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SPECIAL ANALYSIS

USSR: Consumer Frustrations

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by [REDACTED] CIA

Growing consumer discontent--especially strong among youth and non-Russian nationalities--will cause the Soviet regime of the 1980s serious economic and political problems. After decades of neglecting consumer welfare, Soviet leaders are still paying little more than lipservice to major consumer concerns. If economic growth continues to decline in the 1980s as projected, the standard of living will stagnate, forcing the leadership to increase internal controls or reorder economic priorities. [REDACTED]

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By the mid-1980s, Soviet GNP growth will probably decline to between 1 and 2 percent annually. 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 stagnate or increase by less than 1 percent per year by the mid-1980s. [REDACTED]

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Consumer Attitudes

For most of the time 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 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. The consumer's lack of contact with the outside world also made it difficult to conceive of alternatives to the Soviet way of life. [REDACTED]

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The average citizen's inclination to accept as inevitable his personal circumstances and the system of government under which he lived was accentuated by centuries of authoritarian rule and decades of Soviet propaganda.

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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. [REDACTED]

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Another characteristic of the Russian psyche that 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. [REDACTED]

Impact of Consumer Discontent

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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 people to adopt a new standard of comparison for their material welfare. As World War II grows dimmer in the popular memory, many are increasingly looking with envy at the contemporary West rather than comparing their situation with the grim Soviet past. [REDACTED]

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At the same time, many Soviet citizens have seen their high hopes dashed that improved relations with the US in the era of detente would bring about a dramatic change in the quality of their lives. Some of them have blamed President Brezhnev personally for the rejection of the trade agreement of 1975, seeing this as denying them access to coveted Western merchandise. In any event, the advances that have been made in raising the standard of living have 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]

Discontent with the standard of living is promoting economically counterproductive internal migration and labor turnover. An exodus of youth from the villages to

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more attractive lives in the cities is depleting the able-bodied rural work force. In general, people are moving out of areas that already suffer from manpower shortages to enter areas with labor surpluses. [REDACTED]

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Deficiencies in the availability of housing, consumer goods, and services are contributing particularly to a declining birthrate in the European USSR that is the cause for the country's growing labor shortage. [REDACTED]

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Unsatisfied consumer demand is also providing 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. [REDACTED]

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Crowded housing conditions, combined with the tedium of daily life, contribute to an increasing rate of alcoholism--already among the world's highest--which promotes absenteeism and industrial accidents and thus lowers economic output. [REDACTED]

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

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The short-run consequences of continuing present policies probably will not pose a serious 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 protests since 1975, but the level of unrest has been manageable. [REDACTED]

Over the longer run, however, consumer dissatisfaction would have severe political consequences. Soviet

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leaders can ill afford to ignore the material demands of their increasingly acquisitive society. If the regime is unable to maintain improvement in the standard of living by the mid-1980s, the incidence of active unrest may well grow and push the leadership into taking more strenuous action to deal with consumer demands. [REDACTED]

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