence of this excess cash which makes the Russian engineer, management man, or university professor often shake his head sympathetically, if a bit scornfully, over the economic plight of the American visitor to Russia. The visitor may have a much higher living standard than the Russian, but it cannot be denied that money is a problem for the American.

The American manager's spending pattern is, to a considerable extent, built around suburban living. Leisure time and money go into the home and grounds. "Do it yourself" activity is worked into a pattern. The wife's life is rooted in the house. Where keeping-up-with-the-Jones is important, much of it is based on this type of home life.

By and large, the Russian family has no opportunity for such spending and leisure activity. The wife works all day; there is little beauty and less space in the apartment. Except for summer weekends, where the country dacha may be the center of attraction, the home is a good place to stay away from...

There is a further, non-material aspect of consumer well-being which we have not yet considered. This is a comparison with the recent past. For a man's concept of whether he is well off will be strongly shaped by the standard of living to which he is accustomed.

Here, the Russians are in good shape. Real per capita earnings of the Urban population are said to have grown by 44 per cent between 1950 and 1956; doubtless they have risen further since then. These official Soviet figures do not seem unreasonable; but even if we take them with a grain of salt, and also remember that it is low-wage groups whose incomes

have risen most rapidly, the executives have done very well indeed. In comparison, average personal income in real terms in the United States has risen by 18 per cent between 1950 and 1957. Russian managers thus have much more of the feeling of sharp improvement from year to year in their own welfare.

The other side of this coin is that the American executives do not look to any other country as the land of milk and honey. The Russian manager, who knows something of foreign standards of living, is likely to feel unhappy when he makes his comparisons over space instead of over time. However, it seems reasonable to expect that the manager and his family react most strongly to changes which they themselves have experienced and can perceive directly, rather than to those involving sights across the Iron Curtain.

A third side of consumer happiness is involved in Vehlen's concept of "conspicuous consumption". To the extent that we strive to keep up with the Joneses, we are best off when the Joneses are poor. Many items of expenditure then become quite unnecessary.

This feature of consumer psychology acts to boost the subjective value of the Russian manager's income much closer to the American level than one might think simply by comparing absolute purchasing power. The Russian manager's income bears somewhat the same proportion to that of the average Russian worker as does the American manager's income vis-à-vis the American worker. As it affects conspicuous consumption, absolute income has no importance; relative income is everything.

The housing shortage itself tends further to accentuate the Russian manager's feeling of comparative well-being. Soviet housing being what it is, people live where they can. Russian districts are far less homogeneous as to the income level of the inhabitants than are American districts, for rent levels are quite unrelated to neighborhood. Living in a homogeneous area, the American executive looks around him and finds that he is not especially well off. His main standard of comparison, after all, is the living standard of his neighbors. The Russian manager surveys the scene, and finds that he is indeed very well heeled compared to his neighbors, since these latter are a fairly typical sample of the entire urban population. His only problem with the Joneses is to live down to them. It is true that this living-down-to-the-Joneses problem may also be faced by the wife of the president of a fair-sized company in an American small town, but it is far from the usual problem of living standard for the American managerial family.

MONTHLY INCOME AND EXPENDITURES

	Russian Managerial Family		US High Income		Urban Family Income		Moderate Income	
	\$	%	\$	%	\$	%	\$	%
Total Money Income	550		1567		494			
Taxes	71.50		241		40			
Total Expenditures on								
Current Consumption	460	100	898	100	438	100		
Housing and Utilities	18	3.8	121	13.5	61	13.9		
Food Prepared at Home	150	32.6	130	14.5	99	22.6		
Food Eaten Away from Home	50	10.9	71	7.9	224	5.7		28.3
Alcoholic Beverages	20	4.3	19	2.1	8	1.8		
Clothing and Clothing Service	90	19.6	127	14.1	54	12.3		
Medical Care	-	-	37	4.1	21	4.8		
Transportation	5	1.1	115	12.8	68	15.5		
Subtotal	333	72.3	620	69.0	336	76.6		