

Goods kept off market, as Soviets agonize over reforms

by Rachel Douglas

In *Pravda* of April 4 came a tortured admission that basic foodstuffs in the Soviet Union are not leaving the farm. "An alarming signal has come from the Kuban," wrote the correspondent, referring to the fertile grain-growing region in southern Russia. "Whole districts there, including Maikop-sky, Abinsky, Belorechensky, Donskoi, and Yeisky, have refused to sell grain to the state."

This was no marginal case of failure to fill a "state order," as goods produced on command from Moscow are called. If the farmers of the crucial black earth agricultural zone in southern Russia and Ukraine don't ship grain, Russian cities starve.

That is going on already. "Moscow has now turned into the epitome of the empty store," wrote *Izvestia*'s I. Demchenko in January, while nationwide, "shortages in the consumer market pose a practical threat to the very basis of our existence."

Cities where the potential for rebellion by industrial workers is the greatest, are among those hardest hit by shortages, and have the least capability to redress the crisis by mobilizing local means. In Sverdlovsk, an industrial city in the Ural Mountains, people took to the street at the beginning of 1990, to protest the shortages. In 1989, *Izvestia* reported earlier this year, "the Central Ural sent out its full quota of machines and steel, and in exchange 'bought' bare shelves." A local Communist Party official told Soviet television, in a broadcast monitored by the Foreign Broadcast Information Service (FBIS), "We are . . . among the top three [provinces] for the production of industrial goods in the Soviet Union. Naturally, we cannot provide ourselves fully with food products, since we have just .003 hectares of agricultural land per inhabitant. We can provide only half of our essential produce."

It was to Sverdlovsk that Soviet boss Mikhail Gorbachov,

now styled "President," rushed in April, to issue assurances against the imminence of a retail price hike. In a Sverdlovsk supermarket encounter, broadcast on Radio Moscow and transcribed by FBIS, a woman asked him if prices would jump up in June. Gorbachov sputtered, "No, no, no—yesterday I said, did you hear? In the first place, we won't, as they are saying—Poland, shock treatment—abandon everything and let the market decide!"

Pricing dilemma

If the political penalty of raising prices gives Gorbachov a nightmare, his regime's delay in raising prices—while debating the issue across the pages of every newspaper in the U.S.S.R.—has brought bad dreams to life already. This is the secret of why the Kuban grain-growers hoarded their crop.

Grain procurement by the Soviet state has been falling off since 1987, Gorbachov's third year in power. In an article titled "Soviet Farmers Selling Less Grain to the State," *RSEEA Newsletter*, December 1989, Christian J. Foster charted the percentage of the total U.S.S.R. grain crop procured by the state. *EIR* has adjusted the 1989 figure, based on data released in February 1990, and supplied the tonnages, using the notoriously inflated Soviet gross grain harvest statistics.

Year	% of total procured	mn metric tons procured	mn metric tons grown
1976-80 average	38%	78	205
1981-85 average	37%	67	180
1986	38%	80	210
1987	35%	74	211
1988	31%	60	195
1989	28%	59	211

The alarm "signals" from Kuban and elsewhere suggest that procurement will be even less in 1990. Producer withholding has come up second behind the country's infrastructure deficit, as another monster eating up the food grown in the Soviet Union. (The infrastructure sinkhole still holds first place; its main method of annihilating food is spoilage during transport or storage. Large quantities of imported food are also wiped out in this way. Losses of agricultural output have been estimated, in statements by Gorbachov and by Prime Minister Nikolai Ryzhkov, at between 20 and 40% of total output.)

The disappearance of 20 million metric tons of grain from a year's state stocks since 1986, seen in the table, is due to the search for higher prices. The grain was either sold by the collective farms to trade cooperatives (the coops, allowed under Gorbachov's reforms, include many wholesale and retail traders), used as feed grain to increase the production of meat for lucrative sale to the coops, or hoarded, in the expectation that a jump in the *state* procurement price is just around the corner—given all the talk about transition to a "market" economy.

In October 1989, a *Pravda* article datelined Dnepropetrovsk Province, Ukraine, hinted about how the reforms were likely to force food-growers to such measures. The Law on the State Enterprise, which went into effect Jan. 1, 1988, gave industrial producers increased say-so over what they produce and whom they sell it to. In one of the many failures of the perestroika package, many plant managers chose to curtail production to just a few items, generally those with the highest prices! As a result of this and other factors, the machinery, fertilizers, and other necessary inputs for the farms have been creeping upwards in price.

Pravda's Dnepropetrovsk report showed that collective farm people were caught in the scissors between these high prices on their purchases and the low prices the state pays for their products. Twelve thousand collective farm workers from one district signed a complaint to the Supreme Soviet, which said: "We understand our role in supplying the cities with agricultural produce and we are not going on strike. But without a fundamental solution, we will be forced to send our produce not to the state processing points, but to the collective farm markets, in order to have enough money to purchase the industrial goods, machinery, timber, cement, and fertilizers, which we need, but which have become so expensive."

One collective farm director told *Pravda* that the state pays the farm 30 kopecks for a liter of milk, which will fetch a ruble (100 kopecks) at the collective farm market. A regional agro-industrial official agreed that "the question of purchase prices has become key in the agrarian economy. At the beginning of this year, we owed the state 72 million rubles. How are we supposed to pay this off, if fertilizer prices have doubled since Jan. 1? Last year, a Don-1500 combine cost us 17,000 rubles. This year, with a full set of

attachments, it costs 50,000 rubles! We sell the state wool, milk, meat, eggs, and vegetables at less than the cost of production."

Timetables scratched

In the face of rising discontent over shortages and supply breakdowns, the Soviet leadership has collided with stiff political opposition to virtually any single measure adopted as a partial remedy. The record of policy reversals, timetables not met, and other flip-flops on economic reform, since late 1989, shows that prices are the most explosive question.

Nov. 6, 1989. *Pravda* reported on an economists' debate on economic reform, held at the Central Committee of the Communist Party of the Soviet Union. Some economists advocated an immediate transition to a "free market" economy, which Soviet estimates say would jump prices up an immediate 40%, when price subsidies from the state were ended. Gorbachov intervened at this session, to say that economist "Selyunin says that the market itself will sort everything out within a month. I know one thing, within a fortnight, this kind of 'market' would make the whole people take to the streets and topple any government."

The same month, Gorbachov booted the economic reforms off the agenda of the Congress of People's Deputies session convening in December and pushed them into 1990.

Dec. 13, 1989. Prime Minister Ryzhkov, presenting the government's economic plan for 1990, backed off from even a declaration of intent to introduce "market" economic reforms. He said, "It is tempting to accelerate the process of economic transformations as much as possible, in order to obtain an effect from them more rapidly, but the difficulty of the present situation does not allow us to take that path. If we were to attempt . . . to introduce market relations everywhere, and to their full extent, as soon as 1990 or 1991, this could lead to serious economic and social shocks. The inevitable consequence of such a decision would be a spiral of galloping inflation, a reduced role for all economic incentives, a drop in production, massive unemployment, and an aggravation of social tension. . . . It is difficult even to imagine the depth of the possible crisis here. This would be a foolhardy step."

February 1990. Price hikes on diesel fuel, in effect since the first of the year, were rescinded after the threat of a strike by the official trade union leadership, the AUCCTU. On Feb. 11, the party paper *Pravda*, which was editorially taking the side of the official unions, reviewed the affair: "A conflict developed between the All-Union Central Council of Trade Unions and the government, in connection with the increases in diesel fuel prices, freight carriage charges, and electricity prices, as of Jan. 1. The trade unions submitted a protest to the government in this connection. . . . It became clear that, as a result of implementation of this action, working people would lose earnings and enterprises would suffer substantial cuts in their funds for social needs." *Pravda* expressed satis-

faction that "the Council of Ministers has acknowledged its errors as regards the increase in prices."

March 1990. Mikhail Gorbachov succeeded in elevating himself to the new office of President of the U.S.S.R., with a huge concentration of powers in his hands. In a front-page interview in *Izvestia*, Deputy Prime Minister Leonid Abalkin asserted that this was most critical for the economy: "Cardinal reform of the economy requires strong, and I especially stress, authoritative power. The government program for curbing the economy . . . was immediately subjected to mass attacks and discrediting. But it would be desirable, for all who are concerned with the fate of the country and the people, to close ranks for its implementation."

In a typical pro-price reform article in this period of time, *Izvestia* on March 22 carried Murmansk engineer A. Chigrin's cry, that "low prices are bankrupting us." He wrote, "Everybody knows there is more money than goods, and that there are not enough goods at current prices for all. But almost everybody is against raising prices. Each person hopes that it won't be his money that turns into wastepaper." He refuted the argument that low prices must be maintained because of "the existence of a significant layer of the population with low income." It is true, said Chigrin, that "the pay for many socially necessary professions hovers around the minimum subsistence level, while a significant portion of pensioners do not have the means for satisfying even elementary requirements of living. But reasonable people, it seems to be, should see in this cause for correcting the senseless system of wages and pensions, not for preserving senseless prices."

March 28, 1990. Established as "President," Gorbachov in his inaugural speech laced into the notion of any further delays, and called for "radicalization of the economic reform." "There is no denying that there are people who are gripped with nostalgia and who suggested 'backtracking,'" he said. "These are, certainly, dangerous prescriptions." Abalkin and other government officials then promised that a comprehensive economic reform plan would be submitted to the Supreme Soviet by May 1, but Abalkin's aide, Andrei Orlov, told reporters "the package could be rejected."

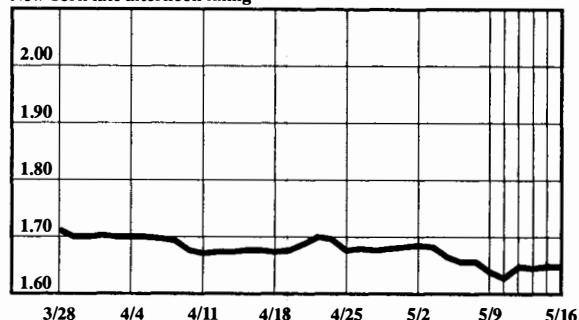
April 1990. A two-session meeting of Gorbachov's new Presidential Council, held April 14 and 18, failed to agree on economic policy. On April 20, Supreme Soviet official Ivan Laptev announced that the reform package would be debated by the Supreme Soviet only at the end of the session running until May 25, or during the autumn session.

The next week, Gorbachov surfaced in Sverdlovsk with his disclaimers about price hikes. But he could not get his story straight. At one stop he told workers there would be no leap to the market. But at the next, he proclaimed, "One should not wait any more. Everything that was scheduled for 1992 and 1993, we should begin carrying out now"—despite the fact that neither government nor Presidential Council can agree on what is to be done.

Currency Rates

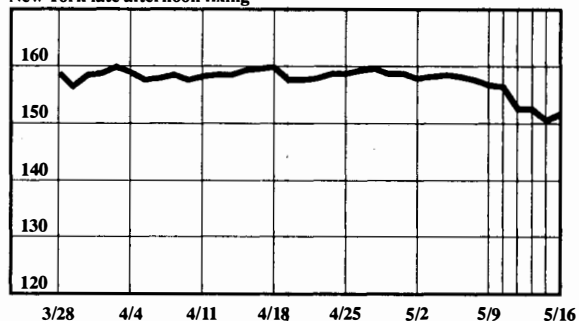
The dollar in deutschmarks

New York late afternoon fixing



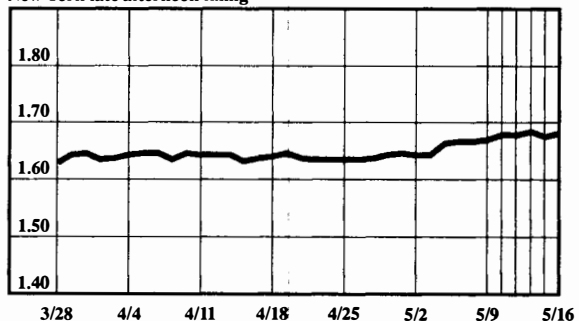
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

