

Current Support Brief

SOVIET HOUSING CONSTRUCTION CONTINUES TO LAG



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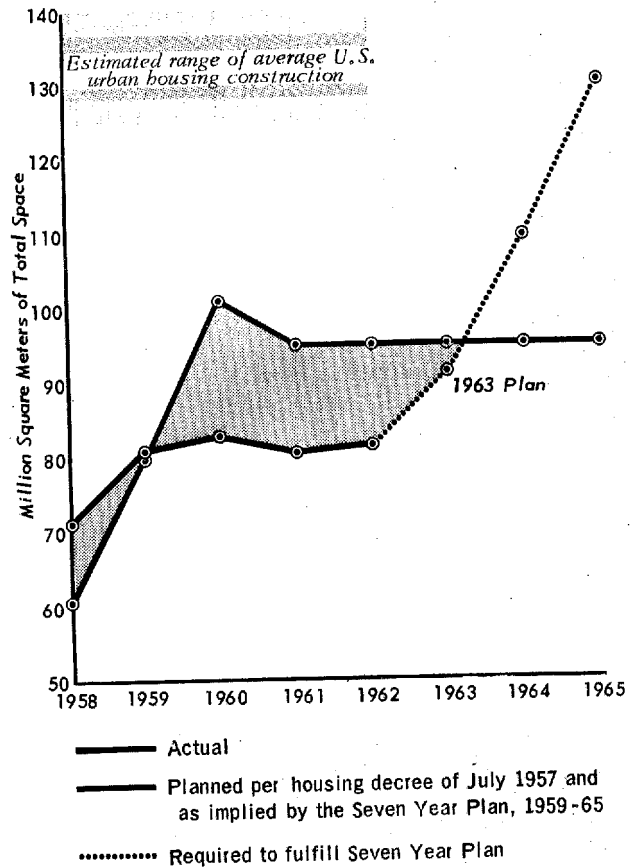
Khrushchev has not made good so far on his pledge of a rapid and continuing improvement in urban housing, as construction plans have been allowed to lag substantially in 1960-62, while at the same time more than the anticipated number of people have moved from farm to town. Although the Soviet government continues to agree with Soviet public opinion that housing is its single most pressing domestic problem, the government has not yet shown a willingness to commit adequate economic resources to the timely solution of the shortage. Obstacles to a significant expansion of housing construction are as follows: heavy demands on construction for industrial and, presumably, military programs; technological difficulties in the housing program; and the state's repugnance toward the resumption of private housing construction on a massive scale. The effect of these obstacles can be overcome only by the assignment to housing of a high construction priority similar to the one in force between 1957 and the middle of 1960.

1. Trends in Housing Construction

In 1962, for the third year in a row, urban housing construction in the USSR fell far short of the annual plan. 1/ In spite of this shortfall, which had been anticipated by the government, the housing plan for 1963 2/ has been set so low that the unambitious Seven Year Plan (1959-65) now appears to be headed for an underfulfillment of 5 to 10 percent (see the chart, Figure 1).

Figure 1

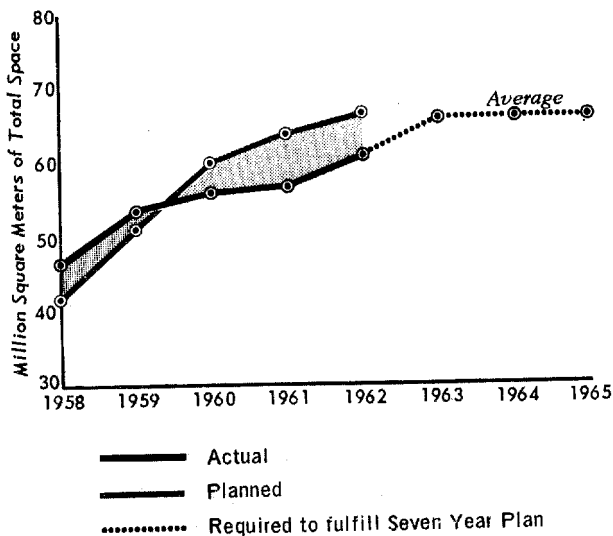
USSR
TOTAL URBAN HOUSING CONSTRUCTION,
1958-65



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Figure 2

USSR
 STATE URBAN HOUSING CONSTRUCTION,
 1958-65



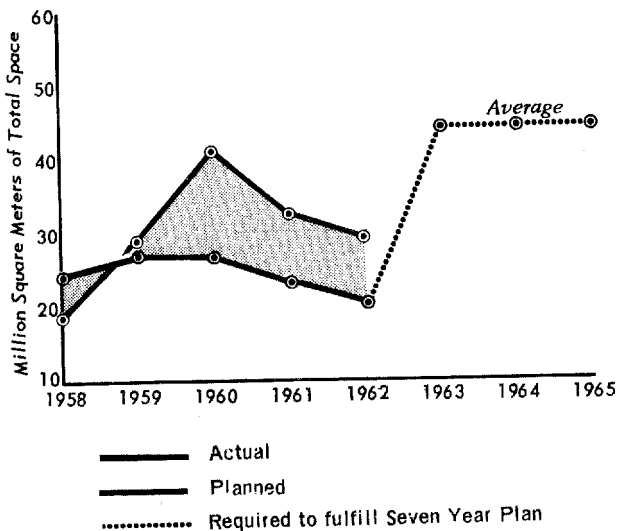
Whereas state housing plans have been only moderately underfulfilled in 1960-62, private housing plans have been underfulfilled by about 30 percent (see the charts, Figures 2 and 3). Present indications are that state construction will have to bear the brunt of any effort to reduce the over-all gap in housing goals, inasmuch as there is no evidence that private housing, which was scheduled to comprise more than one-third of all new housing in the Seven Year Plan, will recover from the restraints imposed on it since 1960.

2. Improvement in the Level of Housing

It also is likely that the urban population in 1965 will exceed earlier Soviet expectations by at least 15 million residents. ^{3/} Annual increases in the urban housing stock have been declining, from 7.7 percent in 1959 to 6.9 percent in 1960 to 6.2 percent in 1961 and to about 6 percent in 1962, while the urban population increased between 1958 and 1961 at an annual rate of 3.5 to 4.0 percent.

Figure 3

USSR
 PRIVATE URBAN HOUSING CONSTRUCTION,
 1958-65



At this rate the USSR would not move until well beyond the target year of 1970 from its present level of about 6.2 square meters (sq m) of living space per capita to the goal of 9 sq m that is referred to as the minimum sanitary norm.

Soviet propaganda makes continued attempts to obscure the shortfalls in the planned construction of floorspace by emphasizing -- and somewhat exaggerating -- the large number of new dwelling units that have been built during the last 6 years.

Nevertheless the need, particularly for newcomers to the city, has outstripped the large increase in the supply of new dwelling units. Furthermore, although many Soviet families have welcomed the greater privacy afforded by their new apartments, they have regarded the cramped unattractive quarters with increasing disfavor. In the new units, residents are allocated an average of a little more than 6 sq m of living space. (In the USSR, the term living space relates to living rooms and bedrooms only, inasmuch as dining rooms, recreation rooms, dens, and similar rooms are virtually nonexistent). In the US the average living space per capita is approximately 28 square meters. 4/

Such inadequacy in the USSR undoubtedly will produce mounting pressures from the populace which could cause the regime considerable trouble but which, in some cases, might be turned into an asset for management. For example, recent Soviet reports have reemphasized ways in which management could use housing to further the objectives of individual plants. With adequate housing, plant management could reduce excessive labor turnover, provide additional incentives for above-plan profitability, and use their housing as a lure to attract workers from other areas to increase the number of shifts in order to operate productive equipment more effectively. 5/

3. State Housing Construction

Although central authorities undoubtedly are aware of both the mass demand and the potential benefits to industrial production of more housing, both planners and executives recently have treated housing generally as a low-priority objective in state construction. State housing completions, after rising rapidly in 1957 and 1958 and continuing to grow at a slower rate until mid-1960, suffered a sharp decline. Growth appeared to resume some time in the latter half of 1961, but this growth in turn was abruptly disrupted in the summer of 1962.

A decreasing share of state construction funds has been allocated to housing annually since the 1960 plan. Similarly, indications are that on-the-spot decisions have tended to defer housing construction in favor of conserving resources for other kinds of construction. 6/ The result has been a decline in housing's share of state construction to 27 percent or less in 1962 from the alltime high of 32.6 percent in 1958.

Another expression of the low priority for state housing in recent years has been the slow technological transition to the large-panel method of construction. In this method, reinforced concrete panels of story

height are factory-produced, trucked to the site, and hoisted by crane and fitted into place by small crews of specialists. Large panels are intended rapidly to replace brick as the major wall material in state housing construction (see the chart, Figure 4). The government has failed, however, to provide sufficient coordination and technical assistance to get the program quickly underway. The factories for production of the panels have been built far later than scheduled -- sometimes by 2 or 3 years -- and also have not been completely equipped. In some locales, builders have been reluctant to switch from brick to large-panel construction. The quality of the panels often has been poor, and many more workers have been required than anticipated. Costs of large-panel housing have not been reduced as much relative to the cost of brick structures as the planners had hoped. These difficulties have caused Soviet planners to lower the goal for large-panel housing in 1963 to 10 million sq m of living space, 7/ a goal that is estimated to be roughly one-half of the amount of such housing that had been contemplated for 1963, earlier in the Seven Year Plan.

The underfulfillment of plans for large-panel housing in 1960-62 is roughly equivalent to the underfulfillment of the annual plans for state housing construction. In spite of ample early indications of a substantial shortfall in large-panel construction, Soviet planners apparently failed to provide contingencies for production of bricks adequate to compensate for lags in production of large panels. In fact, since 1959 the rate of growth in production of bricks has dropped sharply. A reawakened interest in brick -- taboo for many years because of Khrushchev's bestowal of a blessing on precast concrete -- has been evident, however, in recent Soviet publications on construction, 8/ and it now seems possible that more vigorous steps will be taken to increase production of brick and its use in housing. Thus any further lags in construction of large panels may not have such a damaging effect on the state housing program.

4. Private Housing

The overriding factor in private housing continues to be the government's -- and particularly Khrushchev's -- repugnance toward the development of "a private property philosophy ... deeply hostile to socialism." 9/ Although in recent years the government has not openly restricted or hampered private builders, the effect has been much the same, for the volume of private housing has declined every year since 1959 and the private sector's share of urban housing has dropped to about 25 percent in 1962 from its peak of 34 percent in 1958 and 1959 (see the charts, Figures 1 and 3, above).

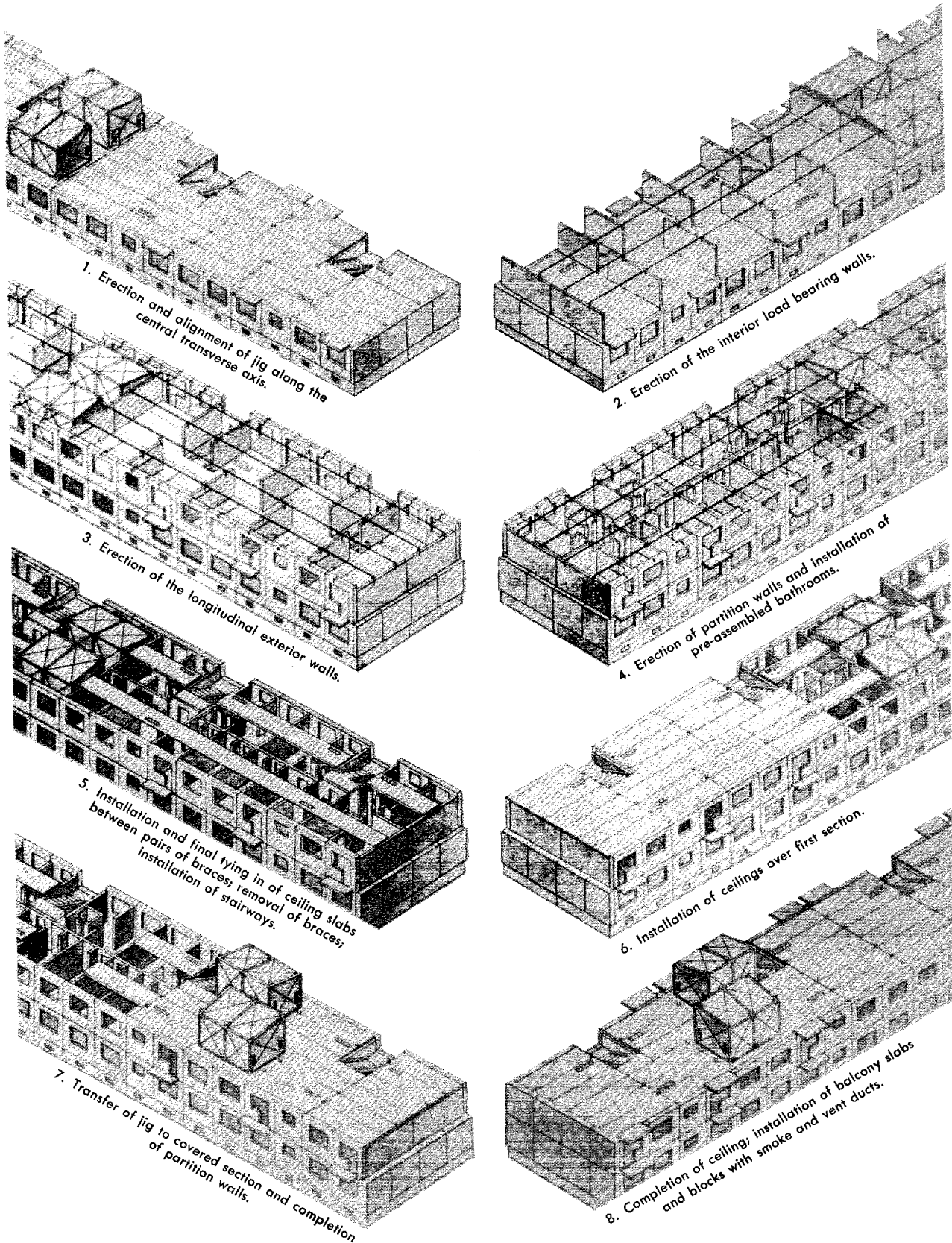


Figure 4. USSR: Steps in One Method of Assembly of Large-Panel Apartment Houses
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Probably because of its awareness of the popularity of private housing, the government has equivocated in its opposition to such construction. The most forthright statement, made in the inside pages of Izvestiya for 16 October 1960, was that state loans were no longer to be made for private housing construction. (Approximately one-half of the individuals who are building private housing require state loans for part of their financing. The other half use only their own savings.) This statement was not followed up with further publicity, and it was not possible for US Embassy officials or Western travelers in the USSR to get a clear impression from Soviet officials concerning the government's policy on private construction. The planners apparently ignored the existence of any such policy, however, by setting private construction's share of over-all urban housing construction at the planned high levels of 34 percent in 1961 and 31 percent in 1962.

As matters worked out, the government probably was able to hold private housing down in 1960-62 by being less generous in granting loans, by restricting the number of building permits, and by limiting the availability of building materials and the means of transportation. More private housing certainly would have been built, if the government's policy had been more permissive, inasmuch as there was or could have been available for use substantially more resources -- labor, materials, land, and money -- than actually were used by private builders. Resource requirements of private construction are not closely competitive with the requirements of state construction.

As a sop to the popular urge for private ownership and to absorb some of the available savings, the government has tried to promote cooperative apartments, which are to be paid for by private individuals but built by state construction organizations. 10/ Cooperatives are scheduled to amount to 10 to 15 percent of private housing in 1963-65, and eventually they are to replace the single-family residence in the private sector. There is as yet no evidence that private individuals will buy these cooperatives, the attractiveness of which suffers by comparison with other kinds of housing. Cooperative apartments cost as much as or more than individual homes, and they lack the privacy of the latter. Besides being expensive to buy, cooperative units probably will be so costly to operate that the bills to the cooperative member may be greater than would be the cost of rent of similarly built state apartments. State apartments are so heavily subsidized that they rent for about 5 percent of a worker's pay.

Cooperative apartment houses, unlike individual homes, mainly require the same kinds of labor, materials, and equipment as are required for state housing construction. Thus if the supply of such construction

resources should remain tight at a future time when the government might be under extreme pressure for more housing, the government conceivably might forego the cooperatives in favor of some increase in private, individual construction.

5. Prospects for Urban Housing Construction in 1963-65

In contrast to the bright prospects of 3 years ago, current prospects for Soviet housing construction are not good. Under the impetus of a high priority, housing construction experienced 3 1/2 years of plan overfulfillment and an annual average growth of 25 percent. Then officials were optimistic enough to predict a substantial overfulfillment of housing in the Seven Year Plan. Now, after 2 1/2 years of underfulfillment and stagnation and with no visible sign of corrective measures, it appears that the Seven Year Plan for total housing will be underfulfilled.

The goal of the Seven Year Plan for state housing, however, largely because it was set at an extraordinarily low level, probably will be fulfilled or even exceeded. Annual increases averaging only about 4 percent in 1963-65 will be adequate to bring about plan fulfillment, but state housing construction possibly may be expanded to compensate for a large part of the expected shortfall in private housing construction. Such an accomplishment would require the reinstatement of the priority, a step that would take 6 months to 1 year to become fully effective. This step would imply that the Soviet leaders would be willing to forego some industrial, municipal, school, and other kinds of construction, inasmuch as building materials are expected to continue to be in short supply. Although private housing is expected to fall at least 25 percent short of the Seven Year Plan goal, it could be a last-resort source of additional housing in 1963-65 if the Soviet leaders should feel a desperate need to push the housing part of their consumer program.

Analyst:

Coord:

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