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CONSUMER WELFARE

David W. Bronson
Barabara S. Severin

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Consumer Welfare

1. The forward momentum achieved in the mid-1960's in improving consumer welfare slowed in 1968 and 1969. According to Soviet data, real income per capita (which includes wages, farm income-in-kind, and transfer payments) rose slightly more than 6 percent in 1968 and 5 percent in 1969, in contrast to 6 1/2 percent annually during 1966-67. The slowdown in the growth of consumption^{per capita} in 1968-69 was even more marked -- 4 1/2 percent and 3 1/2 percent, respectively, compared to an average rate of 6 percent during 1966-67. Some letdown in 1968 in the rate of growth of consumption was anticipated after the all-out effort by the regime in 1967, occasioned by the fiftieth anniversary jubilee year celebration, to give the consumer a better shake. However, the continued decline in 1969 was not expected and was in part explained by a poor agricultural year. As a result, the upward trend in improving the quality of the Soviet diet was reversed; per capita consumption of some quality foods such as meat was lower in 1969 than in 1968.

2. As in the past several years, consumers continued to salt away much of their excess purchasing power in savings banks. For the fifth year in a row, savings deposits rose by about 20 percent in 1969. The increment of 6 billion rubles was equivalent to approximately two-thirds of the increase in personal income. At the end of 1969, total deposits amounted

to more than one-fifth of that year's personal income, compared with one-seventh in 1960. The excess purchasing power was also reflected in rising prices in both 1968 and 1969 in the collective _____ farm market, the only organized free market in the USSR. Prices for perishable foods in Moscow collective farm markets rose sharply during the second half of 1968, reaching levels 8 1/2 percent above those of the second half of 1967. The upward price spiral continued throughout 1969 -- the average level for the year was 10 percent above that of 1968.

Trends in Consumption

A. The Period 1968-1969

3. The acceleration in growth of per capita consumption of goods and services achieved in 1966-67 was not sustained during 1968-69. By 1969 growth in per capita consumption had declined to approximately half the 1967 rate (see table below) and was the lowest posted under the Brezhnev-Kosygin regime. In addition to the overall slowdown, the rates of improvement among the various categories of consumption differed considerably in both years. In 1968, the durable goods, personal services, and health and education components grew at more rapid rates than during 1967; the food and soft goods components grew markedly slower. In 1969, growth of all categories declined to rates below those achieved in 1967.

4. Per capita consumption of food, which comprises over half of personal consumption in the USSR, increased by nearly 3 1/2 percent in 1968. Moreover, as a result of the boost in farm supplies of meat and milk in 1967 and early 1968, the quality of the diet improved. The situation changed

USSR: Average Annual Rates of Growth in Per Capita Consumption
by Major Component, 1956-68 ^{1/}

	Percent					
	<u>1956-60</u>	<u>1961-65</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Total consumption per capita	4.0	3.0	5.2	6.6	4.6	3.7
Food	2.8	2.3	4.5	5.1	3.3	0.8
Soft goods	4.8	1.4	6.5	7.9	7.3	6.8
Durables	13.5	8.0	10.9	8.0	8.5	4.2
Personal services	5.9	5.5	6.1	7.2	8.1	6.2
Health and education services	3.8	5.4	4.6	2.9	5.7	2.7

^{1/} See footnote 1 of Table 2 and notes to tables on consumption. The base year for the calculations shown in each column is the year before the stated initial year of the period, i.e., the average annual rate of increase for 1956-60 is computed by relating consumption in the year 1960 to base year 1955.

sharply in 1969; food consumption grew by less than one percent. Furthermore, a decline in supplies of meat, fresh fruit, and vegetables forced consumers to substitute less desirable starchy foods in order to maintain the daily level of calorie intake. Indeed, annual per capita consumption of meat and vegetables in 1969 was 5 percent below 1968 levels. Although the average calorie intake of the population has fluctuated narrowly over the past decade -- about 3,100-3,200 calories a day -- there had been a steady decline in the share of calories provided by basic foods such as potatoes and grain products, along with an increase in the share of calories provided by quality foods such as meat and milk until 1969. The share of calories derived from starchy foods, the so-called starchy staple ratio, dropped from 62 percent in 1960 to 54 percent in 1968. However, it increased to 55 percent in 1969.

5. Although the rate of growth of per capita consumption of soft goods has been falling off since the 1967 peak, it is still far above the rate registered during the first half of the decade -- a period noted for consumer resistance to the low quality and lack of variety of clothing, fabrics, and shoes in the market. Steady growth of domestic production, emphasis on quality improvement, and continuing imports -- primarily readymade clothing and shoes -- from both Eastern and Western Europe have resulted in substantially higher rates of increase in recent years. In contrast, after nearly two decades of rapid growth, the rate of growth of per capita production and sales of durable goods dropped sharply in 1969. The decline reflects a fall-off in the rates of growth of production of some goods, particularly refrigerators

and washing machines, and sales of others, particularly television sets. Although households have rapidly increased their holdings of durable goods, available stocks remain low, and a pent-up demand for many types of durables still exists. Long delays in retail availability are common; for example, orders taken in 1963 for a specific brand of refrigerator were being filled in 1969. On the other hand, the large differential between the rates of increase in output of television sets -- up 15 percent over 1968 -- and retail sales -- no increase over 1968 -- suggest that the backlog of consumer demand for at least one major durable has been filled (at the relatively high and fixed level of retail prices).*

6.. Improvement in housing conditions continued to be slow. The quantity of housing constructed in both 1968 and 1969 was below that in 1967. Nevertheless, for the two-year period as a whole, the stock of available housing increased by 5 1/2 percent, providing a slight increase in per capita living space. The current per capita availability of 77 square feet is still far short of the official standard Soviet authorities have set as a minimum for health and decency (97 square feet per capita). Nevertheless, the current level does represent an increase in space per capita of 20 percent since 1960 and has been accompanied by an appreciable improvement in individual privacy -- fewer people per room and more apartments with private kitchens and baths.

* But price reductions on selected ("unpopular") models in recent years have not increased their sales significantly.

7. In 1968 and 1969, consumers also reaped some benefits from the accelerated efforts in the past several years to modernize the grossly inadequate domestic trade network, and to construct public buildings and municipal facilities to meet the needs of growing urbanization. Personal services during 1968-69 grew by 8.1 and 6.2 percent, respectively. Even more welcome to consumers was the substantial expansion in the supply of state-provided "everyday" services (ranging from barber shops and public baths to shoe and clothing repair and cleaning). The backlog of needs in all of these long-neglected areas of personal and communal services is still enormous, however.

B. US-Soviet Comparison

8. In 1968 Soviet consumption per capita was about 33 percent of the US level (see Table 1), up slightly from 32 percent in 1967. Per capita consumption of food in the USSR was about 57 percent of that in the United States; per capita consumption of soft goods, about 18 percent; durable goods, about 9 percent; health and education services, about 57 percent; and other services, 27 percent (see Table 2). Daily food consumption in the USSR in 1968 is compared with that in the United States in 1909-13 in Table 3. Stocks of selected home appliances in the USSR are compared with those in the United States in Table 4. As shown in Table 5, the Soviet Union has made rapid advances in health and education services. The supply of these services, in terms of available medical and teaching personnel, has exceeded levels in the United States since the mid-1950's.

Trends in Money Income

9. During 1968-69 total money income of the Soviet population increased by nearly 25 billion rubles to an annual level of more than 170 billion rubles (see Table 6). On a per capita basis, the increase of ^{disposable} incomes amounted to about 9 1/2 percent in 1968 and 5 percent in 1969. The great disparity in the growth rates in the two years resulted largely from an unusually large increase in the average earnings of wage and salary workers in 1968 -- 7.5 percent, compared to less than 4 percent in 1969. The main reason for the sharp rise in money wages during 1968 was the implementation of wage reforms, which raised wage rates substantially for 1.5 million machine tool operators, increased the general minimum wage by 50 percent (from 40 to 60 rubles a month), and reintroduced longevity payments for workers in remote regions.

10. The growth rates of collective farm wage payments in 1968 and in 1969 were even more disparate than were the growth rates of earnings of wage and salary workers. After rising by 11 1/2 percent in 1968, total collective farm money wages rose by less than 4 percent in 1969. During 1966-68 collective farmers enjoyed the benefits of a series of earnings reforms and good harvests. The culmination of these reforms in 1968 and a generally poor agricultural year in 1969 largely accounts for the more pedestrian pace of earnings of collective farmers in 1969.

11. In most Western countries living standards are conventionally measured by the total income of the population adjusted for price changes. In the Soviet Union, however, central planning and price controls have prevented the producing sectors of the economy from responding fully to the higher

incomes by increasing the quantity of goods and services or raising prices. As a result, in recent years income gains have outpaced gains made in levels of living. The rapid rise in personal savings held in state banks is an indication of the gap between incomes and consumption. Since 1965 total personal savings have more than doubled (see Table 7). The average size account in 1968 equalled more than four months wages of the average worker and in 1969, for each additional 10 rubles of income nearly 7 rubles were set aside in savings. At the same time, long queues still exist for many goods and services indicating that savings are more a result of shortages than of satiation of demand.

Notes to Tables on Consumer Welfare

A. Consumption

The international comparisons shown in the following tables are subject to both statistical and conceptual limitations. Nevertheless, it is believed that the quantitative results are fairly reliable. With respect to non-quantitative factors, however, the comparisons undoubtedly are biased in favor of the USSR. Although every effort has been made to match goods of identical quality in the two countries, precise matching has not always been possible. In housing and health services, in particular, the allowances for differences in quality are probably inadequate. Furthermore, there are two characteristic deficiencies in the Soviet pattern of consumption that could not be measured, but they are undoubtedly significant: first, the observable lack of balance between supplies of particular kinds of goods and the demand for them that continues to be endemic; and second, the lack of variety and diversity and the resulting lack of choice on the part of consumers.

Differences between the figures presented in Tables 1 and 2 below, and those given in US Congress, Joint Economic Committee, "Soviet Economic Performance: 1966-67", Washington, 1968, pp. 92-93, are due to the following:

(1) There are five component indexes (food, soft goods, durables, personal services, and health and education services) instead of three.

(2) The USSR indexes of consumption have been changed as follows:

(a) The base year weights for 1955 have been further revised.

(b) The volume indexes of these components have undergone further revision.

(3) Further adjustments have been made in the 1955 ruble/dollar price ratios. Based on a review of new evidence concerning prices and relative qualities of goods and services, some downward adjustment was carried out in the ruble/dollar ratios for food, and some upward adjustment in the price ratios for health and education services.

(4) In the 1968 publication, 1955 ruble/1966 dollar price ratios were used to convert each of the components of consumption from rubles to dollars or from dollars to rubles; in the tables below, 1955 ruble/1968 dollar price ratios were employed. Because of the divergency in price trends of the major components the calculated shares will differ somewhat.

(5) The slight differences in US consumption indexes result largely from the use of 1968 price weights instead of 1966 relative prices in aggregating the several components included in each index. In most cases the differences are caused by rounding.

B. Money Incomes

The USSR does not publish estimates of personal disposable money income. However, with the publication, beginning in 1965, of

monthly
average A wages for wage and salary workers and, beginning in
1968, of the total wage bill for collective farmers estimates for the
components covering approximately 95% of the total disposable income
can now be derived directly from official Soviet statistics. In
constructing estimates for the remaining components, it is necessary
to use Soviet data appearing in a number of different sources and in
some cases, independent estimates.

Table 1

USSR and United States: Total Consumption Per Capita, 1955, 1958, 1960, 1962-69

	<u>1955</u>	<u>1958</u>	<u>1960</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
USSR <u>1/</u> (1960 = 100)	82	93	100	105	107	109	116	122	130	136	141
United States <u>2/</u> (1960 = 100)	93	96	100	104	107	111	116	121	124	128	NA
USSR consumption per capita as a percent of United States <u>3/</u>	27	30	31	31	31	30	31	31	32	33	NA

1/ Composite index of five major categories -- food, soft goods, durables, personal services, and health and education services.

2/ Based on data of the US Department of Commerce. In addition, estimates of current public expenditures on health and education are included. Data to permit calculation of US consumption in 1969 are not published until mid-1970.

3/ The datum for 1955 is derived in the same way as CIA, A Comparison of Consumption in the USSR and the United States, January 1964, p. 15. However, some adjustment in the 1955 ruble/dollar price ratios changed USSR consumption per capita as a percent of USSR slightly (see note above). Data for the remaining years are obtained by moving the datum for 1955 by the indexes presented in Table 2, below.

Table 2

USSR and United States: Consumption Per Capita by Major Component
1955, 1958, 1960, 1962-69 1/

	1955	1958	1960	1962	1963	1964	1965	1966	1967	1968	1969
Food products USSR (1960 = 100) United States (1960 = 100)	87 98	96 99	100 100	102 101	104 101	105 103	112 106	117 107	123 107	127 109	128 NA
USSR as a percent of US 2/	43	47	48	49	50	49	51	53	56	57	NA
Soft goods USSR (1960 = 100) United States (1960 = 100)	79 94	91 96	100 100	105 104	105 107	106 112	107 117	114 124	123 126	132 129	141 NA
USSR as a percent of US 2/	15	17	18	18	18	17	17	17	18	18	NA
Durable goods USSR (1960 = 100) United States (1960 = 100)	53 105	73 88	100 100	114 106	122 114	132 124	147 138	163 146	176 147	191 161	199 NA
USSR as percent of US 2/	4	6	7	8	8	8	8	8	9	9	NA
Personal services USSR (1960 = 100) United States (1960 = 100)	75 91	89 97	100 100	111 103	116 107	123 110	131 114	139 117	149 120	161 124	171 NA
USSR as percent of US 2/	17	19	20	23	23	23	24	24	26	27	NA
Health and education services USSR (1960 = 100) United States (1960 = 100)	83 81	92 93	100 100	108 107	113 110	118 117	130 122	136 130	140 138	148 144	152 NA
USSR as percent of US 2/	57	55	55	56	57	56	60	58	56	57	NA

1/ Indexes for the USSR were obtained using the basic procedures presented in US Congress, Joint Economic Committee, New Directions in the Soviet Economy, Washington, 1966, p. 520-522 (hereafter referred to as New Directions). Indexes for the United States are based on data from the US Department of Commerce.

2/ See footnote 3, Table 1, above.

Table 3

USSR and United States: Availability of Food Products for Human Consumption, by Major Food Group,
Selected Years, 1953-68

	USSR 1/				United States			USSR 1968 as Percent of US 1909-13
	1953	1958	1962	1968	1909-13 2/	1962 2/	1968 2/	
Grain products, potatoes, and pulses	2,169	2,031	1,931	1,744	1,560	833	832	112
Fats and oils, including butter	209	246	288	347	408	502	562	85
Sugar	168	229	292	350	408	509	530	88
Meat and fish	139	170	186	215	555	593	660	39
Milk and milk products, excluding butter	220	320	305	342	328	399	380	104
Vegetables, fruit, eggs, and other foods	195	204	198	196	231	284	286	85
Total	3,100	3,200	3,200	3,200	3,490	3,120	3,250	

1/ Consumption of food in the USSR was estimated as described in New Directions, p. 520-21, and was converted to calorie values with factors from UN Food and Agriculture Organization, Food Composition Tables for International Use, Rome, 1954. The average daily intake of 3,200 calories is based on Kommunist, No. 4, 1964, p. 38, and other Soviet sources. It is, of course, an arbitrary parameter within which consumption of individual products is distributed according to production and utilization data. The difference between the total calories derived from foods for which reasonably reliable production and utilization are available and about 95 percent of the estimated daily per capita intake is estimated to have been made up by grain products. The remaining 5 percent is estimated to have been derived from vegetables, fruit, eggs, and other foods.

2/ US Department of Agriculture, Economic Research Service, Agricultural Economic Report, No. 138, Food Consumption, Prices, Expenditures, Washington, 1968, p. 94-95.

3/ US Department of Agriculture, Economic Research Service, Supplement to Agricultural Economic Report, No. 138, Food Consumption, Prices, Expenditures, Washington, January 1970, p. 31-32.

Table 4

USSR and United States: Household Stocks of Selected Durables,
Selected Years, 1955-68

	Units per thousand persons			
	1955 1/	USSR 1960 2/	1968 2/	US 1968 4/
Sewing machines	31	107	154	136 5/
Refrigerators	4	10	58	244
Washing machines	1	13	106	207
Radios	66	129	186	1,450 6/
Television sets	4	22	112	420 6/
Automobiles	2	3 1/2	5 3/4	412 7/

USSR as Percent of US
in 1968

- 1/ US Congress, Joint Economic Committee, Soviet Economic Performance 1966-67, Washington, 1968, p. 94.
 2/ Tsentral'noye statisticheskoye upravleniye, Narodnoye khozyaystvo SSSR v 1968 godu, Moscow, 1969, p. 596 (hereafter referred to as N.kh. 1968 or for other years in the series of official Soviet statistical yearbooks).
 3/ Based on data for production, imports, exports, and estimated retirements.
 4/ Based on data from US Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1969, Washington, 1969, p. 35, 326. Numbers of refrigerators and washing machines may be understated because they are based on numbers of households with one (or more). Hence, if a household has more than one refrigerator, it is tabulated as "one unit."
 5/ For 1963, electric machines only.
 6/ Electronics Industries Yearbook 1969, Washington, 1969, p. 6. The number of radios is adjusted to include radio-television combination sets; the number of television sets includes color sets.
 7/ Automobile Facts and Figures 1969, Detroit, Michigan, p. 19.

Table 5

USSR and United States: Comparative Indicators of Health and Education Services
Selected Years, 1950-68

	USSR		US	
	1950 <u>1/</u>	1958 <u>1/</u>	1968 <u>2/</u>	1968
Doctors (per 10,000 persons)	13.2	16.8	22.5	15.5 <u>3/</u>
Hospital beds (per 10,000 persons)	56	74	105	83 <u>4/</u>
School enrollments (thousands) <u>5/</u>	34,752	31,483	49,195	44,769 <u>6/</u>
Number of teachers (thousands) <u>5/</u>	1,475	1,900	2,345	1,973 <u>6/</u>
Number of students per teacher	23.6	16.6	21.0	22.7

1/ New Directions, p. 503.

2/ N.kh. 1968, pp. 667, 673, 729, 730.

3/ US Department of Commerce, Bureau of the Census. Statistical Abstract of the United States, 1969, Washington, 1969, p. 65, Data are for 1967.

4/ Journal of the American Hospital Association, Hospitals, 1 August 1969, part 2, p. 474.

5/ Elementary and secondary. In the USSR elementary and secondary includes grades 1-10 for the years given; in the United States, it includes grades 1-12.

6/ Public schools only. US Department of Commerce, Bureau of the Census, Statistical Abstract of the United States, 1969, Washington, 1969, p. 112.

Table 7

USSR: Personal Savings Held in State Banks, 1950, 1960, and 1963-68

	1950	1960	1965	1966	1967	1968	1969
1. Total savings (billion rubles) 1/	1.9	10.9	18.7	22.9	26.9	32.4	38.4
Urban	1.6	8.7	14.0	17.0	19.8	23.8	NA
Rural	.2	2.2	4.7	6.0	7.1	8.6	NA
2. Average size account (rubles)	124	209	326	377	419	473	NA
Urban	151	228	332	380	421	474	NA
Rural	52	157	309	370	413	470	NA
3. Share of additional disposable income saved (percent) 2/	NA	20.7	24.8	41.7	44.6	38.9	67.1

1/ 1950, 1960, 1965-67: Tsentral'noye statisticheskoye upravleniye, Narodnoye khozyaystvo SSSR v 1967 g., Moscow, 1968, p. 699.
 1968: Narodnoye khozyaystvo SSSR v 1968 g., Moscow, 1969, p. 597.

1969: Pravda, 25 January 1970, p. 2.

2/ Line 1 increments from preceding year divided by the additions to disposable income derived from Table 6, Line 7.